

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015



HOULDSWORTH, RUSSO & COMPANY

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

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA

DECEMBER 31, 2015

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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, 2015 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, 2015, 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 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 July 29, 2016, 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.

Las Vegas, Nevada
July 29, 2016

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,505,286
Investments	5,347,640
Grants receivable, net	409,031
Unconditional promises to give, current	538,000
Prepaid expenses	58,161
	7,858,118

OTHER ASSETS

Investments, permanently restricted	5,489,067
Investments, restricted for long-term purposes	497,460
Unconditional promises to give, net of current and discount	218,551
Property and equipment, net	20,055,167
Land held for investment	138,800
	34,257,163

\$ 34,257,163

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 66,379
Accrued expenses	171,825
Refundable advances	5,600
	243,804

NET ASSETS

Unrestricted:	
Unrestricted	5,172,293
Unrestricted held in property and equipment	16,700,803
Board designated	900,206
	22,773,302

Temporarily restricted	5,614,333
Permanently restricted	5,625,724
	34,013,359

\$ 34,257,163

See notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

UNRESTRICTED NET ASSETS

Unrestricted revenue, gains and other support:

Contributions		\$ 525,593
Federal grants		418,123
Other grants		1,256,226
Program fees, net		1,559,679
Federally supported program fees, net		1,299,340
Special event revenue	\$ 616,055	
Less: costs of direct benefits to donors	<u>(138,341)</u>	
Net revenues from special events		477,714
In-kind donations		196,797
Interest and dividends		340,464
Rental		62,221
Gain on disposal of assets		11,267
Other		30,357
Net assets released from restrictions		<u>656,101</u>

6,833,882

Expenses and losses:

Program services		5,910,579
Supporting services:		
Fundraising		394,995
Management and general		736,426
Bad debt		25,915
Realized and unrealized loss on investments		611,597
Unallocated payments to affiliated organizations		<u>25,991</u>

7,705,503

Decrease in unrestricted net assets

(871,621)

TEMPORARILY RESTRICTED NET ASSETS

Contributions		544,378
In-kind donations		85,986
Net assets released from restrictions:		<u>(656,101)</u>

Decrease in temporarily restricted net assets

(25,737)

DECREASE IN NET ASSETS

(897,358)

NET ASSETS, BEGINNING OF YEAR

34,910,717

NET ASSETS, END OF YEAR

\$ 34,013,359

See notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program	Fundraising	Management and General	Total
Salaries and wages	\$ 2,878,304	\$ 287,830	\$ 431,745	\$ 3,597,879
Payroll taxes	264,632	26,463	39,695	330,790
Employee benefits	193,171	18,357	27,536	239,064
Advertising	-	11,302	677	11,979
Bank and investment fees	36,128	8,894	69,805	114,827
Camp fees	22,520	-	-	22,520
Computer and technology	68,484	6,848	10,273	85,605
Conferences and conventions	5,860	-	2,580	8,440
Contract labor	45,954	-	-	45,954
Depreciation	944,873	3,620	4,000	952,493
Food program	41,318	-	-	41,318
Insurance	134,561	271	300	135,132
Meals and entertainment	1,066	1,509	6,926	9,501
Other	4,315	4,350	3,701	12,366
Postage	918	529	2,455	3,902
Printing	10,246	9,933	14,095	34,274
Professional services	27,880	2,788	99,752	130,420
Program services	370,278	-	-	370,278
Rent	52,044	-	-	52,044
Repairs and maintenance	220,468	844	934	222,246
College scholarships	65,750	-	-	65,750
Supplies	32,180	2,362	3,542	38,084
Telephone	40,629	4,063	6,094	50,786
Transportation	15,169	3,710	10,855	29,734
Utilities	345,118	1,322	1,461	347,901
Vehicle	88,713	-	-	88,713
	<u>5,910,579</u>	<u>394,995</u>	<u>736,426</u>	<u>7,042,000</u>
Costs of direct benefits to donors	<u>-</u>	<u>138,341</u>	<u>-</u>	<u>138,341</u>
Total expenses and costs of direct benefits to donors	<u>\$ 5,910,579</u>	<u>\$ 533,336</u>	<u>\$ 736,426</u>	<u>\$ 7,180,341</u>

See notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (897,358)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	952,493
Change in discount to present value	(10,283)
Bad debt	25,915
Donated property and equipment	(91,000)
Realized/unrealized loss on investments	611,597
(Increase) decrease in operating assets:	
Grants receivable	(133,756)
Unconditional promises to give	(581,485)
Prepaid expenses	53,342
Change in non-current restricted cash	448,567
Increase (decrease) in operating liabilities:	
Accounts payable	(16,899)
Accrued expenses	(11,383)
Refundable advances	4,475
	<hr/>
Net cash provided by operating activities	354,225
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales of investments	13,479,144
Purchases of investments	(14,690,677)
Purchases of property and equipment	(410,948)
Proceeds from insurance	11,267
	<hr/>
Net cash used in investing activities	(1,611,214)
	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS	(1,256,989)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,762,275
	<hr/>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,505,286</u></u>

See notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Boys & Girls Clubs of Southern Nevada 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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.

Cash and Cash Equivalents

For purposes of the 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.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

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. It is the Organization's policy to estimate an allowance for grants receivable based on an annual assessment.

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 \$18,519 for the year ended December 31, 2015. The contributed services included \$18,519 for garbage collection services at the clubhouses which is 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.

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 \$2,000. 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

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts of Long-Lived Assets

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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.

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 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 restricted net assets, even if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investments in real estate consist of property recorded at the fair market value at the date of the donation.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

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, 2015 were \$683,419.

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.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Subsequent Events

Subsequent events have been evaluated through July 29, 2016 which is the date the consolidated financial statements were available to be issued.

NOTE 2. INVESTMENTS

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 the statement, the Organization chose to measure them at the estimated fair value at the date of donation unless the market value is below the recorded amount.

Investments consist of the following at December 31, 2015:

	<u>Fair Value</u>
Publicly traded stocks	\$ 7,282,058
Government securities	3,989,689
Other investments	30,062
Privately held stock	31,358
Real estate investment trusts	<u>1,000</u>
	\$ 11,334,167
Current	<u>5,347,640</u>
Long-term	<u>\$ 5,986,527</u>

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

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 2. INVESTMENTS (CONTINUED)

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 process 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 – this was recorded at the fair market value on the date of donation based on a cash flow projection. This stock represents a 2.78% ownership in a corporation that owns a building with a long term lease, expiring in 2018. The value of the stock ownership was recorded based upon the projected lease income over the remaining term of the lease with a discount factor of 3.85% and is adjusted annually based upon the cash flow received and the expired discount.

The land held for investment was recorded at the fair market value on the date of donation of \$138,800 based on comparable land prices, which are Level 2 and Level 3 inputs depending on the sales activity. The land is stated at the fair market value on the date of the donation. No changes are recognized under the principles of FASB ASC.

The Organization has a line of credit through its investments and can borrow against the portfolio up to \$4 million. The interest rate is one month LIBOR plus 200 basis points. There was no outstanding balance on the line of credit at December 31, 2015.

The Organization's only assets valued at fair value are its investments. The Organization holds all of its investments, except for the land described above, the privately held stock and real estate investment trusts, in publicly traded equity or debt instruments:

The Organization's investments at December 31, 2015 are as follows:

<u>Description</u>	Level 1	Level 2	Level 3	Total
Publicly traded stocks	\$ 7,282,058	\$ -	\$ -	\$ 7,282,058
Government securities	3,989,689	-	-	3,989,689
Other investments	30,062	-	-	30,062
Privately held stocks	-	-	31,358	31,358
Real estate investment trusts	-	<u>1,000</u>	-	<u>1,000</u>
 Total Investments	 <u>\$ 11,301,809</u>	 <u>\$ 1,000</u>	 <u>\$ 31,358</u>	 <u>\$ 11,334,167</u>

Changes in value of privately held stocks for the year ended December 31:

Value at December 31, 2014	42,619
Cash received	(15,423)
Current earnings on investments	1,444
Unrecognized gain on investments	<u>2,718</u>
 Value at December 31, 2015	 <u>\$ 31,358</u>

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 3. GRANTS RECEIVABLE

The Organization's grants receivable balance consists of amounts due from granting agencies. The grants receivable and corresponding allowance for doubtful accounts as of December 31, 2015 is as follows:

Grants receivable	\$ 409,031
Less: allowance for doubtful accounts	<u> -</u>
	<u>\$ 409,031</u>

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2015:

Land	\$ 1,408,704
Buildings and improvements	28,959,927
Construction in progress	1,400
Furniture and equipment	2,099,092
Vehicles	<u>535,882</u>
	33,005,005
Less: accumulated depreciation	<u>12,949,838</u>
	<u>\$ 20,055,167</u>

NOTE 5. UNCONDITIONAL PROMISES TO GIVE

As discussed in Note 9, the Organization is receiving below market rent for a leased facility donated as of May 1996. The promise to give is recorded at fair value net of a discount to present value calculated at 6%. During 2015, the Organization signed a five year lease for a donated facility. The lease is effective through October 2020. Prior to this, the Organization had been leasing the donated facility on month-to-month basis. The promise to give is recorded at fair value net of a discount to present value calculated at 2%.

In October 2015, the Las Vegas Sun Summer Camp Fund was merged into the Boys & Girls Club of Las Vegas Foundation, and the Organization assumed administration and management of the Las Vegas Sun Summer Camp Fund. The assets of the camp fund totaling \$510,000 were transferred to the Organization in the subsequent year.

The expected collections of the unconditional promises to give are as follows at December 31, 2015:

Gross receivable due in less than one year	\$ 538,000
Gross receivable due in one to five years	117,500
Gross receivable due in more than five years	<u>720,000</u>
	1,375,500
Less discounts to net present value	<u>618,949</u>
	<u>\$ 756,551</u>
Current receivable balance	\$ 538,000
Long-term receivable balance, net of discount and allowance	<u>218,551</u>
Net receivable balance	<u>\$ 756,551</u>

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 6. RETIREMENT PLAN

In April 2006, the Organization initiated a 401(k) plan. 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 beginning at the next quarter following their hire date. Employees age 21 and over who have completed one year of service and 1,000 hours are eligible for company matching contributions of 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 \$22,851 for the year ended December 31, 2015.

NOTE 7. CONCENTRATIONS

The Organization maintains funds at one financial institution 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, 2015 was \$740,000.

The Organization holds cash balances in an investment brokerage company not covered by FDIC insurance totaling \$494,068 for the year ended December 31, 2015. 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. During the year ended December 31, 2015, the Organization recognized \$1,299,340 in revenue, which represents 19% of all revenue. At December 31, 2015, a receivable balance from the Child Care Assistance program was present in the amount of \$128,818 representing 31% of the receivable balance.

NOTE 8. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015, the Organization paid D & R General Contracting & Design, Inc. for renovations at various clubhouses totaling \$256,622. A member of the Organization's Board of Directors is an owner of D & R General Contracting & Design, Inc.

During the year ended December 31, 2015, the Organization employed Cragin and Pike Insurance as agent for its health and life insurance policies totaling \$30,321. Cragin and Pike Insurance receive commissions as the agent of the Organization. A member of the Organization's Board of Directors is a principal with Cragin and Pike Insurance.

During the transition period for the Chief Executive Officer, a board member was paid \$53,750 to provide advisory services to the Organization during 2015.

During the year ended December 31, 2015, the Organization paid Andson, Inc. for academics program counseling at the clubhouses totaling \$11,919. A member of the Organization's Board of Directors is founder and CEO of Andson, Inc., a nonprofit educational organization.

NOTE 9. LEASE COMMITMENTS

The Organization rents a facility from the Housing Authority of Clark County, Nevada at 1030 Center Street for the Marker Clubhouse. The lease is month-to-month and requires no monthly payments in exchange of the use of the facility. The value of the donation in the amount of \$17,580 is recorded in the financial statements as both an in-kind donation and rent expense for the year ended December 31, 2015.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 9. LEASE COMMITMENTS (CONTINUED)

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 2627 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. The value of the donation in the amount of \$18,000 is recorded in the financial statements as both an in-kind donation and rent expense for the year ended December 31, 2015.

The Organization rents a facility located at 1608 Moser Drive from the City of Henderson. The monthly payment for this facility use is \$500. The lease term is a 5-year lease agreement with one additional 5-year term only upon mutual parties' consent beginning September 2012.

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 \$18,689 for the year ended December 31, 2015.

Future minimum lease payments under the operating leases for land and buildings and office equipment as of December 31, 2015 are as follows:

2016	\$	30,919
2017		28,919
2018		24,919
2019		24,919
2020		<u>6,231</u>
	<u>\$</u>	<u>115,907</u>

NOTE 10. BOARD DESIGNATED NET ASSETS

The Board has designated \$613,176 for an emergency fund available for operations and \$287,029 for repairs and maintenance at the Kish, Lied, Southern Highlands and James clubhouses.

NOTE 11. RESTRICTED NET ASSETS

Permanently restricted net assets consist of cash, investments and land for which the income is available for the following purposes at December 31, 2015:

Unrestricted purposes	\$	1,709,600
Gaughan Club repairs and maintenance		300,000
Donald W. Reynolds Club repairs and maintenance		904,467
Ralph and Betty Engelstad Club repairs and maintenance		1,000,000
Engelstad Family Foundation scholarship fund		1,500,000
John C. Kish Memorial Scholarship		75,000
Southern Highlands land		<u>136,657</u>
	<u>\$</u>	<u>5,625,724</u>

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 11. RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets are available for the following purposes:

Diplomas 2 Degrees program	\$ 7,998
Pledges-Land and building leases	246,552
Donald W. Reynolds Club repairs and maintenance	425,939
Restricted fund for programs and operations at the Donald W. Reynolds Club	542,683
Gaughan repairs and maintenance	11,147
Ralph and Betty Engelstad Club repairs and maintenance	241,145
Engelstad Family Foundation scholarship fund	231,020
Kish scholarships	24,485
Southern Highlands facility	3,354,364
Alden music	10,000
Brigitte Kirvin Downtown Clubhouse Youth of the Year Award Fund	9,000
Pledges receivable, Las Vegas Sun Summer Camp Fund	<u>510,000</u>
	<u>\$ 5,614,333</u>

Temporarily restricted net assets consist of the following:

Cash	\$ 7,998
Investments	1,495,419
Unconditional promises to give	756,552
Building, Southern Highlands facility	<u>3,354,364</u>
	<u>\$ 5,614,333</u>

NOTE 12. ENDOWMENT FUND

As of December 31, 2015, the Organization had nine endowment funds. The Gaughan endowment has permanently restricted corpus of \$300,000 for which the earnings on the investment are restricted for providing maintenance, upkeep, and general operations of the Gaughan Clubhouse. The Reynolds endowment has permanently restricted corpus of \$904,467 in which the earnings on the investment are restricted for providing maintenance, upkeep, and general operations for the Reynolds Clubhouse. The unrestricted endowment has permanently restricted corpus 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 term restricted corpus 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. The Ralph and Betty Engelstad Club repairs and maintenance endowment has permanently restricted corpus of \$1,000,000 which was established per a grant agreement with the Engelstad Family Foundation. The earnings on the investment are restricted for providing maintenance and upkeep of the Ralph and Betty Engelstad Clubhouse. The Engelstad Family Foundation scholarship endowment has permanently restricted corpus of \$1,500,000 which was established per a grant agreement with the Engelstad Family Foundation. The earnings on the investment shall be expended solely to provide annual scholarships to members of the Boys & Girls Clubs of Southern Nevada. The John C. Kish Memorial Scholarship has permanently restricted corpus of \$75,000 which was established per a

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 12. ENDOWMENT FUND (CONTINUED)

grant agreement with the John C. Kish Foundation. The earnings on the investment shall be expended solely 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 administration of the Las Vegas Sun Summer Camp Fund was turned over to the Organization effective October 1, 2015. The fund has \$510,000 to be used over a period of eight years to send disadvantaged children to summer sleep-away camp.

The Organization's endowment funds consist of the following assets as of December 31, 2015:

Cash	\$ 494,067
Investments	11,301,809
Pledge receivable	<u>510,000</u>
	<u>\$ 12,305,876</u>

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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 permanently restricted net assets are classified as temporarily restricted net assets 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

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 12. ENDOWMENT FUND (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 795,904	\$ 1,918,864	\$ 5,489,067	\$ 8,203,835
Investment return:				
Investment income	198,628	139,805	-	338,433
Net appreciation (realized and unrealized)	<u>(370,885)</u>	<u>(234,315)</u>	-	<u>(605,200)</u>
Total investment return	(172,257)	(94,510)	-	(266,767)
Appropriation of endowment assets for expenditure	(288,686)	(408,470)	-	(697,156)
Board designations	4,347,365	69,035	-	4,416,400
Contributions	<u>129,064</u>	<u>520,500</u>	-	<u>649,564</u>
Endowment net assets, end of year	<u>\$ 4,811,390</u>	<u>\$ 2,005,419</u>	<u>\$ 5,489,067</u>	<u>\$ 12,305,876</u>

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 GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies at December 31, 2015.

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, 2015

NOTE 12. 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. Under this policy, as approved by the Board of Directors, 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 Investment Committee or Board of Directors deems it necessary for capital expenditures or annual operations. The Organization expects its endowment funds, over time, to incur a rate-of-return volatility not to exceed 10%. 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	25%	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 13. SOUTHERN HIGHLANDS PROPERTY

Under the terms of the donation agreement with the Southern Highlands Development Corporation (SHDC), there is a permanent restriction on the Organization's use of the Southern Highlands land (the "Land") and it may "be used for a youth services facility and charitable, educational and related activities focused on boys and girls," indefinitely. The building is restricted for the same use, but it is time restricted for the life of the building. In accordance with FASB ASC, the building restrictions expire, beginning with occupancy, over the life of the building.

**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, 2015, 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 July 29, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2015-004 to be a material weakness.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as 2015-002 and 2015-003 to be significant deficiencies.

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

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Boys & Girls Clubs of Southern Nevada's Response to Findings

Boys & Girls Clubs of Southern Nevada's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Boys & Girls Clubs of Southern Nevada's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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.

Las Vegas, Nevada
July 29, 2016

**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, 2015. 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 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 other major federal programs for the year ended December 31, 2015.

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

TrustHRC Accountants
20 YEARS & COUNTING

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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Boys & Girls Clubs of Southern Nevada's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Boys & Girls Clubs of Southern Nevada's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Las Vegas, Nevada
July 29, 2016

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Grantor Agency</u>	<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Passed through City of North Las Vegas:			
U.S. Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants	14.218	\$ 2,596
Passed through City of Las Vegas:			
U.S. Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants	14.218	8,247
Passed through City of Henderson:			
U.S. Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants	14.218	<u>17,406</u>
U.S. Department of Housing and Urban Development Total			28,249
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	93.575	1,299,340
Passed through PACT Coalition:			
U.S. Department of Health and Human Services	Smart Moves	93.959	<u>41,806</u>
U.S. Department of Health and Human Services Total			1,341,146
Passed through the Boys & Girls Clubs of America:			
U.S. Department of Justice	Juvenile Mentoring Program	16.726	172,738
Passed through Clark County:			
U.S. Department of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>44,938</u>
U.S. Department of Justice Total			217,676
Passed through the State of Nevada Department of Health and Human Services:			
U.S. Department of Agriculture	Supplemental Nutrition Assistance Program	10.561	<u>130,392</u>
			<u>\$ 1,717,463</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, 2015

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, 2015 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 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.

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015**

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. One instance of a material weakness related to the audit of the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
3. No instances of noncompliance material to the 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. One significant deficiency and no material weaknesses relating to the audit of the major federal award programs are reported in the 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 Boys & Girls Clubs of Southern Nevada expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with OMB Compliance Supplement 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 not qualify as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

2015-001 Control system over eligibility compliance requirement – U.S. Department of Health and Human Services, Child Care and Development Block Grant, CFDA Number 93.575, Passed through the State of Nevada with Urban League as the fiscal agent

Criteria: The Child Care and Development Block Grant requires monitoring controls to be in place to ensure the level of eligibility is established properly.

Condition: The Organization's internal control procedures require that the Organization prepare the income verification worksheet properly in order to charge the child care fees correctly.

Cause: The Organization did not have proper review procedures in place to detect an error in determining the correct billing rates required to be paid by the eligible children. In one instance, the child's co-pay was calculated correctly at 10%; however the amount paid by the client was 5%.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2015

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT (CONTINUED)

Effect: The clients' copay percentages were not properly calculated; however, there were no overcharges to the grants noted during our testing.

Questioned Costs: None.

Perspective Information: The finding represents a systemic problem, not an isolated instance.

Identification of Repeat Findings: The finding was not a repeat of a prior year finding.

Recommendation: Income verification should be prepared carefully and signed off by the preparer. It should be recalculated by the reviewer and signed off by the reviewer for approval.

Management's response: BGCSNV staff reviews each application for completeness and prepares the required income and information worksheets. These worksheets are then reviewed by a BGCSNV employee with years of CCA experience. In addition, Notices of Decision received from Las Vegas Urban League are compared to our initial assessment of the subsidy percentage, and any differences are researched and resolved.

FINDINGS AND QUESTIONED COSTS-FINANCIAL STATEMENT AUDIT

2015-002 Missing invoice

Criteria: The Organization maintains support for all disbursements.

Condition: A control test over 60 disbursements was performed. The Organization could not locate one supporting invoice for review.

Cause: An invoice was not filed properly by the Organization which resulted in them not being able to locate the invoice selected for testing.

Effect: The item selected for testing could not be verified if it was properly approved or a legitimate expense for the Organization.

Perspective Information: The finding represents a systemic problem, not an isolated instance.

Identification of Repeat Findings: The finding was not a repeat of a prior year finding.

Recommendation: We recommend that the Organization follow its procedures for retention of documents.

Management's response: Invoice in question was not able to be located due to apparent misfiling. Filing of vendor payment documentation packages is done as vendor payments are made in a standard alphabetical filing system. Vendor payment documentation packages that are removed for review or for inclusion in grant billings are refiled in the vendor files in as timely a manner as possible.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2015

FINDINGS AND QUESTIONED COSTS-FINANCIAL STATEMENT AUDIT (CONTINUED)

2015-003 Disbursements not approved properly

Criteria: The Organization's policy over disbursements is that all non-recurring charges over \$250 must be approved.

Condition: A control test over 60 disbursements was performed. Out of 60 disbursements selected for testing, there were four non-recurring disbursements that were not approved.

Cause: The Organization had turnover in all areas of management which resulted in changes to the approval process. The Organization's written procedures were not updated and staff was unaware of the proper approval process.

Effect: The Organization may incur charges that are not a legitimate expense for the Organization.

Perspective Information: The finding represents a systemic problem, not an isolated instance.

Identification of Repeat Findings: The finding was not a repeat of a prior year finding.

Recommendation: We recommend that the Organization update their written procedures over procurement and make sure all staff of the Organization is aware of the approval process.

Management's response: The Accounting and Financial Policies and Procedures Manual's procedures and controls around accounts payable and the disbursement process has been reviewed and updated to reflect our current processes and organization structure as well as refreshed to ensure effective controls are in place. Administrative and operations staff has been trained on the updated procedures and controls. The Staff Accountant responsible for accounts payable monitors that all disbursement requests have been properly approved in accordance with the documented policies and procedures.

2015-004 Material adjustments

Criteria: Financial statements are required to be fairly stated in accordance with generally accepted accounting principles.

Condition: Material adjustments were discovered and required to be posted to the accounting records in order for the financial statements to be in accordance with generally accepted accounting principles.

Cause: Management was unaware that the adjustments needed to be posted to the general ledger in order for the financial statements to be presented in accordance with generally accepted accounting principles.

Effect: Necessary adjustments were not posted to the accounting records before the auditors began their audit.

Perspective Information: The finding represents a systemic problem, not an isolated instance.

Identification of Repeat Findings: The finding was a repeat of a prior year finding.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2015

FINDINGS AND QUESTIONED COSTS-FINANCIAL STATEMENT AUDIT (CONTINUED)

Recommendation: We recommend that accounting personnel prepare supporting schedules for all balance sheet accounts either monthly or quarterly and during management's review procedures, tie all balance sheet accounts to supporting schedules. A review of supporting schedules would help ensure that accruals have been posted.

Management's response: Each month during the closing process, balance sheet accounts are reviewed and tied to supporting schedules with journal entries made as needed. During the year end close process, journal entries will be made to ensure that the financial statements properly reflect the operations of the organization. Prior year internal and auditor-proposed adjustments will be reviewed to ensure a complete closing. Inquiries of executive management will help ensure that all commitments have been captured in the appropriate period.

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 2015**

PRIOR YEAR FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2014-001 Control system over eligibility compliance requirement – U.S. Department of Health and Human Services, Child Care and Development Block Grant, CFDA Number 93.575, Passed through the State of Nevada with Urban League as the fiscal agent

Criteria: The Organization's internal control requires completing a File Checklist for each eligible participant to verify that all necessary documents are obtained before submitting the application to the grantor.

Condition: During our audit, we tested 60 client files and noted that two File Checklists were not completed fully.

Cause: The Organization relies heavily on one experienced employee for eligibility determination and billing processes, and there is no formal internal monitoring process.

Effect: There is a risk that ineligible children could be covered by the federal funds, although no such instances were noted.

Questioned Costs: None.

Recommendation: Management should implement sufficient review procedures over the eligibility processes. This should include a supervisor's review of all documentation to ensure it is complete and accurate.

Management's response: The organization has trained additional staff members to review the grant billing and qualification process. Additionally, a grant manager has been appointed to oversee all grant operations, which includes the submission of applications to regional area managers for review, prior to being submitted to the grant manager for approval. Billing is facilitated by a dedicated person in finance. Billing is reviewed by both the controller and the grant manager to ensure accuracy. Questionable items are investigated and corrected immediately.

Current status: Corrective action was properly implemented above and no findings were noted on the file checklists. No compliance findings were noted.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS-FINANCIAL STATEMENT AUDIT

2014-002 Material adjustments

Criteria: Financial statements are required to be fairly stated in accordance with generally accepted accounting principles.

Condition: A material adjustment was discovered and required to be posted to the accounting records in order for the financial statements to be in accordance with generally accepted accounting principles.

Cause: Management was unaware that the adjustment needed to be posted to the general ledger in order for the financial statements to be presented in accordance with generally accepted accounting principles.

Effect: A necessary adjustment was not posted to the accounting records before the auditors began their audit.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)
DECEMBER 31, 2015

PRIOR YEAR FINDINGS AND QUESTIONED COSTS-FINANCIAL STATEMENT AUDIT (CONTINUED)

Recommendation: We recommend that accounting personnel prepare supporting schedules for all balance sheet accounts either monthly or quarterly and during management's review procedures, tie all balance sheet accounts to supporting schedules. A review of supporting schedules would help ensure that accruals have been posted.

Management's response: Management has reinforced a monthly review procedure for balance sheet accounts that includes preparing supporting schedules. Schedules are prepared by the controller to ensure accounts tie to balance sheet accounts and finance supervisor reviews those schedules to ensure accuracy and verify that all necessary accruals have been posted.

Current status: Corrective action was not properly implemented above and one finding is noted on material adjustments. No compliance findings were noted.