

BOYS & GIRLS CLUBS OF  
SOUTHWEST VIRGINIA, INC.

FOR THE YEARS ENDED  
DECEMBER 31, 2013 AND 2012

# AMMEN & CLEM PC

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees

We have audited the accompanying financial statements of Boys & Girls Clubs of Southwest Virginia, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, 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.

### Auditor's 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 from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Southwest Virginia, Inc. as of December 31, 2013 and 2012, 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.

AMMEN & CLEM PC

Roanoke, Virginia  
March 11, 2014

BOYS & GIRLS CLUBS OF SOUTHWEST VIRGINIA, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2013 AND 2012

	2013	2012
<b>ASSETS:</b>		
Cash	\$ 224,984	\$ 319,749
Cash - savings	116,775	116,671
Grants and other receivables	127,001	83,194
Prepaid expenses	8,940	7,350
Building and land	1,639,157	1,639,157
Furniture and equipment	219,326	206,639
Vehicles	48,430	48,430
Accumulated depreciation	(558,226)	(496,779)
Endowment fund investments	<u>184,150</u>	<u>164,350</u>
 Total assets	 <u>\$ 2,010,537</u>	 <u>\$ 2,088,761</u>
<b>LIABILITIES:</b>		
Accounts payable	\$ 19,383	\$ 19,954
Accrued salaries and wages	11,505	8,242
Conditional grant advance	-	7,874
Note payable	<u>273,103</u>	<u>291,595</u>
 Total liabilities	 <u>303,991</u>	 <u>327,665</u>
<b>NET ASSETS:</b>		
Unrestricted	1,499,507	1,596,746
Temporarily restricted	207,039	164,350
Permanently restricted	<u>-</u>	<u>-</u>
 Total net assets	 <u>1,706,546</u>	 <u>1,761,096</u>
 Total liabilities and net assets	 <u>\$ 2,010,537</u>	 <u>\$ 2,088,761</u>

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

BOYS & GIRLS CLUBS OF SOUTHWEST VIRGINIA, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 194,172	\$ -	\$ -	\$ 194,172
Grants	634,792	82,375	-	717,167
In-kind support	156,137	-	-	156,137
United Way	81,158	-	-	81,158
Program revenue	59,555	-	-	59,555
Special events net of expense	174,599	-	-	174,599
Investment income net of expense	90	2,734	-	2,824
Net gain on investments	-	21,779	-	21,779
	<u>1,300,503</u>	<u>106,888</u>	<u>-</u>	<u>1,407,391</u>
Net assets released from restrictions:	<u>64,199</u>	<u>(64,199)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>1,364,702</u>	<u>42,689</u>	<u>-</u>	<u>1,407,391</u>
<b>FUNCTIONAL EXPENSES:</b>				
Program services	1,193,539	-	-	1,193,539
Administrative services	164,806	-	-	164,806
Fund raising	103,596	-	-	103,596
	<u>1,461,941</u>	<u>-</u>	<u>-</u>	<u>1,461,941</u>
<b>CHANGE IN NET ASSETS</b>	<u>(97,239)</u>	<u>42,689</u>	<u>-</u>	<u>(54,550)</u>
<b>BEGINNING NET ASSETS</b>	<u>1,596,746</u>	<u>164,350</u>	<u>-</u>	<u>1,761,096</u>
<b>ENDING NET ASSETS</b>	<u>\$ 1,499,507</u>	<u>\$ 207,039</u>	<u>\$ -</u>	<u>\$ 1,706,546</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 528,471	\$ -	\$ -	\$ 528,471
Grants	672,730	-	-	672,730
In-kind support	153,035	-	-	153,035
United Way	79,980	-	-	79,980
Program revenue	96,455	-	-	96,455
Special events net of expense	171,788	-	-	171,788
Investment income net of expense	153	2,395	-	2,548
Net gain on investments	-	4,954	-	4,954
	<u>1,702,612</u>	<u>7,349</u>	<u>-</u>	<u>1,709,961</u>
Net assets released from restrictions:	-	-	-	-
	<u>1,702,612</u>	<u>7,349</u>	<u>-</u>	<u>1,709,961</u>
<b>FUNCTIONAL EXPENSES:</b>				
Program services	1,201,163	-	-	1,201,163
Administrative services	163,817	-	-	163,817
Fund raising	92,327	-	-	92,327
	<u>1,457,307</u>	<u>-</u>	<u>-</u>	<u>1,457,307</u>
<b>CHANGE IN NET ASSETS</b>	245,305	7,349	-	252,654
<b>BEGINNING NET ASSETS</b>	<u>1,351,441</u>	<u>157,001</u>	<u>-</u>	<u>1,508,442</u>
<b>ENDING NET ASSETS</b>	<u>\$ 1,596,746</u>	<u>\$ 164,350</u>	<u>\$ -</u>	<u>\$ 1,761,096</u>

BOYS & GIRLS CLUBS OF SOUTHWEST VIRGINIA, INC.  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Program Services	Administrative Services	Fund Raising	2013 Total
Program operations	\$ 146,799	\$ -	\$ -	\$ 146,799
In-kind services and supplies	146,137	-	-	146,137
Salaries and wages	679,133	99,757	67,241	846,131
Payroll taxes	53,267	7,827	5,240	66,334
Employee benefits	16,584	5,138	4,926	26,648
Supplies, printing and postage	3,283	12,528	14,534	30,345
Training, travel and meetings	3,823	2,302	1,124	7,249
Telephone and internet	2,882	3,511	530	6,923
Professional fees	-	11,838	-	11,838
Dues	8,573	840	-	9,413
Insurance	24,512	3,602	2,411	30,525
Utilities	18,397	1,447	826	20,670
Repairs and maintenance	22,867	9,558	927	33,352
Real estate taxes	2,870	226	129	3,225
Interest expense	10,965	1,611	1,079	13,655
Bad debts	-	-	1,250	1,250
Depreciation	53,447	4,621	3,379	61,447
<b>Total expenses</b>	<b>\$ 1,193,539</b>	<b>\$ 164,806</b>	<b>\$ 103,596</b>	<b>\$ 1,461,941</b>

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

	Program Services	Administrative Services	Fund Raising	2012 Total
Program operations	\$ 137,627	\$ -	\$ -	\$ 137,627
In-kind services and supplies	136,485	-	-	136,485
Salaries and wages	687,801	102,478	51,738	842,017
Payroll taxes	54,594	8,019	4,209	66,822
Employee benefits	26,055	3,827	2,009	31,891
Supplies, printing and postage	2,305	9,165	14,125	25,595
Training, travel and meetings	6,288	3,445	1,930	11,663
Telephone and internet	2,321	4,766	470	7,557
Professional fees	-	10,505	6,369	16,874
Dues	10,634	590	-	11,224
Insurance	25,372	3,727	1,956	31,055
Utilities	19,702	1,550	885	22,137
Repairs and maintenance	19,502	9,929	-	29,431
Real estate taxes	2,871	226	128	3,225
Interest expense	13,061	1,918	1,008	15,987
Bad debts	3,263	-	5,074	8,337
Depreciation	53,282	3,672	2,426	59,380
<b>Total expenses</b>	<b>\$ 1,201,163</b>	<b>\$ 163,817</b>	<b>\$ 92,327</b>	<b>\$ 1,457,307</b>

BOYS & GIRLS CLUBS OF SOUTHWEST VIRGINIA, INC.  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (54,550)	\$ 252,654
Adjustments to reconcile change in net assets to net cash (used in)provided by operations:		
In-kind contribution - equipment	(10,000)	(16,550)
Net (gain) on investments	(21,779)	(4,954)
Depreciation	61,447	59,380
(Increase) in accounts receivable	(43,807)	(6,253)
(Increase)Decrease in prepaid expenses	(1,590)	4,119
Increase(Decrease) in accounts payable and accrued expenses	2,692	(1,492)
(Decrease) in grant advance	(7,874)	(43,223)
	<u>(75,461)</u>	<u>243,681</u>
Net cash (used in)provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, furniture and equipment	(2,687)	(8,415)
Proceeds from sale of long-term investments	69,072	-
Purchase of long-term investments	(67,093)	(2,395)
	<u>(708)</u>	<u>(10,810)</u>
Net cash (used in) investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment on long-term debt	(18,492)	(19,693)
	<u>(18,492)</u>	<u>(19,693)</u>
Net cash (used in) financing activities		
NET (DECREASE)INCREASE IN CASH	(94,661)	213,178
CASH AT BEGINNING OF YEAR	<u>436,420</u>	<u>223,242</u>
CASH AT END OF YEAR	<u>\$ 341,759</u>	<u>\$ 436,420</u>

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



BOYS & GIRLS CLUBS OF SOUTHWEST VIRGINIA, INC.  
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Boys & Girls Clubs of Southwest Virginia, Inc. is a nonprofit organization formed to enable and inspire all young people, ages five to eighteen, especially those who need us most, to realize their full potential as productive, responsible and caring citizens. The organization is supported through contributions, grants, and program fees. The organization qualifies as tax-exempt under Section 501 ( c ) ( 3 ) of the Internal Revenue Code.

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the FASB Accounting Standards Codification No. 958 Financial Statements of Not-for-Profit Organizations. Under FASB ASC No. 958, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are assets currently available at the discretion of the organization. Temporarily restricted net assets are assets that are stipulated by donors for specific purposes. When a donor restriction is accomplished, the net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets are assets that are stipulated by donors to be maintained permanently by the organization, the income of which is expendable in accordance with the specific conditions of the donation.

Grant accounts receivable represent amounts due the organization under expense reimbursement contracts. Contributions receivable are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Uncollectible receivables are recorded as bad debts using the direct write-off method.

Donated professional services are reflected in the financial statements at their fair value. Donated services of volunteers, which do not require specialized skills, are not reflected in the financial statements. Donated materials, rents, and other assets are recorded and reflected in the financial statements at their fair values at the date of receipt.

Property acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

For purposes of the statements of cash flows, the organization considers money market funds and certificates of deposit available for current use with an initial maturity of three months or less to be cash equivalents.

BOYS & GIRLS CLUBS OF SOUTHWEST VIRGINIA, INC.  
NOTES TO FINANCIAL STATEMENTS

2. ENDOWMENT FUND INVESTMENTS

Investments are carried at fair value determined by quoted market prices in the statements of financial position. Net investment income and realized and unrealized gains and losses are reported in the statements of activities as temporarily restricted revenue. There were no contributions to the endowment fund in 2013 and 2012.

Investments at fair value classified by major type as of December 31, 2013 include stocks - \$101,510, bonds - \$7,978, mutual funds - \$66,555, and other investments - \$8,107.

The endowment fund consists of donations in the amount of \$250,000 designated for the programs located in the northwest quadrant of the City of Roanoke. It is intended that the principal of the fund shall not be expended except under extraordinary circumstances and then only upon the vote of at least two-thirds of the members of the board of trustees present at a meeting at which there is a quorum. The income earned from the principal shall be used from time to time for the respective programs. The income used herein shall include so much of the net realized and unrealized appreciation in fair value of the assets over the historic dollar value as is determined prudent by the finance committee of the board of trustees. Loans of principal are authorized as deemed necessary for the appropriate operation of the facilities of the organization. The current year's net income has been applied to reduce the outstanding principal loan. As of December 31, 2013, loans of principle in the amount of \$69,914 had been transferred from the endowment fund to operations in prior years.

3. NOTES PAYABLE

The organization has a promissory note dated June 9, 2009 payable to Wells Fargo Bank. The note was modified on October 11, 2013 with terms that call for monthly payments of \$2,697 beginning November 5, 2013 including interest computed at 4.35%. The note is secured with a real property deed of trust. The note is due and payable in full on October 5, 2018.

Following are maturities of the above long-term debt for each of the next five years ending December 31:

2014 - \$20,993    2015 - \$21,925    2016 - \$22,898    2017 - \$23,914    2018 - \$183,373

On January 2, 2013, the organization obtained a \$100,000 revolving line of credit with Wells Fargo Bank. Advances under the line of credit will be available until January 5, 2015. Interest shall accrue at the greater of a floating rate equal to the Indexed Rate plus .75% or the floor rate of 4.75%.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include the endowment fund investments as explained in Note 2, and \$9,055 for the Image Makers program and \$13,834 for the Smart Drivers program.

5. CONDITIONAL GRANT ADVANCE

The 2012 conditional grant represents amounts given in advance for specific programs to be conducted in 2013.

BOYS & GIRLS CLUBS OF SOUTHWEST VIRGINIA, INC.  
NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT PLAN

The organization sponsors a retirement plan, which provides for employer matching contributions equal to 50% of each participating employees voluntary salary deferral, subject to limits. The matching contribution for 2013 and 2012 was \$6,854 and \$6,881, respectively. The organization may decide each plan year whether to make a discretionary employer contribution on behalf of eligible employees. There were no discretionary contributions for 2013 and 2012.

7. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest was \$13,655 for 2013 and \$17,001 for 2012.

8. SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2013 have been evaluated for possible adjustment to the financial statements or disclosure is March 11, 2014, which is the date on which the financial statements were available to be issued.

9. PRIOR YEAR ADJUSTMENT

The accompanying financial statements for 2012 have been adjusted to report additional in-kind support for use of facilities and a corresponding increase in program services functional expenses. There is no effect on the change in net assets.