

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

**FINANCIAL STATEMENTS**

Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 8, 2018  
Milwaukee, Wisconsin

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

Milwaukee, Wisconsin

**Statements of Financial Position**

December 31, 2017 and 2016

<b>ASSETS</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Cash and equivalents	\$ 4,750,479	\$ 9,800,773
Cash - restricted	496,762	505,252
Investments	36,309,952	30,729,548
Service contract fees receivable, net	1,588,175	2,249,998
Promises to give, net	8,475,326	7,020,461
Other receivables, net	125,626	253,730
Prepaid insurance and other assets	487,374	571,354
Land, buildings and equipment, net	7,857,997	8,052,143
<b>Total assets</b>	<b><u>\$ 60,091,691</u></b>	<b><u>\$ 59,183,259</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 843,792	\$ 1,193,358
Accrued expenses	913,863	778,977
Fiscal agent	16,724	54,240
Deferred revenue	361,980	228,065
Deferred compensation	149,147	491,721
<b>Total liabilities</b>	<b><u>2,285,506</u></b>	<b><u>2,746,361</u></b>
<b>Net Assets:</b>		
Unrestricted	21,522,432	19,826,580
Temporarily restricted	33,107,720	33,434,285
Permanently restricted	3,176,033	3,176,033
<b>Total net assets</b>	<b><u>57,806,185</u></b>	<b><u>56,436,898</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 60,091,691</u></b>	<b><u>\$ 59,183,259</u></b>

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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating Revenues:</b>				
<b>Public Support:</b>				
United Way	\$ 603,090	\$ 658,246	\$ -	\$ 1,261,336
Contributions	5,049,382	8,329,723	-	13,379,105
Federal, state and other government awards	8,835,297	-	-	8,835,297
Other grants	1,924,649	-	-	1,924,649
Special events, net	800,129	-	-	800,129
<b>Net public support</b>	17,212,547	8,987,969	-	26,200,516
<b>Other Operating Revenue:</b>				
Investment distribution (see note 4)	841,549	547,573	-	1,389,122
Facility rental	533,805	-	-	533,805
Service charges, camp fees and membership	740,193	-	-	740,193
Loss on disposal of property and equipment	(377,170)	-	-	(377,170)
<b>Total other operating revenue</b>	1,738,377	547,573	-	2,285,950
<b>Total operating revenues</b>	18,950,924	9,535,542	-	28,486,466
<b>Net Assets Released from Restrictions</b>	10,741,190	(10,741,190)	-	-
<b>Total operating revenue and net assets released from restriction</b>	29,692,114	(1,205,648)	-	28,486,466
<b>Operating Expenses:</b>				
<b>Program Services:</b>				
Augusta La Varnway Club	1,023,141	-	-	1,023,141
Don and Sallie Davis Club	1,448,936	-	-	1,448,936
Mary Ryan Club	1,463,926	-	-	1,463,926
Pieper - Hillside Club	698,964	-	-	698,964
Roger & Leona Fitzsimonds Club	980,038	-	-	980,038
Daniels - Mardak Club	1,037,043	-	-	1,037,043
Camp Whitcomb/Mason	1,573,020	-	-	1,573,020
School Clubs	6,098,589	-	-	6,098,589
Special programs/other	9,954,906	-	-	9,954,906
<b>Total program services</b>	24,278,563	-	-	24,278,563
<b>Support Services:</b>				
Management and general	3,351,455	-	-	3,351,455
Resource development	2,321,286	-	-	2,321,286
<b>Total support services</b>	5,672,741	-	-	5,672,741
<b>Total operating expenses</b>	29,951,304	-	-	29,951,304
<b>Excess (deficit) of operating revenue and net assets released from restriction over (under) operating expenses</b>	(259,190)	(1,205,648)	-	(1,464,838)
<b>Nonoperating Gains and Losses:</b>				
Net realized and change in unrealized gains on investments (see note 4)	2,448,511	1,324,628	-	3,773,139
Excess investment distribution over dividend and interest income (see note 4)	(529,194)	(445,545)	-	(974,739)
<b>Total nonoperating gains and losses</b>	1,919,317	879,083	-	2,798,400
<b>Change in net assets before nonrecurring items</b>	1,660,127	(326,565)	-	1,333,562
<b>Nonrecurring Items</b>	35,725	-	-	35,725
<b>Change in net assets</b>	1,695,852	(326,565)	-	1,369,287
<b>Net assets, beginning of year</b>	19,826,580	33,434,285	3,176,033	56,436,898
<b>Net assets, end of year</b>	\$ 21,522,432	\$ 33,107,720	\$ 3,176,033	\$ 57,806,185

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>
<b>Operating Revenues:</b>				
<b>Public Support:</b>				
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
<b>Net public support</b>	<u>16,843,395</u>	<u>14,552,135</u>	<u>-</u>	<u>31,395,530</u>
<b>Other Operating Revenue:</b>				
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)
<b>Total other operating revenue</b>	<u>2,055,646</u>	<u>549,887</u>	<u>-</u>	<u>2,605,533</u>
<b>Total operating revenues</b>	<u>18,899,041</u>	<u>15,102,022</u>	<u>-</u>	<u>34,001,063</u>
<b>Net Assets Released from Restrictions</b>	<u>10,444,349</u>	<u>(10,444,349)</u>	<u>-</u>	<u>-</u>
<b>Total operating revenue and net   assets released from restriction</b>	<u>29,343,390</u>	<u>4,657,673</u>	<u>-</u>	<u>34,001,063</u>
<b>Operating Expenses:</b>				
<b>Program Services:</b>				
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
<b>Total program services</b>	<u>23,320,497</u>	<u>-</u>	<u>-</u>	<u>23,320,497</u>
<b>Support Services:</b>				
Management and general	3,593,410	-	-	3,593,410
Resource development	2,208,636	-	-	2,208,636
<b>Total support services</b>	<u>5,802,046</u>	<u>-</u>	<u>-</u>	<u>5,802,046</u>
<b>Total operating expenses</b>	<u>29,122,543</u>	<u>-</u>	<u>-</u>	<u>29,122,543</u>
<b>Excess (deficit) of operating revenue and net assets released from restriction over (under) operating expenses</b>	220,847	4,657,673	-	4,878,520
<b>Nonoperating Gains and Losses:</b>				
Net realized and change in unrealized gains 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)
<b>Total nonoperating gains and losses</b>	<u>421,243</u>	<u>109,373</u>	<u>-</u>	<u>530,616</u>
<b>Change in net assets before nonrecurring items</b>	642,090	4,767,046	-	5,409,136
<b>Nonrecurring Items</b>	<u>273,112</u>	<u>-</u>	<u>-</u>	<u>273,112</u>
<b>Change in net assets</b>	915,202	4,767,046	-	5,682,248
<b>Net assets, beginning of year</b>	<u>18,911,378</u>	<u>28,667,239</u>	<u>3,176,033</u>	<u>50,754,650</u>
<b>Net assets, end of year</b>	<u>\$ 19,826,580</u>	<u>\$ 33,434,285</u>	<u>\$ 3,176,033</u>	<u>\$ 56,436,898</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, 2017 and 2016

Year Ended December 31, 2017	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 2017
Salaries and wages	\$ 448,498	\$ 809,322	\$ 414,881	\$ 298,278	\$ 467,230	\$ 486,707	\$ 509,888	\$ 4,508,599	\$ 4,371,279	\$ 12,314,682	\$ 1,708,004	\$ 974,281	\$ 14,996,967
Employee benefits	81,403	141,734	80,871	50,241	82,341	79,852	99,932	373,946	645,905	1,636,225	341,586	168,140	2,145,951
Payroll taxes	42,684	77,934	40,068	28,691	44,568	47,494	62,581	438,082	402,634	1,184,736	163,348	94,477	1,442,561
<b>Total salaries and related expenses</b>	<b>572,585</b>	<b>1,028,990</b>	<b>535,820</b>	<b>377,210</b>	<b>594,139</b>	<b>614,053</b>	<b>672,401</b>	<b>5,320,627</b>	<b>5,419,818</b>	<b>15,135,643</b>	<b>2,212,938</b>	<b>1,236,898</b>	<b>18,585,479</b>
Professional fees and contracted services	400	1,995	23,879	5,823	1,950	1,698	36,562	21,652	1,225,916	1,319,875	472,376	729,203	2,521,454
Supplies	42,829	95,242	45,603	24,625	22,112	40,674	245,258	523,884	1,876,823	2,917,050	159,109	158,895	3,235,054
Telephone	19,465	13,086	9,281	8,199	14,073	17,563	27,796	35,780	33,734	178,977	15,322	4,170	198,469
Postage	-	1,395	1,251	-	-	-	477	541	4,683	8,347	11,353	6,678	26,378
Utility and occupancy	314,990	121,977	729,646	227,833	301,768	268,339	233,028	5,227	132,305	2,335,113	145,963	660	2,481,736
Printing and subscriptions	337	479	337	337	533	337	3,197	353	34,786	40,696	1,252	57,935	99,883
Transportation	25,838	21,389	17,659	9,427	7,576	18,277	28,387	145,923	135,314	409,790	4,078	2,083	415,951
Conferences, conventions and meetings	1,205	17,261	745	-	1,541	2,135	4,870	14,329	230,144	272,230	92,468	9,496	374,194
Scholarships and client assistance	-	429	-	-	-	-	-	176	820,538	821,143	16,985	-	838,128
Dues and memberships	2,710	3,835	4,011	1,956	2,489	2,973	6,424	15,727	27,196	67,321	25,790	5,140	98,251
Insurance	14,566	40,059	12,412	5,921	9,443	9,527	66,554	9,393	1,900	169,775	36,690	2,765	209,230
Other, net	7	32,854	6,511	32,346	764	51,057	13,701	2,232	610	140,082	(2,700)	-	137,382
Provision for uncollectible accounts	-	-	-	-	-	-	-	-	-	-	-	106,172	106,172
<b>Total noncompensation expenses</b>	<b>422,347</b>	<b>350,001</b>	<b>851,335</b>	<b>316,467</b>	<b>362,249</b>	<b>412,580</b>	<b>666,254</b>	<b>775,217</b>	<b>4,523,949</b>	<b>8,680,399</b>	<b>978,686</b>	<b>1,083,197</b>	<b>10,742,282</b>
<b>Total expenses before depreciation</b>	<b>994,932</b>	<b>1,378,991</b>	<b>1,387,155</b>	<b>693,677</b>	<b>956,388</b>	<b>1,026,633</b>	<b>1,338,655</b>	<b>6,095,844</b>	<b>9,943,767</b>	<b>23,816,042</b>	<b>3,191,624</b>	<b>2,320,095</b>	<b>29,327,761</b>
Depreciation and amortization	28,209	69,945	76,771	5,287	23,650	10,410	234,365	2,745	11,139	462,521	159,831	1,191	623,543
<b>Total expenses</b>	<b>\$ 1,023,141</b>	<b>\$ 1,448,936</b>	<b>\$ 1,463,926</b>	<b>\$ 698,964</b>	<b>\$ 980,038</b>	<b>\$ 1,037,043</b>	<b>\$ 1,573,020</b>	<b>\$ 6,098,589</b>	<b>\$ 9,954,906</b>	<b>\$ 24,278,563</b>	<b>\$ 3,351,455</b>	<b>\$ 2,321,286</b>	<b>\$ 29,951,304</b>

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
<b>Total salaries and related expenses</b>	<b>598,053</b>	<b>985,066</b>	<b>472,238</b>	<b>420,300</b>	<b>568,952</b>	<b>669,938</b>	<b>584,679</b>	<b>4,937,468</b>	<b>5,439,942</b>	<b>14,676,636</b>	<b>2,503,680</b>	<b>1,067,654</b>	<b>18,247,970</b>
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	153	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
<b>Total noncompensation expenses</b>	<b>350,865</b>	<b>353,120</b>	<b>909,134</b>	<b>291,251</b>	<b>382,727</b>	<b>400,539</b>	<b>523,051</b>	<b>800,669</b>	<b>4,179,051</b>	<b>8,190,407</b>	<b>952,624</b>	<b>1,139,061</b>	<b>10,282,092</b>
<b>Total expenses before depreciation</b>	<b>948,918</b>	<b>1,338,186</b>	<b>1,381,372</b>	<b>711,551</b>	<b>951,679</b>	<b>1,070,477</b>	<b>1,107,730</b>	<b>5,738,137</b>	<b>9,618,993</b>	<b>22,867,043</b>	<b>3,456,304</b>	<b>2,206,715</b>	<b>28,530,062</b>
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
<b>Total expenses</b>	<b>\$ 1,032,169</b>	<b>\$ 1,404,517</b>	<b>\$ 1,415,561</b>	<b>\$ 716,224</b>	<b>\$ 973,632</b>	<b>\$ 1,079,615</b>	<b>\$ 1,326,980</b>	<b>\$ 5,743,376</b>	<b>\$ 9,628,423</b>	<b>\$ 23,320,497</b>	<b>\$ 3,593,410</b>	<b>\$ 2,208,636</b>	<b>\$ 29,122,543</b>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities:</b>		
Increase in net assets before nonrecurring item	\$ 1,369,287	\$ 5,682,248
<b>Adjustments to reconcile change in net assets to net cash and equivalents (used) provided by operating activities:</b>		
Depreciation	623,543	592,481
Loss on disposal of property and equipment	377,170	62,590
Gain from nonrecurring items	(35,725)	(273,112)
Realized and unrealized gains on securities	(3,773,139)	(1,561,047)
<b>Change in assets and liabilities:</b>		
Service contract fees receivable	661,823	82,830
Promises to give	(1,454,865)	(1,608,929)
Other receivables	128,104	(77,167)
Prepaid insurance and other assets	83,980	(152,317)
Accounts payable	(376,752)	166,323
Accrued expenses	134,886	42,753
Fiscal agent	(37,516)	54,240
Deferred revenue	133,915	(10,230)
Deferred compensation	(342,574)	(116,420)
<b>Total adjustments</b>	<u>(3,877,150)</u>	<u>(2,798,005)</u>
<b>Net cash and equivalents (used) provided by operating activities</b>	<u>(2,507,863)</u>	<u>2,884,243</u>
<b>Cash Flows Provided (Used) by Investing Activities:</b>		
Purchase of investments	(14,156,880)	(5,363,665)
Proceeds from sale or maturity of investments	12,349,615	5,859,717
Purchases of property and equipment	(1,479,381)	(486,927)
Proceeds from sale of building	700,000	-
Insurance proceeds on loss of property (footnote 18)	35,725	273,112
<b>Net cash and equivalents (used) provided by investing activities</b>	<u>(2,550,921)</u>	<u>282,237</u>
<b>Net (decrease) increase in cash and equivalents</b>	(5,058,784)	3,166,480
<b>Cash and equivalents, beginning of year</b>	<u>10,306,025</u>	<u>7,139,545</u>
<b>Cash and equivalents, end of year</b>	<u>\$ 5,247,241</u>	<u>\$ 10,306,025</u>
<b>Supplemental Disclosure:</b>		
Property and equipment purchases included in accounts payable	<u>\$ 112,675</u>	<u>\$ 85,489</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, 2017 and 2016

**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, 2017 and 2016  
(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 \$1,600,087 and \$1,405,165 for 2017 and 2016, 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 \$1,300,487 and \$1,171,315 in 2017 and 2016, respectively and other operating expenses of \$299,600 and \$233,850 in 2017 and 2016, respectively.

BGCGM also received contributed services for its various programs from volunteers which does 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, 2017 and 2016  
(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, Charitable Remainder Trust and Other Investments:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Diversified Investment Pool:* Valued at the present value of the proportionate share of allocated assets.

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

Purchases and sales of investments are recorded on a trade-date basis. Realized gains and losses and unrealized appreciation and depreciation of the Foundation's assets are reported in the statements of activities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although BGCGM believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

**Notes to Financial Statements**  
December 31, 2017 and 2016  
(Continued)

**2. Significant Accounting Policies (Continued)**

**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

**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.

**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.

**Functional Expenses**

BGCGM classifies expenses into two functions: Program Services and Support 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 Support 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.

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

**Notes to Financial Statements**  
December 31, 2017 and 2016  
(Continued)

**2. Significant Accounting Policies (Continued)**

**Subsequent Events**

Management has evaluated all subsequent events through the date the financial statements were available for distribution (May 8, 2018) for possible inclusion as a disclosure in the financial statements. There were no reportable subsequent events.

**3. Promises to Give**

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 the 10-year average of the risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give, such as planned giving and bequests, that are subject to modification or revocation of any time by the donor, are not able to be estimated and thus are not included as support until the condition is substantially met.

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

	<u>2017</u>	<u>2016</u>
Unconditional promises to give before allowance and unamortized discount	\$ 9,233,660	\$ 7,631,444
Less: Allowance for doubtful promises to give	(425,818)	(344,017)
Less: Unamortized discount (discount rate of 3.45% and 3.80% - 2017 and 2016, respectively)	(332,516)	(266,966)
<b>Net unconditional promises to give</b>	<b>\$ <u>8,475,326</u></b>	<b>\$ <u>7,020,461</u></b>

Payments on promises to give at December 31, 2017 are expected to be received as follows:

<u>Years Ending December 31,</u>	
2018	\$ 3,981,532
2019	2,526,158
2020	1,349,935
2021	1,010,035
2022	143,000
2023 - 2026	<u>223,000</u>
<b>Total</b>	<b>\$ <u>9,233,660</u></b>

**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, 2017 and 2016  
(Continued)

**4. Investments (Continued)**

Investments consist of the following at December 31:

	<b>2017</b>		<b>2016</b>	
	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>
Pooled investments	\$ 26,567,688	\$ 23,862,377	\$ 23,912,043	\$ 22,908,626
Corporate bonds – short term	7,872,202	7,907,918	5,248,762	5,267,268
Pieper portfolio	1,702,259	1,543,444	1,434,378	1,384,911
Other	128,558	46,178	112,717	49,572
Accrued income	39,245	39,245	21,648	21,648
<b>Total</b>	<b>\$ 36,309,952</b>	<b>\$ 33,399,162</b>	<b>\$ 30,729,548</b>	<b>\$ 29,632,025</b>

Income derived from investments consists of the following for the year ended December 31, 2017:

	<b>Temporarily</b>		<b>Total</b>
	<b>Unrestricted</b>	<b>Restricted</b>	
Investment distribution	\$ 841,549	\$ 547,573	\$ 1,389,122
Excess investment distribution over dividend and interest income and fees	(529,194)	(445,545)	(974,739)
<b>Total dividend and interest income</b>	<b>312,355</b>	<b>102,028</b>	<b>414,383</b>
Realized and change in unrealized gains on investments	2,448,511	1,324,628	3,773,139
<b>Total</b>	<b>\$ 2,760,866</b>	<b>\$ 1,426,656</b>	<b>\$ 4,187,522</b>

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

	<b>Temporarily</b>		<b>Total</b>
	<b>Unrestricted</b>	<b>Restricted</b>	
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)
<b>Total dividend and interest income</b>	<b>213,614</b>	<b>82,735</b>	<b>296,349</b>
Realized and change in unrealized gains on investments	984,865	576,182	1,561,047
<b>Total</b>	<b>\$ 1,198,479</b>	<b>\$ 658,917</b>	<b>\$ 1,857,396</b>

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

**Notes to Financial Statements**  
For the Years Ended December 31, 2017 and 2016  
(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, 2017:

<u>Description</u>	<u>12/31/2017</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Money Market</b>	\$ 758,216	\$ 758,216	\$ -	\$ -
<b>Accrued Interest</b>	39,245	39,245	-	-
<b>Domestic Fixed Income:</b>				
Treasury and federal agencies - intermediate term	5,057,784	5,057,784	-	-
Corporate bonds - short term	7,872,201	7,872,201	-	-
Charitable trust - short term	1,535	1,535	-	-
<b>Total domestic fixed income</b>	<u>12,931,520</u>	<u>12,931,520</u>	-	-
<b>International Fixed Income:</b>				
World bond - intermediate term	637,774	637,774	-	-
<b>Domestic Equities:</b>				
<b>Mutual Funds:</b>				
Equity funds - small cap	1,085,994	1,085,994	-	-
Equity funds - large cap	3,360,879	3,360,879	-	-
Diversified investment pool	103,007	-	103,007	-
Charitable trust	24,016	24,016	-	-
<b>Total mutual funds</b>	<u>4,573,896</u>	<u>4,470,889</u>	<u>103,007</u>	-
<b>Stocks:</b>				
Basic materials	222,577	222,577	-	-
Communication	342,024	342,024	-	-
Consumer cyclical	1,479,648	1,479,648	-	-
Consumer defensive	556,944	556,944	-	-
Energy	35,656	35,656	-	-
Financial services	1,261,493	1,261,493	-	-
Healthcare	862,164	862,164	-	-
Industrials	1,488,271	1,488,271	-	-
Real estate	54,787	54,787	-	-
Technology	1,673,148	1,673,148	-	-
<b>Total stocks</b>	<u>7,976,712</u>	<u>7,976,712</u>	-	-
<b>Total domestic equities:</b>	<u>12,550,608</u>	<u>12,447,601</u>	<u>103,007</u>	-
<b>International Equities:</b>				
<b>Mutual Funds:</b>				
Diversified emerging markets	1,191,687	1,191,687	-	-
Equity funds - large cap	5,642,813	5,642,813	-	-
<b>Total mutual funds</b>	<u>6,834,500</u>	<u>6,834,500</u>	-	-
<b>Stocks:</b>				
Basic materials	136,806	136,806	-	-
Consumer defensive	212,360	212,360	-	-
Energy	133,095	133,095	-	-
Financial services	81,362	81,362	-	-
Healthcare	184,664	184,664	-	-
Industrials	54,327	54,327	-	-
Technology	362,410	362,410	-	-
<b>Total stocks</b>	<u>1,165,024</u>	<u>1,165,024</u>	-	-
<b>Total international equities:</b>	<u>7,999,524</u>	<u>7,999,524</u>	-	-
<b>Other Investments:</b>				
Commodities	727,522	727,522	-	-
Real estate	665,543	665,543	-	-
<b>Total other investments</b>	<u>1,393,065</u>	<u>1,393,065</u>	-	-
<b>Total</b>	<u>\$ 36,309,952</u>	<u>\$ 36,206,945</u>	<u>\$ 103,007</u>	<u>\$ -</u>

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

**Notes to Financial Statements**  
For the Years Ended December 31, 2017 and 2016  
(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>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Money Market</b>	\$ 758,653	\$ 758,653	\$ -	\$ -
<b>Accrued Interest</b>	21,648	21,648	-	-
<b>Domestic Fixed Income:</b>				
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	-	-
<b>Total domestic fixed income</b>	<u>9,864,235</u>	<u>9,864,235</u>	-	-
<b>International Fixed Income:</b>				
World bond - intermediate term	586,703	586,703	-	-
<b>Domestic Equities:</b>				
<b>Mutual Funds:</b>				
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	-	-
<b>Total mutual funds</b>	<u>1,246,061</u>	<u>1,156,646</u>	<u>89,415</u>	-
<b>Stocks:</b>				
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	-	-
<b>Total stocks</b>	<u>10,056,117</u>	<u>10,056,117</u>	-	-
<b>Total domestic equities:</b>	<u>11,302,178</u>	<u>11,212,763</u>	<u>89,415</u>	-
<b>International Equities:</b>				
<b>Mutual Funds:</b>				
Equity funds - large cap	5,662,656	5,662,656	-	-
<b>Stocks:</b>				
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	-	-
<b>Total stocks</b>	<u>1,221,174</u>	<u>1,221,174</u>	-	-
<b>Total international equities:</b>	<u>6,883,830</u>	<u>6,883,830</u>	-	-
<b>Other Investments:</b>				
Commodities	684,280	684,280	-	-
Real estate	628,021	628,021	-	-
<b>Total other investments</b>	<u>1,312,301</u>	<u>1,312,301</u>	-	-
<b>Total</b>	<u>\$ 30,729,548</u>	<u>\$ 30,640,133</u>	<u>\$ 89,415</u>	<u>\$ -</u>



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

**Notes to Financial Statements**  
December 31, 2017 and 2016  
(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, 2017 and 2016  
(Continued)

**5. Endowment (Continued)**

The Pieper Challenge Fund utilizes an annual distribution based on comparing the September 30<sup>th</sup> balance of the prior fiscal year in which the distribution is planned to the high-water mark. The calculation resulted in a distribution of \$43,713 and \$-0- at December 31, 2017 and 2016, respectively.

Endowment Net Asset Composition by Type of Fund as of December 31, 2017 is as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted	\$ -	\$ 8,785,576	\$ 2,984,505	\$ 11,770,081
Board-designated	16,668,170	-	-	16,668,170
<b>Total funds</b>	<b>\$ 16,668,170</b>	<b>\$ 8,785,576</b>	<b>\$ 2,984,505</b>	<b>\$ 28,438,251</b>

Changes in endowment net assets as of December 31, 2017 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	\$ 14,592,037	\$ 7,904,244	\$ 2,984,505	\$ 25,480,786
Contributions	431,630	-	-	431,630
Investment income	168,330	102,028	-	270,358
Net appreciation	2,465,722	1,326,877	-	3,792,599
Transfer	(148,000)	-	-	(148,000)
Amounts appropriated for expenditure	(841,549)	(547,573)	-	(1,389,122)
<b>Endowment net assets, end of year</b>	<b>\$ 16,668,170</b>	<b>\$ 8,785,576</b>	<b>\$ 2,984,505</b>	<b>\$ 28,438,251</b>

In addition to the endowment investments, BGCGM has board designated investments composed of corporate bonds – short term with a fair value of \$7,872,202 and a cost of \$7,907,918. Those bonds had interest income of \$140,651 and unrealized loss of \$17,211. In addition to the endowment investments, BGCGM has \$501 in board designated cash.

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
<b>Total funds</b>	<b>\$ 14,592,037</b>	<b>\$ 7,904,244</b>	<b>\$ 2,984,505</b>	<b>\$ 25,480,786</b>

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**5. Endowment (Continued)**

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)
<b>Endowment net assets, end of year</b>	<b>\$ 14,592,037</b>	<b>\$ 7,904,244</b>	<b>\$ 2,984,505</b>	<b>\$ 25,480,786</b>

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.

**6. Land, Building and Equipment**

Property and equipment consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 3,384,727	\$ 3,593,422
Buildings	11,145,782	12,680,883
Leasehold improvements	2,820,298	2,879,264
Furniture and equipment	3,182,550	3,031,952
Work in progress	206,532	351,977
<b>Total</b>	<b>20,739,889</b>	<b>22,537,498</b>
Less: Accumulated depreciation	(12,881,892)	(14,485,355)
<b>Net</b>	<b>\$ 7,857,997</b>	<b>\$ 8,052,143</b>

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 2017 and 2016, 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 2017 and 2016, related to the lease, which approximates the estimated fair market value of the lease.

Total renovation costs incurred at Mary Ryan for the year ending December 31, 2017 included \$238,047 for the Teen Center and \$534,113 for general facilities. Mary Ryan renovations for the year ending December 31, 2016 totaled \$112,488 for a County sponsored HVAC project. Total BGCGM renovation costs to date are \$1,335,766.

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**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 2017 and 2016, 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.

On May 5, 2017, BGCGM sold the LaVarnway Club to the Milwaukee Rescue Mission for \$700,000 and entered a lease agreement for the space occupied by BGCGM. The sale resulted in a loss on disposal of \$372,845. The lease term ends on March 22, 2022 and provides BGCGM with an early termination provision. Annual rent is \$78,000 and includes utilities, as well as repairs and maintenance costs. During 2017, BGCGM recognized contribution revenue for the estimated excess of fair market value over the lease payment of \$129,281 and total rent expense of \$166,797.

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 based on the excess of the fair market value of the lease over the lease payments of \$152,990 and \$153,080 during 2017 and 2016, respectively. Rent expense was \$179,040 and \$181,400 during 2017 and 2016, respectively. In 2017, BGCGM incurred \$55,784 in costs to renovate the Hillside Game Room.

During 2005, BGCGM entered into a lease agreement with HR Academy, Inc. for the Daniels Mardak Club. The term of the lease is 20 years with a base rent of \$1 per year paid in full on the commencement date. The landlord is responsible for repairs, maintenance, and utilities, excluding telecommunications. BGCGM will contribute a minimum of \$50,000 per year for rent during years 8-20 of the lease to assist with landlords' maintenance. BGCGM recognized total contribution revenue based on the excess of the fair market value of the lease over lease payments of \$168,216 and \$168,260 during 2017 and 2016, respectively. Rent expense of \$244,374 and \$248,523 during 2017 and 2016, respectively. In 2017, BGCGM incurred \$110,884 in renovation costs for Daniels-Mardak.

On September 24, 2017, BGCGM and HR Academy, Inc. signed a re-stated 7 year lease with an escalating rent schedule. Rent begins at \$13,500 in year 1 and ends at \$16,117 in year 7. The lease expires in August 2024.

**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 interest rates vary based on the amount borrowed and range between 7.00% to 8.75% and 6.25% and 8.00% as of December 31, 2017 and 2016. Borrowings outstanding at December 31, 2017 and 2016 were \$-0-. There was no interest paid in 2017 and 2016.

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**8. Net Assets**

Unrestricted net assets consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Board Designated Endowment Investments	\$ 16,668,170	\$ 14,592,037
Board Designated Investments	7,872,202	5,248,762
Undesignated	<u>(3,017,940)</u>	<u>(14,219)</u>
<b>Total</b>	<b>\$ 21,522,432</b>	<b>\$ 19,826,580</b>

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>2017</u>	<u>2016</u>
General operating programs	\$ 21,669,716	\$ 23,787,024
Time restricted to use in future periods	8,475,326	7,020,461
Scholarships and education funds	792,289	701,013
General camp programs	2,144,838	1,902,485
Charitable remainder annuity trust	<u>25,551</u>	<u>23,302</u>
<b>Total</b>	<b>\$ 33,107,720</b>	<b>\$ 33,434,285</b>

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

	<u>2017</u>	<u>2016</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	<u>403,606</u>	<u>403,606</u>
<b>Total permanently restricted net assets</b>	<b>\$ 3,176,033</b>	<b>\$ 3,176,033</b>

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**9. 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 were 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 \$149,147 and \$491,721 as of December 31, 2017 and 2016, respectively. The outstanding obligations for these terminated plans were fully recognized in 2015.

**10. 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, 2017 and 2016 was \$497,728 and \$463,154, respectively.

**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>2017</u>		<u>2016</u>
Special events revenue	\$ 973,088	\$	856,019
Special events expense	(172,959)		(146,186)
<b>Special events, net</b>	<u>\$ 800,129</u>	\$	<u>709,833</u>

**12. Operating Leases**

BGCGM leased multiple vehicles for general operational purposes. The expense for 2017 and 2016 was \$41,770 and \$41,556, respectively.

The leases are of various lengths and terms and require payments in the subsequent years as follows for the years ending December 31:

2018	\$ 30,124
2019	7,453
2020	<u>2,232</u>
<b>Total</b>	<u>\$ 39,809</u>

**13. Related-Party Transactions**

BGCGM paid liability insurance premiums of approximately \$36,252 and \$36,486; investment costs, including fees paid to the investment advisor as well as pass through fees paid to the investments managers of approximately \$139,580 and \$139,663; and construction project costs of approximately \$920,404 and \$22,241 during 2017 and 2016, 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.



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**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 five 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.

**15. Major Grantors or Contributors**

BGCGM received approximately 31% and 25% of its annual revenue from federal, state and over government awards for the years ended December 31, 2017 and 2016, 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. BGCGM had a contingency noted in the insurance claim that stated if BGCGM completed repairs on the buildings that suffered hail damage by a specified date then they would receive an additional \$24,447 in insurance proceeds.

In 2017, BGCGM received the additional insurance proceeds for the hail damage as well as additional funds related to the fire. The proceeds were recorded at the time the repairs were completed.

The effects of the fire and hail damage are presented as nonrecurring items on the statements of activities for the years ended December 31 as follows:

	<u>2017</u>		<u>2016</u>
Insurance proceeds for fire	\$ 11,279	\$	209,454
Insurance proceeds for hail damage	24,447		78,306
Less: Net value of barn and its contents	-		(14,648)
<b>Nonrecurring gain</b>	<u>\$ 35,726</u>	\$	<u>273,112</u>

**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.