

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018



HOULDSWORTH, RUSSO & COMPANY

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BOYS & GIRLS CLUBS OF SOUTHERN NEVADA

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys & Girls Clubs of Southern Nevada
Las Vegas, Nevada

We have audited the accompanying consolidated financial statements of the Boys & Girls Clubs of Southern Nevada (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2018 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Boys & Girls Clubs of Southern Nevada as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants
20 YEARS & COUNTING

HOULDSWORTH, RUSSO & COMPANY

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Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2019, on our consideration of Boys & Girls Clubs of Southern Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys & Girls Clubs of Southern Nevada's internal control over financial reporting and compliance.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
May 3, 2019

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,354,219
Cash and cash equivalents, with donor restrictions	2,064,106
Investments	5,699,530
Investments, with donor restrictions	2,032,165
Grants receivable	796,349
Unconditional promises to give, current	730,000
Prepaid expenses	70,007
	13,746,376

OTHER ASSETS

Investments, restricted for long-term purposes	383,364
Unconditional promises to give, net of current and discount	2,261,515
Property and equipment, net	18,963,298
Land held for investment	138,800
Investments, with donor restrictions, perpetual	6,049,067
	6,049,067

\$ 41,542,420

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 196,881
Accrued staffing expenses	266,715
Funds held on behalf of others	775,671
Deferred revenue	24,837
	1,264,104

NET ASSETS

Without donor restrictions:	
Without donor restrictions	6,121,806
Without donor restrictions held in property and equipment	18,826,641
Board designated	1,672,995
	26,621,442

With donor restrictions:	
With donor restrictions	13,520,217
With donor restrictions held in property and equipment	136,657
	13,656,874

40,278,316

\$ 41,542,420

See notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

NET ASSETS WITHOUT DONOR RESTRICTIONS	
Revenue, gains and other support:	
Contributions	\$ 665,864
Federal grants	379,359
Other grants	2,291,219
Program fees, net	1,162,613
Federally supported program fees, net	1,941,221
Special event revenue	\$ 629,344
Less: costs of direct benefits to donors	<u>(106,496)</u>
Net revenues from special events	522,848
In-kind donations	47,143
Investment return, net	(506,491)
Rental income	163,971
Other	12,178
Gain on sale of assets	8,647
Net assets released from restrictions	<u>1,520,955</u>
	<u>8,209,527</u>
Expenses and losses:	
Program services	7,348,375
Supporting services:	
Fundraising	355,745
Management and general	<u>712,539</u>
	8,416,659
Unallocated payments to affiliated organizations	<u>37,054</u>
	<u>8,453,713</u>
Decrease in net assets without donor restrictions	<u>(244,186)</u>
NET ASSETS WITH DONOR RESTRICTIONS	
Contributions	1,505,481
Investment return, net	(362,833)
Net assets released from restrictions	<u>(1,520,955)</u>
Decrease in net assets with donor restrictions	<u>(378,307)</u>
DECREASE IN NET ASSETS	(622,493)
NET ASSETS, BEGINNING OF YEAR	<u>40,900,809</u>
NET ASSETS, END OF YEAR	<u><u>\$ 40,278,316</u></u>

See notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program	Fundraising	Management and General	Total
Salaries and wages	\$ 3,667,476	\$ 235,903	\$ 480,132	\$ 4,383,511
Payroll taxes	334,819	21,537	43,833	400,189
Employee benefits	225,151	14,483	29,476	269,110
Bank and credit card fees	14,705	11,723	-	26,428
Summer camp fees	126,889	-	-	126,889
Computer and technology	155,861	15,530	20,405	191,796
Conferences and training	12,447	801	1,630	14,878
Contract labor	975	5,000	-	5,975
Depreciation	1,020,104	6,890	17,224	1,044,218
Dues and subscriptions	2,670	2,700	2,203	7,573
Food	46,062	-	-	46,062
Insurance	160,680	456	13,849	174,985
Meals and entertainment	8,582	953	3,428	12,963
Other	13,167	787	104	14,058
Postage	601	1,194	1,796	3,591
Printing and copying	36,974	21,356	10,841	69,171
Professional services	31,371	1,387	54,330	87,088
Program services	365,855	-	-	365,855
Rent	59,521	-	-	59,521
Repairs and maintenance	474,693	3,206	8,015	485,914
College scholarships	64,499	-	-	64,499
Supplies	25,456	1,637	3,333	30,426
Income taxes	-	-	4,637	4,637
Telephone and internet	51,005	3,281	6,677	60,963
Transportation and travel	23,545	4,507	4,592	32,644
Utilities	357,385	2,414	6,034	365,833
Vehicle	67,882	-	-	67,882
	<u>7,348,375</u>	<u>355,745</u>	<u>712,539</u>	<u>8,416,659</u>
Costs of direct benefits to donors	<u>-</u>	<u>106,496</u>	<u>-</u>	<u>106,496</u>
Total expenses and costs of direct benefits to donors	<u>\$ 7,348,375</u>	<u>\$ 462,241</u>	<u>\$ 712,539</u>	<u>\$ 8,523,155</u>

See notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (622,493)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,044,218
Change in discount to present value	(130,723)
Donated property and equipment	(8,685)
Realized/unrealized loss on investments	1,230,541
Gain on disposal of property and equipment	(8,647)
Contributions restricted for long-term purposes	(280,000)
(Increase) decrease in operating assets:	
Grants receivable	(161,067)
Unconditional promises to give	1,059,500
Prepaid expenses	(4,228)
Increase (decrease) in operating liabilities:	
Accounts payable	89,791
Accrued staffing expenses	29,838
Funds held on behalf of others	(79,234)
Deferred revenue	12,104
	2,170,915
Net cash provided by operating activities	2,170,915
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales of investments	2,074,881
Purchases of investments	(2,644,412)
Purchases of property and equipment	(547,434)
	(1,116,965)
Net cash used in investing activities	(1,116,965)
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for long-term purposes	280,000
	280,000
Net cash provided by financing activities	280,000
INCREASE IN CASH AND CASH EQUIVALENTS	1,333,950
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,084,375
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,418,325
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash and cash equivalents	\$ 2,354,219
Cash and cash equivalents, with donor restrictions	2,064,106
	\$ 4,418,325
Income taxes paid	\$ 4,637

See notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Boys & Girls Clubs of Southern Nevada (the Organization) is a nonprofit corporation organized under the laws of the State of Nevada for the purpose of enabling all young people, especially those who need Boys & Girls Clubs the most, to reach their full potential as productive, caring, responsible citizens. The core programs engage young people in activities with adults, peers and family members that enable them to reach their full potential. Based on the interest and needs of the boys and girls they serve, clubs offer diverse program activities in five areas: Character and Leadership Development, Education and Career Development, the Arts, Sports, Fitness and Recreation, and Health and Life Skills. The Boys & Girls Clubs of Southern Nevada is supported primarily through donor contributions, grants from donors and organizations, and revenue charged to the children attending the clubs in the Southern Nevada region.

The Boys & Girls Clubs of Las Vegas Foundation, Inc. (the Foundation) was formed in 1985 to provide long-term operational funding for the Boys & Girls Clubs of Southern Nevada. The Foundation was formed with a view towards establishing an endowment of sufficient size that the income therefrom would eventually contribute all, or at least a major portion, of the ongoing operating funds of the Boys & Girls Clubs of Southern Nevada. The Boys & Girls Clubs of Las Vegas Foundation is supported primarily through donor contributions from the Southern Nevada region and investment income.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Principles of Consolidation

The consolidated financial statements include the financial information of the Boys & Girls Clubs of Southern Nevada and the Boys & Girls Clubs of Las Vegas Foundation (collectively, the Organization). The Boys & Girls Clubs of Southern Nevada is consolidated under the principles of FASB ASC since the Boys & Girls Clubs of Southern Nevada has both an economic interest in the Boys & Girls Clubs of Las Vegas Foundation and control of the Foundation through a majority voting interest in its governing board. All material interorganizational transactions have been eliminated.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Organization and the Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization and Foundation qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations other than private foundations under Section 509(a)(2).

Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through May 3, 2019 which is the date the consolidated financial statements were available to be issued.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, operating cash that is not restricted for long-term purposes is considered to be cash and cash equivalents. For the presentation of cash balances, the Organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Under FASB ASC, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are stated at fair market value in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets with donor restrictions in the reporting period in which the income and gains are recognized. If the restrictions expire in the reporting period, the investment income will be reported as without donor restrictions. Investments in real estate consist of property recorded at the fair market value at the date of the donation. Investments in privately held stock are recorded at the estimated fair market value at the date of donation.

Receivables

Grants receivable are stated at the amount management expects to collect from outstanding balances. It is the Organization's policy to charge off uncollectible accounts receivable for program fees when management determines the receivable will not be collected. The program fees and membership dues are delinquent when not received by the day the children attend the Organization or participate in the scheduled activities. There was no allowance recognized as of December 31, 2018.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. It is the Organization's policy to estimate an allowance for pledges receivable based on an annual assessment. The promises to give are assessed to be fully collectible; therefore, no allowance is recorded.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000 and with a useful life of greater than one year. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets.

Buildings and improvements	10-39 years
Equipment	3-10 years
Furniture and fixtures	3-10 years
Vehicles	5-7 years

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount which the carrying amount of the assets exceeds the fair value of the assets.

Revenue With and Without Restrictions

Contributions received are recorded as increases in net assets with or without restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarship Allowances

Program fees and membership dues are reported net of scholarship allowances in the consolidated statement of activities. Scholarship allowances are the difference between the stated charge for goods and services provided by the Organization and the amount that is paid by third parties making payments on the children's behalf. The total scholarship allowances for the year ended December 31, 2018 were \$1,008,335.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services totaled \$34,800 for the year ended December 31, 2018. The contributed services included \$25,000 for garbage collection services at the clubhouses which are recorded as program services and \$9,800 attorney services which are recorded as program services.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Advertising

Advertising costs are expensed as incurred. Total advertising costs for the year ended December 31, 2018 were \$774.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following expenses were allocated on the basis of employee time and effort: conferences and training, employee benefits, payroll taxes, salaries and wages, supplies, and telephone and internet.

The following expenses were allocated on a square footage basis: depreciation, repairs and maintenance, and utilities.

The following expenses were directly allocated by function based on the nature of the expense: advertising, bank and credit card fees, summer camp fees, contract labor, dues and subscriptions, food, postage, printing and copying, program services, rent, college scholarships, income taxes, transportation and travel, and vehicle.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation (Continued)

The following expenses were allocated on the basis of a combination of employee time and effort, square footage basis, and directly by function based on the nature of the expense: computer and technology, insurance, meals and entertainment, other expenses, and professional services.

New Accounting Pronouncement

On August 16, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses. The Organization has adopted the provisions of ASU 2016-14 during the year ended December 31, 2018, and has adjusted the presentation of these statements accordingly.

NOTE 2. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by contribution, grant, and program revenues and considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Organization's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Cash and cash equivalents	\$ 4,418,325
Investments	14,164,126
Grants receivable	796,349
Unconditional promises to give, current	<u>730,000</u>
Total financial assets	20,108,800
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Unconditional promises to give, in-kind rent	(10,000)
Funds held on behalf of others	(775,671)
Restricted by donors with purpose or time restrictions, peripheral	(1,960,042)
Restricted by donors in perpetuity	<u>(6,049,067)</u>
Total amounts unavailable for general expenditures within one year	(8,794,780)

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 2. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY (CONTINUED)

Amounts unavailable to management without Board's Finance Committee or Foundation Board's approval:	
General endowment	\$ (3,801,867)
Endowment funds with purpose restriction	(2,715,529)
Board-designated emergency funds	(1,422,682)
Board-designated repair and maintenance fund	<u>(250,313)</u>
Total amounts unavailable to management without Board's Finance Committee or Foundation Board's approval	<u>(8,190,391)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,123,629</u>

NOTE 3. CONCENTRATIONS

The Organization maintains funds at two financial institutions located in Nevada whose balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits, which is \$250,000 per depositor. The uninsured balance at December 31, 2018 was \$1,289,971.

The Organization held cash balances in one investment brokerage account not covered by FDIC insurance totaling \$295,834 at December 31, 2018. The Organization's securities are protected from brokerage firms closing due to bankruptcy and financial difficulties by the Securities Investor Protection Corporation (SIPC) up to \$500,000, of which, includes up to \$250,000 of uninvested cash.

The Organization receives funding from the Child Care Assistance program for children eligible for subsidized child care. At December 31, 2018, a receivable balance from the Child Care Assistance program was present in the amount of \$402,613 representing 51% of the grants receivable balance.

NOTE 4. INVESTMENTS AND FAIR VALUE

The privately held stock and real estate investment trusts are not publicly traded and are classified as other investments and included in the scope of FASB ASC 958-325. In accordance with FASB ASC 958-325, the Organization chose to measure these investments at the estimated fair value at the date of donation.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 4. INVESTMENTS AND FAIR VALUE (CONTINUED)

Investments consist of the following at December 31, 2018:

	<u>Fair Value</u>
Public equity securities	\$ 9,349,610
Fixed income securities	4,007,415
Mutual funds	520,652
Privately held stock	285,449
Real estate investment trusts	1,000
	14,164,126
Current	7,731,695
Long-term	\$ 6,432,431

In accordance with FASB ASC, the following are quantitative disclosures about the fair value measurements of assets and liabilities. Fair value measurements are categorized on three levels:

Level 1 inputs are quoted market prices in active markets for identical assets.

Level 2 inputs are inputs other than quoted prices within Level 1; for example, quoted prices for similar assets.

Real estate investment trusts – Inputs other than quoted prices that are observable for the asset or liability directly, for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs for the assets.

Privately held stock – In 2008, the Organization received a private stock donation representing a 2.78% ownership interest in an S-corporation that owns real estate which is leased on a long-term basis. The initial value of this interest was recorded based on the projected lease income over the remaining term of the lease using a discount factor of 3.85%. In 2018, the lease was extended through August 2040. As a result, the interest was revalued. The estimated fair value was based on the present value of an annuity paid through the end of the extended lease term using an estimated incremental borrowing rate of 3.85%.

In 2016, the Organization received a transfer of assets from the Sun Camp Endowment which consisted of an additional 2.78% interest in the privately held stock described above. The Organization is obligated to administer the Sun Camp Endowment through September 30, 2023. This interest was revalued using the same method described above, through the term of the administration obligation.

The Organization holds land for investment, valued at its original donation value of \$138,800 as of December 31, 2018.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 4. INVESTMENTS AND FAIR VALUE (CONTINUED)

Except for the land listed above, the Organization's only assets valued at fair value are its investments. The Organization's investments at December 31, 2018 are as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Public equity securities	\$ 9,349,610	\$ -	\$ -	\$ 9,349,610
Fixed income securities	4,007,415	-	-	4,007,415
Mutual funds	520,652	-	-	520,652
Privately held stock	-	-	285,449	285,449
Real estate investment trusts	-	1,000	-	1,000
	<u>13,877,677</u>	<u>1,000</u>	<u>285,449</u>	<u>14,164,126</u>
Land held for investment	-	-	-	138,800
Total investments	<u>\$ 13,877,677</u>	<u>\$ 1,000</u>	<u>\$ 285,449</u>	<u>\$ 14,302,926</u>

NOTE 5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded at the net present value of estimated future cash flows using discount rates of between 3% and 6%. Amounts are recorded as net assets with donor restrictions until released from restriction.

The expected collections of the unconditional promises to give are as follows at December 31, 2018:

Gross receivable due in less than one year	\$ 1,010,000
Gross receivable due in one to five years	2,050,000
Gross receivable due in more than five years	<u>690,000</u>
	3,750,000
Less: discounts to net present value	<u>(758,485)</u>
	<u>\$ 2,991,515</u>
Current receivable balance	\$ 730,000
Long-term receivable balance, net of discount	<u>2,261,515</u>
Net receivable balance	<u>\$ 2,991,515</u>

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018:

Land	\$ 1,409,704
Buildings and improvements	30,126,809
Furniture and equipment	1,464,471
Vehicles	<u>574,709</u>
	33,575,693
Less: accumulated depreciation	<u>(14,612,395)</u>
	<u>\$ 18,963,298</u>

NOTE 7. BOARD DESIGNATED NET ASSETS

The Board has designated \$1,422,682 for an emergency fund available for operations and \$250,313 for repairs and maintenance at the Kish, Lied, Southern Highlands and James clubhouses, for a total of \$1,672,995.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at December 31, 2018:

Subject to expenditure for a specified purpose:

Capacity building grant	\$ 700,000
Windsong Educational and Teen Programming	503,875
Engelstad Family Foundation - Great Futures Start Here program	434,531
Facility renovation projects	89,337
Triple Play program	18,814
Career Launch program	10,208
Bicycles	3,966
Art supplies	2,000
Project Learn	<u>1,375</u>

Total subject to expenditure for specified purpose	1,764,106
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Subject to passage of time:

Engelstad Family Foundation - Great Futures Start Here program	2,827,166
Pledges-Land and building leases	<u>164,349</u>

Total subject to passage of time	2,991,515
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Perpetual in nature:

Southern Highlands land	136,657
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BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Endowments:

Subject to endowment spending policy and appropriation:

Las Vegas Sun Summer Camp Fund	503,129
Donald W. Reynolds Club repairs and maintenance	502,791
Restricted fund for programs and operations at the Donald W. Reynolds Club	453,179
Ralph and Betty Engelstad Club repairs and maintenance	412,551
Engelstad Family Foundation scholarship fund	326,152
Clubhouse repairs and maintenance	300,000
Engelstad Family Foundation repairs and maintenance for all clubhouses	95,495
Jackie Gaughan Club repairs and maintenance	55,480
John C. Kish Memorial scholarship fund	44,281
Alden music programming	13,754
Brigitte Kirvin Downtown Clubhouse Youth of the Year Award Fund	<u>8,717</u>

Total endowments subject to endowment spending policy and appropriation 2,715,529

Endowments:

Investment in perpetuity:

General endowment	1,709,600
Engelstad Family Foundation scholarship fund	1,500,000
Ralph and Betty Engelstad Club repairs and maintenance	1,000,000
Donald W. Reynolds Club repairs and maintenance	904,467
Engelstad Family Foundation repairs and maintenance for all clubhouses	560,000
Jackie Gaughan Club repairs and maintenance	300,000
John C. Kish Memorial scholarship fund	<u>75,000</u>

Total endowments investment in perpetuity 6,049,067

Total net assets with donor restrictions \$ 13,656,874

Net assets with donor restrictions consist of the following at December 31, 2018:

Cash	\$ 2,064,106
Investments	2,032,165
Investments, long-term	6,432,431
Unconditional promises to give	2,991,515
Southern Highlands land	<u>136,657</u>
	<u>\$ 13,656,874</u>

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Under the terms of the donation agreement with the Southern Highlands Development Corporation, there is a perpetual restriction on the Organization's use of the Southern Highlands land and it may "be used for a youth services facility and charitable, educational and related activities focused on boys and girls," indefinitely.

Net assets were released from donor restrictions during 2018 by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2018:

Satisfaction of purpose restrictions:	
Engelstad Family Foundation - Great Futures Start Here programs	\$ 932,316
Facility renovation projects	46,137
Gear Up program	15,021
Boulder Highway clubhouse furniture and equipment	15,000
Money Matters program	8,750
Bicycles	<u>5,036</u>
	1,022,260
Expiration of time restrictions:	
Pledges - land and building leases	48,371
Endowments:	
Subject to endowment spending policy and appropriation:	
Donald W. Reynolds Club repairs and maintenance	186,548
Restricted fund for programs and operations at the Donald W. Reynolds Club	128,159
Jackie Gaughan Club repairs and maintenance	802
Ralph and Betty Engelstad Club repairs and maintenance	6,329
Engelstad Family Foundation scholarship fund	48,249
John C. Kish Memorial scholarship fund	15,500
Las Vegas Sun Summer Camp Fund	<u>64,737</u>
	<u>450,324</u>
	<u>\$ 1,520,955</u>

NOTE 9. PRIOR PERIOD RECLASSIFICATION OF NET ASSETS

The donation agreement with the Southern Highlands Development Corporation restricted the use of the land and facility as discussed in the previous note. As a time period was not specified in the agreement, the donor-imposed use restriction was released over the useful life of the building until December 31, 2017. During 2018, the Organization adopted FASB ASU 2016-14 (Note 1) which requires nonprofit entities to use the place-in-service approach. This is a retrospective application and, as a result, the implied time restriction related to this agreement will be released in full.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 9. PRIOR PERIOD RECLASSIFICATION OF NET ASSETS (CONTINUED)

In aggregate, unrestricted net assets were increased by \$3,132,986 and reported as net assets without restrictions. Temporarily restricted net assets were decreased by the amount and included in net assets without donor restrictions as of December 31, 2017, summarized as follows:

As originally stated:

Unrestricted:

Unrestricted	\$ 5,947,246
Unrestricted held in property and equipment	16,173,107
Board designated	<u>1,612,289</u>
	23,732,642

Temporarily restricted:

Temporarily restricted	8,129,457
Temporarily restricted held in property and equipment	<u>3,132,986</u>
	11,262,443

Permanently restricted

Permanently restricted	5,769,067
Permanently restricted held in property and equipment	<u>136,657</u>
	<u>5,905,724</u>

\$ 40,900,809

As restated:

Without donor restrictions:

Without donor restrictions	\$ 5,947,246
Without donor restrictions held in property and equipment	19,306,093
Board designated	<u>1,612,289</u>
	26,865,628

With donor restrictions:

With donor restrictions	13,898,524
With donor restrictions held in property and equipment	<u>136,657</u>
	<u>14,035,181</u>

\$ 40,900,809

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 10. ENDOWMENT FUND

As of December 31, 2018, the Organization had eleven endowment funds:

- The Jackie Gaughan Club endowment has corpus with perpetual donor restrictions of \$300,000 for which the earnings on the investment are donor restricted for providing maintenance, upkeep, and general operations of the Gaughan Clubhouse.
- The Reynolds Clubhouse endowment has corpus with perpetual donor restrictions of \$904,467 in which the earnings on the investment are donor restricted for providing maintenance, upkeep, and general operations for the Reynolds Clubhouse.
- The General endowment has corpus with perpetual donor restrictions of \$1,709,600 in which the earnings and remaining balance of the investment account are to fund an annual contribution to the Boys & Girls Clubs of Southern Nevada Founders Drive and for general operations.
- The Restricted Fund for Programs for the Donald W. Reynolds Club endowment has a corpus with donor restrictions of \$904,467 to be used over 20 years. The earnings on the investment and 5% of the corpus may be spent on programs and operations related to the Donald W. Reynolds Club annually.
- The Ralph and Betty Engelstad Club repairs and maintenance endowment has corpus with perpetual donor restrictions of \$1,000,000. The earnings on the investment are donor restricted for providing maintenance and upkeep of the Ralph and Betty Engelstad Clubhouse.
- The Engelstad Family Foundation college scholarship endowment has corpus with perpetual donor restrictions of \$1,500,000. The earnings on the investment are donor restricted to provide annual scholarships to members of the Boys & Girls Clubs of Southern Nevada.
- The John C. Kish Memorial college scholarship has corpus with perpetual donor restrictions of \$75,000. The earnings on the investment are donor restricted to provide scholarship support to members of the Boys & Girls Clubs of Southern Nevada.
- The Brigitte Kirvin Downtown Clubhouse Youth of the Year Award endowment was funded with \$10,000 to provide for expenses incurred by the Downtown Youth of the Year candidate when competing for the Southern Nevada title, state title, and national title. The earnings on the investment are donor restricted to be used toward expenses for the candidate.
- The administration of the Las Vegas Sun Summer Camp Fund was turned over to the Organization effective October 1, 2015. Initial funding of \$510,000 was provided to be used over a period of eight years to send disadvantaged children to summer sleep-away camp.
- Established in 2017, the Engelstad Family Foundation Repair and Maintenance endowment will be funded over five years and will fund repairs and maintenance at any clubhouse.
- The Organization received a donation from an anonymous donor of which \$300,000 is to be restricted for repairs and maintenance at all clubhouses.

The Organization's endowment funds consist of the following assets as of December 31, 2018:

Cash	\$ 296,710
Investments	<u>13,942,749</u>
	<u>\$ 14,239,459</u>

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 10. ENDOWMENT FUND (CONTINUED)

The endowments include endowment funds, board designated funds and earnings. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Nevada state laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with restrictions in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with restrictions in perpetuity are classified as net assets with restrictions until those amounts are appropriated for expenditure by the Organization in accordance with the donors' wishes. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies at December 31, 2018.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution to the Boys & Girls Clubs of Southern Nevada each year a percentage of its endowment fund's average fair value over the trailing 12 quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment. Before payout is determined, a dollar amount equal to the trailing year's inflation rate is placed back into the corpus of the fund in order to offset the impact of inflation.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 10. ENDOWMENT FUND (CONTINUED)

Endowment net assets consist of the following at December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 1,672,995	\$ -	\$ 1,672,995
Donor restricted endowment funds, Perpetual in duration-original gift amount	-	6,049,067	6,049,067
Donor restricted endowment funds			
Repairs and maintenance	-	1,366,317	1,366,317
Program	-	475,650	475,650
Scholarships	-	370,433	370,433
Las Vegas Sun Summer Camp Fund	-	503,129	503,129
General endowment	<u>3,801,868</u>	<u>-</u>	<u>3,801,868</u>
	<u>\$ 5,474,863</u>	<u>\$ 8,764,596</u>	<u>\$ 14,239,459</u>

Changes in endowment net assets for the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,081,792	\$ 8,927,621	\$ 15,009,413
Investment return, net	(528,331)	(362,833)	(891,164)
Appropriation of endowment assets for expenditure	(302,749)	(501,778)	(804,527)
Contributions	<u>224,151</u>	<u>701,586</u>	<u>925,737</u>
Endowment net assets, end of year	<u>\$ 5,474,863</u>	<u>\$ 8,764,596</u>	<u>\$ 14,239,459</u>

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 10. ENDOWMENT FUND (CONTINUED)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for long-term purposes. Under this policy, as approved by the Foundation Board of Trustees, the endowment assets are invested in a manner that is intended to 1) increase the overall purchasing power of the endowment through asset growth and income returns and 2) provide a source of funds if the Foundation Board of Trustees deems it necessary for capital expenditures or annual operations. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation under the following parameters:

<u>Asset Class</u>	<u>Normal Allocation</u>	<u>Permissible Range</u>
Investment grade fixed income securities	20%	10%-40%
Other fixed income Securities	13%	3%-23%
U.S. equity securities	37%	27%-47%
Non-U.S. equity securities	25%	15%-35%

NOTE 11. RETIREMENT PLAN

The Organization amended the 401(k) plan effective December 1, 2016. Employees age 21 and over are eligible to contribute up to 25% of their gross income, subject to IRS limitations, to the 401(k) plan after completing one year of service and 1,000 hours.

The Organization matches employee contributions at 50% of up to 6% of the respective employees' compensation. Vesting of the matching contributions occurs over a five-year period after match eligibility. Retirement expense totaled \$10,573 for the year ended December 31, 2018.

The Organization had a retirement plan that should have been terminated in 2014 following the merger of the Henderson and Las Vegas organizations. No participant balances remained in the sunset plan past that time; however, the forfeiture balance was not transferred to the surviving retirement plan until 2018. Forms 5500 for plan years 2014 to 2016 were filed under the Delinquent Filer Voluntary Compliance Program in 2018. The 2017 Form 5500 was filed on time, and the Form 5500 Final Return with a zero balance has been filed for 2018.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 12. LEASES

The Organization signed a five-year lease agreement in October 2015 with the Centennial Park Apartments for the Montandon Clubhouse for the use of a facility at 2725 N. Donna Street in North Las Vegas at a rate of \$1 per year. Prior to this, the Organization was leasing the facility on a month-to-month basis. At inception, the fair value of the lease was recognized as an unconditional promise to give. The Organization canceled the lease and moved out in August 2018. For the year ended December 31, 2018, rent expense in the amount of \$12,000 was recognized.

The Organization rents a facility located at 1608 Moser Drive from the City of Henderson for the Boyd Clubhouse. The monthly payment for this facility use is \$500. Beginning September 2012, the lease term is a 5-year lease agreement with one additional 5-year term only upon mutual parties' consent. For the year ended December 31, 2018, rent expense in the amount of \$6,000 was recognized.

The Organization received below market rent for leased land in May 1996. It was valued at \$970,000 at date of donation and is being amortized over 96 years at a rate of 6%. For the year ended December 31, 2018, rent expense in the amount of \$10,000 was recognized.

The Organization entered into an operating lease for copier equipment in April 2015 for five years. Monthly payments on the lease are \$2,077. Total rent expense was \$24,918 for the year ended December 31, 2018.

The Organization signed a lease agreement for use of a donated building at 3475 Mountain Vista Street for the Boulder Highway Clubhouse for \$1 for the period from May 1, 2018 until they receive title for the building. The Organization recognized in-kind rent expense of \$30,000 for the year ended December 31, 2018.

Future minimum lease payments as of December 31, 2018 are as follows:

2019	\$ 24,918
2020	<u>6,230</u>
	<u>\$ 31,148</u>

NOTE 13. LINE OF CREDIT

The Organization has a line of credit through its investments and can borrow against the portfolio up to \$4,000,000. The interest rate is one-month LIBOR plus 200 basis points. There was no outstanding balance on the line of credit at December 31, 2018.

NOTE 14. FUNDS HELD FOR OTHERS

The Organization is both fiscal agent and a grantee for grant funds awarded to the Nevada Alliance of Boys & Girls Clubs by the State of Nevada. The Organization received \$1,000,000 during the year. The balance held for the Nevada Alliance of Boys & Girls Clubs at December 31, 2018 was \$775,671.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

NOTE 15. NATIONAL AFFILIATE

Through its affiliation with the Boys and Girls Club of America, the Organization is required to submit annual dues based the total operating expenses of the previous year. For the year ended December 31, 2018, the Organization paid \$20,400 in dues. The Organization received \$32,021 in donations and \$303,531 in grants passed through their national affiliate for the year ended December 31, 2018.

NOTE 16. RELATED PARTY TRANSACTIONS

The Organization has received cash and in-kind contributions from both board members and local companies with affiliations to several board members in the amount of \$250,689 for the year ended December 31, 2018.

NOTE 17. SUBSEQUENT EVENT

The Organization opened a new clubhouse near Boulder Highway and Desert Inn Road on March 19, 2018. The construction project was managed by Nevada HAND, and the funding source for the construction costs was Community Development Block Grant funds. The Organization is expected to obtain title to the building in the subsequent year from Nevada HAND. During 2018, the Organization recognized in-kind rent of \$30,000.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Boys & Girls Clubs of Southern Nevada
Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Boys & Girls Clubs of Southern Nevada (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Boys & Girls Clubs of Southern Nevada's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boys & Girls Clubs of Southern Nevada's (the Organization) internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys & Girls Clubs of Southern Nevada's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Certified Public Accountants
20 YEARS & COUNTING

HOULDSWORTH, RUSSO & COMPANY

8675 S. Eastern Avenue | Las Vegas, Nevada 89123 | P: 702.269.9992 | F: 702.269.9993 | www.trustHRC.com

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
May 3, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Board of Directors
Boys & Girls Clubs of Southern Nevada
Las Vegas, Nevada

Report on Compliance for Each Major Federal Program

We have audited Boys & Girls Clubs of Southern Nevada's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Boys & Girls Clubs of Southern Nevada's major federal programs for the year ended December 31, 2018. Boys & Girls Clubs of Southern Nevada's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Boys & Girls Clubs of Southern Nevada's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boys & Girls Clubs of Southern Nevada's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

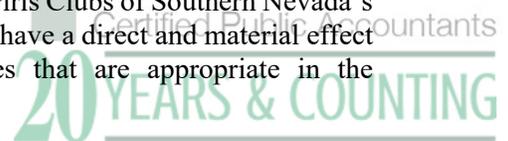
We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Boys & Girls Clubs of Southern Nevada's compliance.

Opinion on Each Major Federal Programs

In our opinion, Boys & Girls Clubs of Southern Nevada complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Boys & Girls Clubs of Southern Nevada is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Boys & Girls Clubs of Southern Nevada's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the



circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boys & Girls Clubs of Southern Nevada's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
May 3, 2019

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Grantor Agency	Program Title	Federal CFDA Number	Pass-Through Grantor Number	Expenditures
Passed through City of North Las Vegas:				
U.S. Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants Cluster	14.218		\$ 25,972
Passed through City of Henderson:				
U.S. Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants Cluster	14.218		<u>19,991</u>
U.S. Department of Housing and Urban Development Total				45,963
Passed through the State of Nevada:				
U.S. Department of Health and Human Services	Club Based Mental Health Services	93.104	SOC-3646-FY 19-02	9,338
Passed through the State of Nevada with Urban League as the fiscal agent:				
U.S. Department of Health and Human Services	Child Care and Development Block Grant Cluster	93.575		<u>1,794,353</u>
U.S. Department of Health and Human Services Total				1,803,691
Passed through the Boys & Girls Clubs of America:				
U.S. Department of Justice	Juvenile Mentoring Program	16.726	OJP 2017-42901 OJP 2017-42902 OJP 2017-42900	22,444 17,913 <u>17,614</u> 57,971
Passed through Clark County:				
U.S. Department of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0997 2016-DJ-BX-0412	1,069 <u>50,000</u> <u>51,069</u>
U.S. Department of Justice Total				109,040
Passed through the State of Nevada Department of Health and Human Services:				
U.S. Department of Agriculture	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster	10.561		157,654
Pass through Three Square:				
U.S. Department of Agriculture	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster	10.561		<u>57,364</u>
U.S. Department of Agriculture Total				<u>215,018</u>
				<u>\$ 2,173,712</u>

See notes to schedule of expenditures of federal awards.

BOYS AND GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Boys & Girls Clubs of Southern Nevada, under programs of the federal government for the year ended December 31, 2018 in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The schedule presents only a selected portion of the operations of the Boys & Girls Clubs of Southern Nevada. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Boys & Girls Clubs of Southern Nevada has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

NOTE 3. PASS-THROUGH AWARDS

Boys & Girls Clubs of Southern Nevada received certain federal financial assistance from pass-through awards of the pass-through entities listed on the schedule of expenditures of federal awards. There were no awards passed through to subrecipients.

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2018**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Boys & Girls Clubs of Southern Nevada.
2. No instances of material weaknesses or significant deficiencies related to the audit of the consolidated financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
3. No instances of noncompliance material to the consolidated financial statements of Boys & Girls Clubs of Southern Nevada, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for each major federal program for Boys & Girls Clubs of Southern Nevada expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
7. The program tested as a major program was the U.S. Department of Health and Human Services Child Care and Development Block Grant, CFDA Number 93.575.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Boys & Girls Clubs of Southern Nevada does qualify as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENT AUDIT

None.

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 2018**

PRIOR YEAR FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2017-001: Internal Controls Systems Over Eligibility

Criteria: As defined in 2 CFR 200.62, an auditee is required to maintain a system of internal control over compliance designed to provide reasonable assurance that federal award transactions executed are in compliance with the terms and conditions of the federal award.

Condition: Of the 60 recipient households selected for testing, management did not have the internal checklist to ensure that all verification documents were included in the file for 2 recipient households. All the actual required verification documents were found in the file.

Context: Per the Organization's internal control procedures, the checklist should be prepared to ensure that all verification documents used for proper determination of eligibility are obtained, and checklist should be maintained in each recipient household's file. Additionally, the household income verification worksheet should be prepared properly to determine the recipient household's subsidy rate of the childcare fee. Management failed to identify and remediate that the required checklist was not maintained in the file and improper preparation of the worksheet.

Effect: The checklist is a key control to ensure that sufficient eligibility evidence is obtained, and lack of the internal checklist could have resulted in the possibility of an ineligible recipient household receiving childcare support. Improper preparation of the household income determination worksheet resulted in underpayments to the Organization for the eligible recipient household.

Cause: The design and implementation of internal controls over the retention of the checklist ensuring complete eligibility support and the proper calculation of recipient household's copayments were not effective.

Repeat Finding: None

Recommendation: We recommend that management design and implement a system whereby the checklist ensuring documentation over eligibility is maintained and the calculation of proper subsidy rate is reviewed.

Views of Responsible Officials and Corrective Action Plan: Effective October 2017, Management revised procedures to require the Chief Financial Officer to confirm proper documentation, including the internal checklist, has been obtained and maintained and to review and sign off on the household subsidy calculation worksheet before the application is submitted to the fiscal agent.

Current Status: Corrective action plan has been properly implemented.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENT AUDIT

None.