

**BOYS & GIRLS CLUBS
OF GREATER MILWAUKEE, INC.**
Milwaukee, Wisconsin

FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Boys & Girls Clubs of Greater Milwaukee, Inc.
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Boys & Girls Clubs of Greater Milwaukee, Inc. (BGCGM), which comprise of the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BGCGM as of December 31, 2016 and 2015, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

May 09, 2017
Milwaukee, Wisconsin

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.

Milwaukee, Wisconsin

Statements of Financial Position

December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash and equivalents	\$ 9,800,773	\$ 6,542,383
Cash - restricted	505,252	597,162
Investments	30,729,548	29,664,553
Service contract fees receivable, net	2,249,998	2,332,828
Pledges receivable, net	7,020,461	5,411,532
Other receivables, net	253,730	176,563
Prepaid insurance and other assets	571,354	419,037
Land, buildings and equipment, net	8,052,143	8,134,798
Total assets	<u>\$ 59,183,259</u>	<u>\$ 53,278,856</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 1,193,358	\$ 941,546
Accrued expenses	778,977	736,224
Fiscal agent	54,240	-
Deferred revenue	228,065	238,295
Deferred compensation	491,721	608,141
Total liabilities	<u>2,746,361</u>	<u>2,524,206</u>
Net Assets:		
Unrestricted	19,826,580	18,911,378
Temporarily restricted	33,434,285	28,667,239
Permanently restricted	3,176,033	3,176,033
Total net assets	<u>56,436,898</u>	<u>50,754,650</u>
Total liabilities and net assets	<u>\$ 59,183,259</u>	<u>\$ 53,278,856</u>

The accompanying notes to financial statements
are an integral part of these statements.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues:				
Public Support:				
United Way	\$ 631,512	\$ 689,259	\$ -	\$ 1,320,771
Contributions	5,148,194	13,862,876	-	19,011,070
Federal, state and other government awards	8,461,811	-	-	8,461,811
Other grants	1,892,045	-	-	1,892,045
Special events, net	709,833	-	-	709,833
Net public support	16,843,395	14,552,135	-	31,395,530
Other Operating Revenue:				
Investment distribution (see note 4)	777,236	549,544	-	1,326,780
Facility rental	586,361	-	-	586,361
Service charges, camp fees and membership	754,639	343	-	754,982
Loss on disposal of property and equipment	(62,590)	-	-	(62,590)
Total other operating revenue	2,055,646	549,887	-	2,605,533
Total operating revenues	18,899,041	15,102,022	-	34,001,063
Net Assets Released from Restrictions	10,444,349	(10,444,349)	-	-
Total operating revenue and net assets released from restriction	29,343,390	4,657,673	-	34,001,063
Operating Expenses:				
Program Services:				
Augusta La Varnway Club	1,032,169	-	-	1,032,169
Don and Sallie Davis Club	1,404,517	-	-	1,404,517
Mary Ryan Club	1,415,561	-	-	1,415,561
Pieper - Hillside Club	716,224	-	-	716,224
Roger & Leona Fitzsimonds Club	973,632	-	-	973,632
Daniels - Mardak Club	1,079,615	-	-	1,079,615
Camp Whitcomb/Mason	1,326,980	-	-	1,326,980
School Clubs	5,743,376	-	-	5,743,376
Special programs/other	9,628,423	-	-	9,628,423
Total program services	23,320,497	-	-	23,320,497
Support Services:				
Management and general	3,593,410	-	-	3,593,410
Resource development	2,208,636	-	-	2,208,636
Total support services	5,802,046	-	-	5,802,046
Total operating expenses	29,122,543	-	-	29,122,543
Excess (deficit) of operating revenue and net assets released from restriction over (under) operating expenses	220,847	4,657,673	-	4,878,520
Nonoperating Gains and Losses:				
Net realized and change in unrealized gains (losses) on investments (see note 4)	984,865	576,182	-	1,561,047
Excess investment distribution over dividend and interest income (see note 4)	(563,622)	(466,809)	-	(1,030,431)
Total nonoperating gains and losses	421,243	110,373	-	531,616
Nonrecurring Items	273,112	-	-	273,112
Change in net assets	915,202	4,767,046	-	5,682,248
Net assets, beginning of year	18,911,378	28,667,239	3,176,033	50,754,650
Net assets, end of year	\$ 19,826,580	\$ 33,434,285	\$ 3,176,033	\$ 56,436,898

The accompanying notes to financial statements
are an integral part of these statements.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Statement of Activities
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues:				
Public Support:				
United Way	\$ 668,268	\$ 726,012	\$ -	\$ 1,394,280
Contributions	5,947,827	5,294,212	-	11,242,039
Federal, state and other government awards	8,954,219	-	-	8,954,219
Other grants	2,202,743	-	-	2,202,743
Special events, net	627,211	-	-	627,211
Net public support	<u>18,400,268</u>	<u>6,020,224</u>	<u>-</u>	<u>24,420,492</u>
Other Operating Revenue:				
Investment distribution (see note 4)	801,686	513,538	-	1,315,224
Facility rental	556,320	-	-	556,320
Service charges, camp fees and membership	698,272	503	-	698,775
Total other operating revenue	<u>2,056,278</u>	<u>514,041</u>	<u>-</u>	<u>2,570,319</u>
Total operating revenues	<u>20,456,546</u>	<u>6,534,265</u>	<u>-</u>	<u>26,990,811</u>
Net Assets Released from Restrictions	<u>7,323,455</u>	<u>(7,323,455)</u>	<u>-</u>	<u>-</u>
Total operating revenue and net assets released from restriction	<u>27,780,001</u>	<u>(789,190)</u>	<u>-</u>	<u>26,990,811</u>
Operating Expenses:				
Program Services:				
Augusta La Varnway Club	1,016,961	-	-	1,016,961
Don and Sallie Davis Club	1,401,515	-	-	1,401,515
Mary Ryan Club	1,486,089	-	-	1,486,089
Pieper - Hillside Club	713,494	-	-	713,494
Roger & Leona Fitzsimonds Club	928,136	-	-	928,136
Daniels - Mardak Club	1,122,649	-	-	1,122,649
Camp Whitcomb/Mason	1,339,544	-	-	1,339,544
School Clubs	5,752,255	-	-	5,752,255
Special programs/other	8,828,914	-	-	8,828,914
Total program services	<u>22,589,557</u>	<u>-</u>	<u>-</u>	<u>22,589,557</u>
Support Services:				
Management and general	3,248,740	-	-	3,248,740
Resource development	1,891,507	-	-	1,891,507
Total support services	<u>5,140,247</u>	<u>-</u>	<u>-</u>	<u>5,140,247</u>
Total operating expenses	<u>27,729,804</u>	<u>-</u>	<u>-</u>	<u>27,729,804</u>
Excess (deficit) of operating revenue and net assets released from restriction over (under) operating expenses	<u>50,197</u>	<u>(789,190)</u>	<u>-</u>	<u>(738,993)</u>
Nonoperating Gains and Losses:				
Net realized and change in unrealized gains (losses) on investments (see note 4)	(637,177)	(393,563)	-	(1,030,740)
Excess investment distribution over dividend and interest income (see note 4)	(584,527)	(417,681)	-	(1,002,208)
Change in net assets	<u>(1,171,507)</u>	<u>(1,600,434)</u>	<u>-</u>	<u>(2,771,941)</u>
Net assets, beginning of year	<u>20,082,885</u>	<u>30,267,673</u>	<u>3,176,033</u>	<u>53,526,591</u>
Net assets, end of year	<u>\$ 18,911,378</u>	<u>\$ 28,667,239</u>	<u>\$ 3,176,033</u>	<u>\$ 50,754,650</u>

The accompanying notes to financial statements
are an integral part of these statements.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Statements of Functional Expenses
Years Ended December 31, 2016 and 2015

Year Ended December 31, 2016	PROGRAM SERVICES									SUPPORTING SERVICES			
	La Varnway Club	Davis Club	Mary Ryan Club	Pieper - Hillside Club	Fitzsimonds Club	Daniels-Mardak Club	Camp Whitcomb/Mason	School Clubs	Special Programs/Other	Total	Management & General	Resource Development	Total 2016
Salaries and wages	\$ 455,832	\$ 785,963	\$ 370,839	\$ 321,957	\$ 468,754	\$ 539,314	\$ 448,486	\$ 4,219,232	\$ 4,469,282	\$ 12,079,659	\$ 2,042,253	\$ 856,357	\$ 14,978,269
Employee benefits	98,501	123,240	65,230	66,816	54,821	78,331	81,639	298,682	554,665	1,421,925	348,062	134,508	1,904,495
Payroll taxes	43,720	75,863	36,169	31,527	45,377	52,293	54,554	419,554	415,995	1,175,052	113,365	76,789	1,365,206
Total salaries and related expenses	598,053	985,066	472,238	420,300	568,952	669,938	584,679	4,937,468	5,439,942	14,676,636	2,503,680	1,067,654	18,247,970
Professional fees and contracted services	560	4,435	1,040	8,093	3,988	4,680	22,933	61,188	960,591	1,067,508	417,342	617,340	2,102,190
Supplies	55,238	94,749	62,082	24,847	36,784	36,369	168,408	522,959	1,750,168	2,751,604	187,255	183,449	3,122,308
Telephone	18,622	10,843	8,534	9,748	7,166	15,540	29,493	24,925	34,936	159,807	13,802	4,040	177,649
Postage	-	1,193	4	-	-	-	1,826	-	3,343	6,519	6,370	17,436	30,325
Utility and occupancy	225,638	125,667	749,844	207,679	305,332	261,898	205,892	1,165	136,125	2,219,240	117,887	201	2,337,328
Printing and subscriptions	34	71	68	34	385	34	77	2,506	37,625	40,834	2,580	76,038	119,452
Transportation	29,039	23,662	27,784	2,967	9,743	22,915	27,915	137,717	144,680	426,422	8,208	2,346	436,976
Conferences, conventions and meetings	-	12,092	3,536	-	7,331	1,123	3,047	25,446	230,959	283,534	116,402	9,532	409,468
Scholarships and client assistance	-	1,179	165	-	-	-	-	-	855,940	857,284	27,300	-	884,584
Dues and memberships	2,753	3,643	3,391	1,921	2,551	2,941	6,154	15,394	22,504	61,252	31,244	6,048	98,544
Insurance	18,962	28,748	10,291	4,004	8,057	7,851	48,438	9,216	2,120	137,687	30,498	3,807	171,992
Other, net	19	46,838	42,395	31,958	1,390	47,188	8,868	-	60	178,716	(6,264)	-	172,452
Provision for uncollectible accounts	-	-	-	-	-	-	-	-	-	-	-	218,824	218,824
Total noncompensation expenses	350,865	353,120	909,134	291,251	382,727	400,539	523,051	800,669	4,179,051	8,190,407	952,624	1,139,061	10,282,092
Total expenses before depreciation	948,918	1,338,186	1,381,372	711,551	951,679	1,070,477	1,107,730	5,738,137	9,618,993	22,867,043	3,456,304	2,206,715	28,530,062
Depreciation and amortization	83,251	66,331	34,189	4,673	21,953	9,138	219,250	5,239	9,430	453,454	137,106	1,921	592,481
Total expenses	\$ 1,032,169	\$ 1,404,517	\$ 1,415,561	\$ 716,224	\$ 973,632	\$ 1,079,615	\$ 1,326,980	\$ 5,743,376	\$ 9,628,423	\$ 23,320,497	\$ 3,593,410	\$ 2,208,636	\$ 29,122,543

Year Ended December 31, 2015	PROGRAM SERVICES									SUPPORTING SERVICES			
	La Varnway Club	Davis Club	Mary Ryan Club	Pieper - Hillside Club	Fitzsimonds Club	Daniels-Mardak Club	Camp Whitcomb/Mason	School Clubs	Special Programs/Other	Total	Management & General	Resource Development	Total 2015
Salaries and wages	\$ 461,741	\$ 803,965	\$ 486,564	\$ 336,754	\$ 427,454	\$ 566,495	\$ 441,251	\$ 4,218,343	\$ 4,330,731	\$ 12,073,298	\$ 1,798,284	\$ 851,747	\$ 14,723,329
Employee benefits	98,276	115,419	67,257	69,989	51,290	77,674	89,841	304,197	546,013	1,419,956	261,081	100,783	1,781,820
Payroll taxes	43,888	76,537	45,780	31,363	39,852	53,893	53,461	400,495	389,173	1,134,442	107,422	66,755	1,308,619
Total salaries and related expenses	603,905	995,921	599,601	438,106	518,596	698,062	584,553	4,923,035	5,265,917	14,627,696	2,166,787	1,019,285	17,813,768
Professional fees and contracted services	3,032	8,057	3,334	4,910	14,850	10,849	9,837	42,519	1,076,189	1,173,577	425,857	513,984	2,113,418
Supplies	66,987	90,841	72,695	28,319	31,010	43,831	235,484	542,761	1,251,519	2,363,447	108,087	81,334	2,552,868
Telephone	16,373	6,852	7,313	9,141	9,880	13,926	24,678	31,879	30,766	150,808	15,384	4,410	170,602
Postage	-	1,447	291	-	-	-	168	235	1,721	3,862	8,191	20,822	32,875
Utility and occupancy	178,739	118,484	700,381	194,723	304,640	235,808	158,793	2,631	78,184	1,972,383	131,917	2,432	2,106,732
Printing and subscriptions	508	575	794	255	1,479	617	2,326	7,350	14,051	27,955	1,143	59,669	88,767
Transportation	29,347	19,941	14,832	5,658	8,381	22,900	32,160	159,051	126,550	418,820	20,453	1,443	440,716
Conferences, conventions and meetings	34	14,063	774	57	5,576	871	2,364	2,436	143,351	169,526	96,317	18,507	284,350
Scholarships and client assistance	-	2,398	257	-	-	150	-	42	781,530	784,377	26,922	-	811,299
Dues and memberships	3,041	3,927	2,867	1,598	2,277	3,040	6,114	12,765	25,270	60,899	34,414	4,623	99,936
Insurance	26,340	40,785	13,883	5,590	10,717	9,811	74,584	21,748	3,301	206,759	40,557	3,660	250,976
Other, net	20	28,038	43,802	20,464	188	72,714	5,630	-	16,376	187,232	13,067	169,667	369,966
Provision for uncollectible accounts	-	-	-	-	-	-	-	-	-	-	-	(10,250)	(10,250)
Total noncompensation expenses	324,421	335,408	861,223	270,715	388,998	414,517	552,138	823,417	3,548,808	7,519,645	922,309	870,301	9,312,255
Total expenses before depreciation	928,326	1,331,329	1,460,824	708,821	907,594	1,112,579	1,136,691	5,746,452	8,814,725	22,147,341	3,089,096	1,889,586	27,126,023
Depreciation and amortization	88,635	70,186	25,265	4,673	20,542	10,070	202,853	5,803	14,189	442,216	159,644	1,921	603,781
Total expenses	\$ 1,016,961	\$ 1,401,515	\$ 1,486,089	\$ 713,494	\$ 928,136	\$ 1,122,649	\$ 1,339,544	\$ 5,752,255	\$ 8,828,914	\$ 22,589,557	\$ 3,248,740	\$ 1,891,507	\$ 27,729,804

The accompanying notes to financial statements
are an integral part of these statements.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets before nonrecurring item	\$ 5,682,248	\$ (2,771,941)
Adjustments to reconcile change in net assets to net cash and equivalents provided by operating activities:		
Depreciation	592,481	603,781
Loss on disposal of equipment	62,590	-
In-kind contributions of fixed assets	-	(264,064)
Gain from nonrecurring items	(273,112)	-
Realized and unrealized loss (gains) on securities	(1,561,047)	1,030,740
Change in assets and liabilities:		
Service contract fees receivable	82,830	(103,013)
Pledges receivable	(1,608,929)	1,549,844
Other receivables	(77,167)	544,052
Prepaid insurance and other assets	(152,317)	19,761
Accounts payable	166,323	158,072
Accrued expenses	42,753	47,671
Fiscal agent - "I Had a Dream"	54,240	-
Deferred revenue	(10,230)	(80,089)
Deferred compensation	(116,420)	221,909
Total adjustments	<u>(2,798,005)</u>	<u>3,728,664</u>
Net cash and equivalents provided by operating activities	<u>2,884,243</u>	<u>956,723</u>
Cash Flows Provided (Used) by Investing Activities:		
Purchase of investments	(5,363,665)	(13,610,127)
Proceeds from sale or maturity of investments	5,859,717	11,912,126
Purchases of property and equipment	(486,927)	(441,302)
Insurance proceeds on loss of property (footnote 18)	273,112	-
Net cash and equivalents provided (used) by investing activities	<u>282,237</u>	<u>(2,139,303)</u>
Net increase (decrease) in cash and equivalents	3,166,480	(1,182,580)
Cash and equivalents, beginning of year	<u>7,139,545</u>	<u>8,322,125</u>
Cash and equivalents, end of year	<u>\$ 10,306,025</u>	<u>\$ 7,139,545</u>
Supplemental Disclosure:		
Property and equipment purchases included in accounts payable	<u>\$ 85,489</u>	<u>\$ 34,253</u>

The accompanying notes to financial statements
are an integral part of these statements.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2016 and 2015

1. Organization

The Boys & Girls Clubs of Greater Milwaukee, Inc. (BGCGM or Clubs) is a youth guidance organization dedicated to promoting health, social, educational, vocational, cultural, character and leadership development. It aims to help young people from the Greater Milwaukee Area improve their lives by building self-esteem and developing values and skills during critical periods of growth. BGCGM achieves these goals through the financial support of public and private donations.

In providing a program of youth services designed to fulfill its purposes, BGCGM has established neighborhood branch locations, school expansion sites and a camp. These locations supported programs in six core program areas as follows:

Character and Leadership Development – Programs that empower youth to support and influence their club and community, sustain meaningful relationships with others, develop a positive self-image, participate in the democratic process and respect their own and other’s cultural identities.

Education and Career Development – Programs that enable youth to become proficient in basic education and disciplines, apply learning to everyday situations and embrace technology to achieve success in a career.

Health and Life Skills – Programs that develop young people’s capacity to engage in positive behaviors that nurture their own well-being, set personal goals and live successfully as self-sufficient adults.

Arts and Cultural Education – Programs that enable youth to develop their creativity and cultural awareness through knowledge and appreciation of the visual arts, crafts, performing arts and creative writing.

Sports, Fitness and Recreation – Programs that develop fitness, positive use of leisure time, skills for stress management, appreciation for the environment and social skills.

Outdoor and Environmental Education – Programs that enable youth to explore their natural environment and develop an appreciation for the outdoors in a hands-on learning environment.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements.

Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time that the estimates are made, actual results could differ.

Cash and Equivalents

For purposes of the statements of cash flows, BGCGM considers all highly liquid investments with an initial maturity of three months or less to be cash and equivalents.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

2. Significant Accounting Policies (Continued)

Restricted Cash

BGCGM has restricted cash for the following purposes:

I Have a Dream ("IHAD") – BGCGM is a fiscal agent for IHAD.

Assets for Independence Demonstration Program ("IDA") – BGCGM is required by the granting agency to maintain a separate bank account for IDA awards.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are assets whose use has been limited by donors to a specific time period or purpose. Assets released from restrictions that are used for operating or capital purposes are reported in the statements of activities as additions to unrestricted net assets. Restricted earnings are recorded as temporarily restricted net assets until amounts are expended in accordance with donors' specifications.

Permanently restricted net assets consist of amounts held in perpetuity. Restricted earnings on the investments of the endowment funds are included in unrestricted revenue and support unless restricted by donors.

Contributions

All contributions are recorded at their fair market value and are considered to be available for the general programs of BGCGM unless specifically restricted by the donor.

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported as either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted gifts are reported as unrestricted if the restrictions expire during the fiscal year in which the gift was received.

Contributed Goods and Services

BGCGM reports various types of contributed goods and services support, including rent, supplies, professional services and equipment. Donated supplies and equipment are recognized at their estimated values on the date received. Donated services are reported in the financial statements for voluntary donations of professional services when those services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically would be purchased if not provided by donation. Such contributed goods and services totaled \$1,405,165 and \$1,595,105 for 2016 and 2015, respectively. The amounts reflected in the financial statements as contributed goods and services are offset by like amounts included in expenses or capitalized as equipment and depreciated over their useful lives. BGCGM recorded rent expenses of \$1,171,315 in 2016 and 2015 and other operating expenses of \$233,850 and \$159,701 in 2016 and 2015, respectively. BGCGM recorded equipment, buildings and other assets of \$-0- and \$264,064 in 2016 and 2015, respectively, which will be depreciated over their useful lives.

BGCGM also received contributed services for its various programs from volunteers which do not meet the recognition criteria described above. No amounts have been reflected in the financial statements for these contributed services.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

2. Significant Accounting Policies (Continued)

Grants from Governmental Agencies

Revenue from federal and state grants is recognized to the extent of eligible expenditures for each grant.

Valuation of Investments

Investments are reported at fair value. Investments in marketable securities with readily determinable fair value and all investments in debt securities are valued at their fair value in the statements of financial position. Unrealized gains and losses are included in the change of net assets.

GAAP establishes a hierarchy that prioritizes the inputs for measuring fair value. Those inputs are summarized as follows:

Level 1 – Quoted prices in active markets, e.g. NYSE, NASDAQ, etc. for assets identical to the securities to be valued. If a Level 1 input is available, it must be used.

Level 2 – Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from observable market data by correlation or other means.

Level 3 – Unobservable inputs, which contain assumptions by the party valuing those assets. For level 3 inputs, there is no market data or correlations with market assumptions. Examples would include limited partnership interests, closely held stock, etc.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Money Market, Domestic and International Fixed Income, Domestic and International Equities, and Other Investments: Valued at the closing price reported on the active market on which the individual securities are traded.

Accrued Income: Estimated value of earned interest based on year-ending balances.

Land, Building and Equipment

Property and equipment contributed to BGCGM are recorded at estimated fair value on the date of the gift. Purchased property and equipment are recorded at cost. BGCGM records amounts incurred related to ongoing construction projects as construction in progress. When construction projects are completed, the amount incurred is transferred to the appropriate fixed asset category and depreciated. Depreciation is recorded on the straight-line method. Estimated useful lives used in the calculation of depreciation are:

Buildings	10 - 50 years
Leasehold improvements	10 - 20 years
Equipment	3 - 10 years
Vehicles	5 years

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

2. Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue consists primarily of advances on contracts with state and federal governments for program assistance in excess of program expenditures. These amounts are recognized as revenue as expenditures are incurred.

Receivables

Receivables are recorded at contract value, less management's estimate for uncollectible amounts based on their experience relative to the total population of receivables. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Other Receivables

Other receivables are carried at the invoice amount. Management expects this entire amount to be collectible.

Functional Expenses

BGCGM classifies expenses into two functions: Program Services and Supporting Services. The Program Services function includes all expenses directly related to BGCGM's activities and programs for boys and girls and their families. These expenses have been directly charged to the specific activities and programs based on employee hours incurred and hours of services provided to boys and girls and their families. The Supporting Services function includes management and general expenses not directly associated with activities and programs and fund-raising expenses.

Tax Status

BGCGM is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

BGCGM has implemented accounting for uncertainty in income taxes in accordance with accounting principles generally accepted in the United States of America. This standard describes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosure required. Management of BGCGM evaluates the uncertain tax positions taken regarding unrelated business income taxes, if any, and consults with outside counsel as deemed necessary. BGCGM recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense.

Subsequent Events

Management has evaluated all subsequent events through the date the financial statements were available for distribution (May 09, 2017) for possible inclusion as a disclosure in the financial statements. On May 8, 2017, the BGCGM sold its LaVarnway location and adjacent land to Milwaukee Rescue Mission for \$700,000. The ground lease between BGCGM terminated on the date of the sale. The terms of the agreement call for a lease back of the facility by BGCGM for a maximum of five years with monthly rent of \$6,500. See Footnote 18 for an additional disclosure.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
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Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

3. Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give, such as planned giving, are not included as support until the conditions are substantially met. BGCGM has conditional promises with a net present value of approximately \$11,158,419 and \$11,296,888 at December 31, 2016 and 2015, respectively. These are conditional upon the provisions of the donor's bequest. BGCGM has a conditional promise to give that requires certain matching contributions that has a net present value of approximately \$13,250,000 at December 31, 2016 and 2015.

Included in the pledges receivable are the following unconditional promises to give at December 31:

	<u>2016</u>	<u>2015</u>
Unconditional promises to give before unamortized discount	\$ 7,631,444	\$ 5,916,045
Less: Allowance for doubtful pledges receivable	(344,017)	(260,058)
Less: Unamortized discount (discount rate 3.80% and 4.25% - 2016 and 2015, respectively)	<u>(266,966)</u>	<u>(244,455)</u>
Net unconditional promises to give	\$ <u>7,020,461</u>	\$ <u>5,411,532</u>

Payments on pledges receivable at December 31, 2016 are expected to be received as follows:

<u>Years Ending December 31,</u>	
2017	\$ 3,316,724
2018	2,040,668
2019	1,646,017
2020	453,035
2021	150,000
2022 - 2025	<u>25,000</u>
Total	\$ <u>7,631,444</u>

4. Investments

For investment purposes, marketable securities are pooled with the exception of the Pieper Challenge Fund, which is maintained in a separate investment portfolio.

Realized and unrealized gains and losses and investment income are allocated monthly to the individual portfolios based on the total fair value of pooled investments applicable to each of the respective portfolios.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

4. Investments (Continued)

Investments consist of the following at December 31:

	2016		2015	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Pooled investments	\$ 23,912,043	\$ 22,908,626	\$ 23,114,546	\$ 22,932,957
Corporate bonds – short term	5,248,762	5,267,268	5,133,373	5,183,729
Pieper portfolio	1,434,378	1,384,911	1,295,374	1,394,428
Other	112,717	49,572	107,398	50,574
Accrued income	21,648	21,648	13,862	13,862
Total	\$ 30,729,548	\$ 29,632,025	\$ 29,664,553	\$ 29,575,550

Income derived from investments consists of the following for the year ended December 31, 2016:

	Temporarily		<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>	
Investment distribution	\$ 777,236	\$ 549,544	\$ 1,326,780
Excess investment distribution over dividend and interest income and fees	(563,622)	(466,809)	(1,030,431)
Total dividend and interest income	213,614	82,735	296,349
Realized and change in unrealized gains on investments	984,865	576,182	1,561,047
Total	\$ 1,198,479	\$ 658,917	\$ 1,857,396

Income derived from investments consists of the following for the year ended December 31, 2015:

	Temporarily		<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>	
Investment distribution	\$ 801,686	\$ 513,538	\$ 1,315,224
Excess investment distribution over dividend and interest income and fees	(584,527)	(417,681)	(1,002,208)
Total dividend and interest income	217,159	95,857	313,016
Realized and change in unrealized (losses) on investments	(637,177)	(393,563)	(1,030,740)
Total	\$ (402,018)	\$ (297,706)	\$ (717,724)

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
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Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015
(Continued)

4. Investments (Continued)

The following summarized the classification of investments by classification and method of valuation in accordance with the requirements of generally accepted accounting principles for year ending December 31, 2016:

<u>Description</u>	<u>12/31/2016</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money Market	\$ 758,653	\$ 758,653	\$ -	\$ -
Accrued Interest	21,648	21,648	-	-
Domestic Fixed Income:				
Treasury and federal agencies - intermediate term	4,611,951	4,611,951	-	-
Corporate bonds - short term	5,248,762	5,248,762	-	-
Charitable trust - short term	3,522	-	3,522	-
Total domestic fixed income	<u>9,864,235</u>	<u>9,860,713</u>	<u>3,522</u>	<u>-</u>
International Fixed Income:				
World bond - intermediate term	586,703	586,703	-	-
Domestic Equities:				
Mutual Funds:				
Equity funds - small cap	299,741	299,741	-	-
Equity funds - large cap	837,125	837,125	-	-
Diversified investment pool	89,415	-	89,415	-
Charitable trust	19,780	-	19,780	-
Total mutual funds	<u>1,246,061</u>	<u>1,136,866</u>	<u>109,195</u>	<u>-</u>
Stocks:				
Basic materials	162,425	162,425	-	-
Communication	292,424	292,424	-	-
Consumer cyclical	1,992,463	1,992,463	-	-
Consumer defensive	720,780	720,780	-	-
Energy	330,230	330,230	-	-
Financial services	1,333,635	1,333,635	-	-
Healthcare	1,110,233	1,110,233	-	-
Industrials	1,724,701	1,724,701	-	-
Software	76,735	76,735	-	-
Technology	2,312,491	2,312,491	-	-
Total stocks	<u>10,056,117</u>	<u>10,056,117</u>	<u>-</u>	<u>-</u>
Total domestic equities:	<u>11,302,178</u>	<u>11,192,983</u>	<u>109,195</u>	<u>-</u>
International Equities:				
Mutual Funds:				
Equity funds - large cap	5,662,656	5,662,656	-	-
Stocks:				
Basic materials	226,854	226,854	-	-
Consumer defensive	147,170	147,170	-	-
Energy	151,110	151,110	-	-
Financial services	95,315	95,315	-	-
Healthcare	136,592	136,592	-	-
Industrials	112,442	112,442	-	-
Technology	351,691	351,691	-	-
Total stocks	<u>1,221,174</u>	<u>1,221,174</u>	<u>-</u>	<u>-</u>
Total international equities:	<u>6,883,830</u>	<u>6,883,830</u>	<u>-</u>	<u>-</u>
Other Investments:				
Commodities	684,280	684,280	-	-
Real estate	628,021	628,021	-	-
Total other investments	<u>1,312,301</u>	<u>1,312,301</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 30,729,548</u>	<u>\$ 30,616,831</u>	<u>\$ 112,717</u>	<u>\$ -</u>

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
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Notes to Financial Statements
For the Years Ended December 31, 2016 and 2015
(Continued)

4. Investments (Continued)

The following summarized the classification of investments by classification and method of valuation in accordance with the requirements of generally accepted accounting principles for year ending December 31, 2015:

<u>Description</u>	<u>12/31/2015</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money Market	\$ 552,780	\$ 552,780	\$ -	\$ -
Accrued Interest	13,862	13,862	-	-
Domestic Fixed Income:				
Treasury and federal agencies - intermediate term	4,502,902	4,502,902	-	-
Corporate bonds - short term	5,133,373	5,133,373	-	-
Charitable trust - short term	6	-	6	-
Total domestic fixed income	<u>9,636,281</u>	<u>9,636,275</u>	<u>6</u>	<u>-</u>
International Fixed Income:				
World bond - intermediate term	546,604	546,604	-	-
Domestic Equities:				
Mutual Funds:				
Equity funds - small cap	265,880	265,880	-	-
Equity funds - large cap	882,644	882,644	-	-
Diversified investment pool	84,488	-	84,488	-
Charitable trust	22,904	-	22,904	-
Total mutual funds	<u>1,255,916</u>	<u>1,148,524</u>	<u>107,392</u>	<u>-</u>
Stocks:				
Aerospace	44,082	44,082	-	-
Basic materials	190,294	190,294	-	-
Communication	234,600	234,600	-	-
Consumer cyclicals	1,995,364	1,995,364	-	-
Consumer defensive	492,389	492,389	-	-
Energy	236,671	236,671	-	-
Financial services	1,145,681	1,145,681	-	-
Healthcare	1,044,219	1,044,219	-	-
Industrials	1,836,090	1,836,090	-	-
Software	12,664	12,664	-	-
Technology	2,053,448	2,053,448	-	-
Total stocks	<u>9,285,502</u>	<u>9,285,502</u>	<u>-</u>	<u>-</u>
Total domestic equities:	<u>10,541,418</u>	<u>10,434,026</u>	<u>107,392</u>	<u>-</u>
International Equities:				
Mutual Funds:				
Equity funds - large cap	5,742,934	5,742,934	-	-
Stocks:				
Basic materials	137,680	137,680	-	-
Consumer defensive	424,477	424,477	-	-
Energy	171,412	171,412	-	-
Financial services	55,326	55,326	-	-
Healthcare	236,202	236,202	-	-
Industrials	82,736	82,736	-	-
Insurance	57,841	57,841	-	-
Technology	318,832	318,832	-	-
Total stocks	<u>1,484,506</u>	<u>1,484,506</u>	<u>-</u>	<u>-</u>
Total international equities:	<u>7,227,440</u>	<u>7,227,440</u>	<u>-</u>	<u>-</u>
Other Investments:				
Commodities	545,856	545,856	-	-
Real estate	600,312	600,312	-	-
Total other investments	<u>1,146,168</u>	<u>1,146,168</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 29,664,553</u>	<u>\$ 29,557,155</u>	<u>\$ 107,398</u>	<u>\$ -</u>

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
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Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

5. Endowment

BGCGM's endowment consists of approximately 40 individual funds established for the sustainability of operational needs. For investment purposes, marketable securities are pooled with the exception of the Pieper Challenge Fund, which is maintained in a separate investment portfolio and consists of donor-restricted funds and funds designated by the Board of Trustees to function as endowments.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

BGCGM has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, BGCGM 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 is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by BGCGM in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the BGCGM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 BGCGM, and (7) BGCGM'S investment policies.

Investment Return Objectives, Risk Parameters and Strategies. BGCGM has adopted investment and spending policies, approved by the Board of Trustees, for the endowment assets. The objectives of the Endowment have been established in conjunction with a comprehensive review of long-term financial requirements. The objectives are to maximize return within reasonable and prudent levels of risk and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy, while still having the potential to produce positive real returns. The investment guidelines for the portfolio are based upon an investment horizon of greater than five years. Therefore, interim fluctuations should be viewed with appropriate perspective. The Committee recognizes and acknowledges some risk must be assumed in order to achieve the long-term investment objectives of the portfolio, and there are uncertainties and complexities associated with contemporary investment markets. In establishing the risk tolerances, the Endowment's ability to withstand short-and intermediate-term variability were considered. The Endowment's current financial condition, as well as prospects for the future, suggest some interim fluctuations in market value and rates of return may be tolerated in order to achieve longer-term objectives.

Spending Policy - BGCGM has a policy which utilizes a 5.5% annual distribution rate based on a twelve-quarter moving average ending September 30th of the prior fiscal year in which the distribution is planned, excluding the Pieper Challenge Fund. In establishing this policy, BGCGM considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The annual distribution, as governed by the spending policy above, is included as part of the annual budget. Any proposed distribution in excess of the spending policy must be approved at a regularly scheduled board meeting by a super-majority (2/3 minimum) of board members present.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

5. Endowment (Continued)

The Pieper Challenge Fund utilizes an annual distribution based on comparing the September 30th balance of the prior fiscal year in which the distribution is planned to the high water mark. The calculation resulted in a distribution of \$-0- and \$60,566 at December 31, 2016 and 2015, respectively. There was no distribution from the Pieper Challenge Fund during 2016 due to the fund not meeting certain criteria.

Endowment Net Asset Composition by Type of Fund as of December 31, 2016 is as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted	\$ -	\$ 7,904,244	\$ 2,984,505	\$ 10,888,749
Board-designated	14,592,037	-	-	14,592,037
Total funds	\$ 14,592,037	\$ 7,904,244	\$ 2,984,505	\$ 25,480,786

Changes in endowment net assets as of December 31, 2016 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 14,072,581	\$ 7,794,479	\$ 2,984,505	\$ 24,851,565
Contributions	307,945	-	-	307,945
Investment income	135,734	82,735	-	218,469
Net appreciation	953,013	576,574	-	1,529,587
Transfer	(100,000)	-	-	(100,000)
Amounts appropriated for expenditure	(777,236)	(549,544)	-	(1,326,780)
Endowment net assets, end of year	\$ 14,592,037	\$ 7,904,244	\$ 2,984,505	\$ 25,480,786

In addition to the endowment investments, BGCGM has board designated investments composed of corporate bonds – short term with a fair value of \$5,248,762 and a cost of \$5,267,268. Those bonds had interest income of \$83,538 and unrealized gain of \$31,851.

Endowment Net Asset Composition by Type of Fund as of December 31, 2015 is as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted	\$ -	\$ 7,794,479	\$ 2,984,505	\$ 10,778,984
Board-designated	14,072,581	-	-	14,072,581
Total funds	\$ 14,072,581	\$ 7,794,479	\$ 2,984,505	\$ 24,851,565

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Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

5. Endowment (Continued)

Changes in endowment net assets as of December 31, 2015 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 14,795,369	\$ 8,606,976	\$ 2,984,505	\$ 26,386,850
Contributions	523,790	-	-	523,790
Investment income	152,830	95,858	-	248,687
Net depreciation	(597,722)	(394,817)	-	(992,539)
Amounts appropriated for expenditure	(801,686)	(513,538)	-	(1,315,224)
Endowment net assets, end of year	\$ 14,072,581	\$ 7,794,479	\$ 2,984,505	\$ 24,851,565

In addition to the endowment investments, BGCGM has board designated investments composed of corporate bonds – short term with a fair value of \$5,133,373 and a cost of \$5,183,729. Those bonds had interest income of \$60,865 and unrealized loss of \$39,455.

6. Land, Building and Equipment

Property and equipment consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 3,593,422	\$ 3,639,651
Buildings	12,680,883	12,601,323
Leasehold improvements	2,879,264	2,619,602
Furniture and equipment	3,031,952	2,658,080
Work in progress	351,977	775,674
Total	22,537,498	22,294,330
Less: Accumulated depreciation	(14,485,355)	(14,159,532)
Net	\$ 8,052,143	\$ 8,134,798

During 1990, BGCGM entered into an agreement with Milwaukee County for the construction of the Mary Ryan facility. BGCGM leases the building from the County. For 2016 and 2015, BGCGM includes \$2,500,000 of leasehold improvements, representing its commitment to provide 50% of the construction costs of the building up to \$2,500,000.

Milwaukee County has responsibility for all major repair costs to the Mary Ryan facility as well as utility costs up to a maximum of \$50,000 per year under the terms of the lease. The initial lease term is twenty years at an annual rent of \$1. The lease provides for three additional ten-year renewal periods at the option of BGCGM, at a rent to be negotiated. BGCGM recognized contribution revenue and rent expense of \$550,000 during 2016 and 2015, related to the lease, which approximates the estimated fair market value of the lease.

In 2016, BGCGM incurred \$112,488 in costs to renovate Mary Ryan in connection with a County sponsored HVAC project. Total BGCGM renovation costs to date are \$563,606. The Teen Center buildout of the project is still in process.

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Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

6. Land, Building and Equipment (Continued)

During 2000, BGCGM entered into a leasing agreement with the City of Milwaukee for the Fitzsimonds facility. The lease commenced on January 1, 2000 and will terminate on June 30, 2029, with a rental fee of \$1 annually. The lease provides for two additional ten-year periods under the same terms and conditions as that of the original term. BGCGM is responsible for the installation, maintenance and service of telephone lines, together with costs of maintaining and replacing this equipment. The City of Milwaukee Board of School Directors will bear the cost of electricity, gas, water and sewer. BGCGM recognized both contribution revenue and rent expense of \$300,000 during 2016 and 2015, related to the lease, which approximates the estimated fair value of the lease.

During 2003, BGCGM entered into a ground lease agreement with the Academy of Learning & Leadership, which allowed the Academy to construct a school on the Boys & Girls Club property, and share certain space in the LaVarnway Club during the school day. The term of the agreement is for 99 years with base rent of \$10 per year. In 2014, Milwaukee Rescue Mission, a not for profit organization that operates a choice school replaced the Academy of Learning & Leadership in all material aspects of the ground lease.

During 2005, BGCGM entered into leasing agreements with the City of Milwaukee for the Hillside facility. The lease runs on a yearly basis. BGCGM is responsible for the daily maintenance of the facilities; however, the City of Milwaukee shall provide all utilities. BGCGM recognized total contribution revenue of \$153,080 during 2016 and 2015, and rent expense of \$181,400 during 2016 and 2015 related to the lease, which approximates the estimated fair market value of the lease.

During 2005, BGCGM entered into a lease agreement with HR Academy, Inc. to operate the Daniels Mardak Club. The term of the lease is 20 years with a base rent of \$1 per year. The landlord is responsible for repairs, maintenance, and utilities, excluding telecommunications. BGCGM will contribute a minimum of \$50,000 per year during years 8-20 of the lease toward landlords' maintenance. BGCGM recognized total contribution revenue and rent expense of \$168,260 during 2016 and 2015 related to the lease, which approximates the estimated fair market value of the lease.

7. Line of Credit

BGCGM maintains a working capital line of credit agreement with RBC Wealth Management, the investment custodian, which provides for maximum borrowings of up to \$1,500,000. Any borrowings under this line of credit are collateralized by certain unrestricted investments of BGCGM. The line of credit carries an interest rate that is formula-based on the broker's call rate. The effective interest rate was 4.00% as of December 31, 2016 and 2015. Borrowings outstanding at December 31, 2016 and 2015 were \$-0-. There was no interest paid in 2016 and 2015.

8. Deferred Compensation

BGCGM offered a deferred compensation plan to selected participants that permit the participant to defer a portion of their salary until future years. All outstanding deferred compensation plans have been terminated in April of 2016 with payouts to occur over a 12 month period beginning one year from the termination date. Outstanding deferred compensation liability amounted to \$491,721 and \$608,141 as of December 31, 2016 and 2015, respectively. The outstanding obligations for these terminated plans were fully recognized in 2015.

9. Pension Plan

The 401k plan covers substantially all full-time employees and continues to be administered by the BGCGM. BGCGM contributes 3% of the participant's salary based on participation level which is vested immediately. In addition, BGCGM matches up to 4% of the participant's salary based on participation level. Total pension expense for the years ending December 31, 2016 and 2015 was \$463,154 and \$379,985, respectively.

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Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

10. Net Assets

Unrestricted net assets consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Board Designated Endowment Investments	\$ 14,592,037	\$ 14,072,581
Board Designated Investments	5,248,762	5,133,373
Undesignated	(14,219)	(294,576)
Total	<u>\$ 19,826,580</u>	<u>\$ 18,911,378</u>

Temporarily restricted net assets include donor-restricted contributions, investment income, realized and unrealized net gains on permanently restricted assets. Temporarily restricted net assets consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
General operating programs	\$ 23,787,024	\$ 20,660,126
Time restricted to use in future periods	7,020,461	5,411,532
Scholarships and education funds	701,013	692,636
General camp programs	1,902,485	1,880,035
Charitable remainder annuity trust	23,302	22,910
Total	<u>\$ 33,434,285</u>	<u>\$ 28,667,239</u>

Permanently restricted net assets represent amounts in which the principal, including net pledges receivable, are maintained in perpetuity. Permanently restricted net assets consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Bechtel Scholarship Fund	\$ 186,277	\$ 186,277
Grace V. James Fund	191,851	191,851
Gruesel Camp Fund	76,692	76,692
Rose & Julius Pieper Fund	660,120	660,120
Demmer Camp Fund	25,000	25,000
Demmer Scholarship Fund	25,000	25,000
Guy Smith Scholarship Fund	27,588	27,588
Messimer Camp Fund	10,000	10,000
Champions for Children	912,703	912,703
Micah Kesselman Fund	103,684	103,684
Celeste Davis Fund	37,500	37,500
Roland and Florence Schroeder Fund	37,500	37,500
Alice Kadish Environmental Fund	183,000	183,000
Laskin Family Fund	73,412	73,412
Lawlis Camp Fund	30,000	30,000
June Hansen Reading Fund	192,100	192,100
M. Drake Breskvar Fund	403,606	403,606
Total permanently restricted net assets	<u>\$ 3,176,033</u>	<u>\$ 3,176,033</u>

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
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Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

11. Special Events

Special event activities are netted on the statements of activities. Gross special event revenues and expenses for the years ended December 31 are as follows:

	<u>2016</u>		<u>2015</u>
Special events revenue	\$ 856,019	\$	760,080
Special events expense	(146,186)		(132,869)
Special events, net	<u>\$ 709,833</u>	<u>\$</u>	<u>627,211</u>

12. Operating Leases

BGCGM leased multiple vehicles for general operational purposes. The expense for 2016 and 2015 was \$41,556 and \$36,011, respectively.

The leases are of various lengths and terms and require payments in the subsequent years as follows:

<u>Years Ending</u> <u>December 31,</u>			
2017	\$		45,468
2018			30,124
2019			7,453
2020			<u>2,232</u>
Total	\$		<u>87,469</u>

13. Related-Party Transactions

BGCGM paid liability insurance premiums of approximately \$36,486 and \$46,654; investment costs, including fees paid to the investment advisor as well as pass through fees paid to the investments managers of approximately \$139,663 and \$155,943 during 2016 and 2015, respectively, to companies in which an executive is also a member of BGCGM's Board of Trustees. BGCGM also receives grant money from a pass through entity in which the BGCGM's president is on the board of directors of the pass through entity. In addition, certain members of BGCGM's Board of Trustees are employed by or serve on boards of directors of various organizations or service companies with which BGCGM does business. In general, the services provided are valued below market and include banking, insurance coverage and vehicle leases. BGCGM obtains conflict of interest statements from all trustees which disclose such relationships. All such relationships have been reviewed by the Board of Trustees.

14. Concentration of Credit Risk Regarding Cash

BGCGM financial instruments are exposed to concentrations of credit risk consisting of cash. BGCGM maintains its cash with six financial institutions. The total cash balances of BGCGM are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per bank. BGCGM held cash throughout the year which, at times, exceeded the balance insured by the FDIC. BGCGM monitors such credit risk and has not experienced any losses related to such risks.

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Notes to Financial Statements
December 31, 2016 and 2015
(Continued)

15. Major Grantors or Contributors

BGCGM received approximately 25% and 33% of its annual revenue from federal and state grants for the years ended December 31, 2016 and 2015, respectively.

16. Risks and Uncertainties

BGCGM has investments in various equities. These investment securities are exposed to various risks of loss such as market and credit risks. Due to the level of risk associated with these investment securities, it is at least reasonably possible that changes in value of these investment securities will occur in the near term and those changes could materially affect the amounts reported on the statements of financial position.

17. Commitments and Contingencies

BGCGM is occasionally involved in various legal proceedings, claims and administrative actions arising in the normal course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on BGCGM's financial position, activities or cash flows.

18. Nonrecurring Items

In January 2016, BGCGM suffered a complete loss of a barn and its contents due to fire damage. In addition, hail damage was discovered on three roofs at a BGCGM camp. The effects of the fire and hail damage are presented as nonrecurring items on the statement of activities. The table below shows the effect on BGCGM's financial statements:

Insurance proceeds for fire	\$ 209,454
Insurance proceeds for hail damage	78,306
Less: Net value of barn and its contents	<u>(14,648)</u>
Nonrecurring gain	<u>\$ 273,112</u>

BGCGM has a contingency noted in the insurance claim that states if BGCGM completes repairs on the buildings that suffered hail damage by a specified date then they will receive an additional \$24,447 in insurance proceeds. These proceeds will be recorded at the time the repairs are completed. There were no nonrecurring items for the year ended December 31, 2015.

Subsequent to year-end, BGCGM completed the repairs on the building and have requested reimbursement from the insurance company.

19. Financial Awards from Grantors

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against BGCGM for disallowed costs or noncompliance with grantor restrictions.

20. Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to their presentation in the current-year financial statements. Net assets and changes in net assets are unchanged due to these reclassifications.