KPMG

BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

Consolidated Financial Statements and Single Audit Reports

December 31, 2017 and 2016

(With Independent Auditors' Reports Thereon)

BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

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FINANCIAL STATEMENTS

KPMG LLP
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Independent Auditors' Report

The Board of Governors
Boys & Girls Clubs of America:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of America and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the subsidiary alliance organizations, which statements reflect total assets constituting 3% and 4%, respectively, of consolidated total assets at December 31, 2017 and 2016, and total revenues constituting 19% and 29%, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to as, and our opinion, insofar as it relates to the amounts included for the subsidiary alliance organizations, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boys & Girls Clubs of America and its subsidiaries as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2018 on our consideration of Boys & Girls Clubs of America and its subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boys & Girls Clubs of America and its subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys & Girls Clubs of America and its subsidiaries' internal control over financial reporting and compliance.

KPMG LLP

Atlanta, Georgia
August 24, 2018

BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2017 and 2016

Assets		**2017**	**2016**
Cash and cash equivalents	$	21,922,132	15,543,350
Investments (notes 2 and 16)		277,417,985	266,530,058
Assets held in custody for others (notes 2 and 15)		12,953,521	11,695,431
Membership dues and grants receivable, net		11,287,464	11,646,042
Contributions receivable (note 3)		58,384,089	69,257,400
Assets held in deferred compensation accounts (notes 6 and 16)		2,144,080	1,926,807
Split interest agreements		3,443,638	3,129,539
Land, buildings, and equipment, net (note 4)		27,028,238	27,775,385
Other assets		3,022,693	2,768,793
Total assets	$	417,603,840	410,272,805
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	39,923,774	31,831,191
Obligations for custodial funds (note 15)		12,953,521	11,695,431
Liability under deferred compensation agreements (note 6)		2,144,080	1,926,807
Annuities payable		2,735,924	2,274,115
Total liabilities		57,757,299	47,727,544
Net assets:			
Unrestricted:			
Undesignated (note 7)		3,981,140	3,459,663
Board-designated (notes 5, 7, 11 and 12)		161,342,548	162,833,301
		165,323,688	166,292,964
Temporarily restricted (notes 9 and 12)		160,727,239	162,456,683
Permanently restricted (note 12)		33,795,614	33,795,614
Total net assets		359,846,541	362,545,261
Commitments (notes 5, 6, 14, 15, 16 and 17)			
Total liabilities and net assets	$	417,603,840	410,272,805

See accompanying notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended December 31, 2017
(with comparative totals for 2016)

	Unrestricted					Total	
	Undesignated	Board-designated	Total unrestricted	Temporarily restricted	Permanently restricted	2017	2016
Changes in net assets:							
Revenue, gains, and other support:							
Contributions	$ 10,870,740	613,583	11,484,323	80,115,842	—	91,600,165	65,234,831
Contributions in-kind	1,699,215	—	1,699,215	—	—	1,699,215	1,958,812
Government grants and contracts, including amounts passed-through to member clubs (note 8)	40,972,428	—	40,972,428	33,049,705	—	74,022,133	67,072,252
Income from funds held in trust by others	152,091	—	152,091	1,368,803	—	1,520,894	1,524,800
Fund raising events:							
Revenue generated	7,214,169	—	7,214,169	618,541	—	7,832,710	11,528,108
Less direct operating costs (note 13)	(2,523,130)	—	(2,523,130)	—	—	(2,523,130)	(3,178,916)
Fund-raising events revenue in excess of direct costs	4,691,039	—	4,691,039	618,541	—	5,309,580	8,349,192
Member organization dues	10,356,388	—	10,356,388	—	—	10,356,388	9,847,319
Investment income, net of advisory and custody fees	4,119	768,471	772,590	1,339,931	—	2,112,521	1,170,122
Net realized and unrealized (losses) gains on investments	(2,904)	21,254,393	21,251,489	14,593,535	—	35,845,024	9,600,680
Other	1,245,096	65,605	1,310,701	122,425	—	1,433,126	1,276,766
Total revenue and gains	69,988,212	22,702,052	92,690,264	131,208,782	—	223,899,046	166,034,774
Net assets released from restrictions (note 10):							
Satisfaction of program restrictions	129,315,450	—	129,315,450	(129,315,450)	—	—	—
Expirations of time restrictions	3,622,776	—	3,622,776	(3,622,776)	—	—	—
Total net assets released from restrictions	132,938,226	—	132,938,226	(132,938,226)	—	—	—
Total revenue, gains, and other support	202,926,438	22,702,052	225,628,490	(1,729,444)	—	223,899,046	166,034,774
Expenses and losses:							
On-site assistance to member clubs and establishment of new clubs	71,030,308	9,850,083	80,880,391	—	—	80,880,391	79,929,228
Leadership training, development, and support of youth programs	102,754,304	186,329	102,940,633	—	—	102,940,633	84,364,314
Management and general	23,039,339	426,863	23,466,202	—	—	23,466,202	22,532,427
Fund-raising	19,133,047	177,493	19,310,540	—	—	19,310,540	14,903,260
Total expenses and losses	215,956,998	10,640,768	226,597,766	—	—	226,597,766	201,729,229
Changes in net assets before transfers	(13,030,560)	12,061,284	(969,276)	(1,729,444)	—	(2,698,720)	(35,694,455)
Other changes in net assets – transfers (note 7)	13,552,037	(13,552,037)	—	—	—	—	—
Change in net assets	521,477	(1,490,753)	(969,276)	(1,729,444)	—	(2,698,720)	(35,694,455)
Net assets at beginning of year	3,459,663	162,833,301	166,292,964	162,456,683	33,795,614	362,545,261	398,239,716
Net assets at end of year	$ 3,981,140	161,342,548	165,323,688	160,727,239	33,795,614	359,846,541	362,545,261

See accompanying notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended December 31, 2016

	Unrestricted					
	Undesignated	Board-designated	Total unrestricted	Temporarily restricted	Permanently restricted	Total
Changes in net assets:						
Revenue, gains, and other support:						
Contributions	$ 7,455,288	3,689,704	11,144,992	54,089,839	—	65,234,831
Contributions in-kind	1,648,746	310,066	1,958,812	—	—	1,958,812
Government grants and contracts, including amounts passed-through to member clubs (note 8)	39,054,311	—	39,054,311	28,017,941	—	67,072,252
Income from funds held in trust by others	152,480	—	152,480	1,372,320	—	1,524,800
Fund raising events:						
Revenue generated	9,916,408	—	9,916,408	1,611,700	—	11,528,108
Less direct operating costs (note 13)	(3,178,916)	—	(3,178,916)	—	—	(3,178,916)
Fund-raising events revenue in excess of direct costs	6,737,492	—	6,737,492	1,611,700	—	8,349,192
Member organization dues	9,847,319	—	9,847,319	—	—	9,847,319
Investment income, net of advisory and custody fees	4,560	444,152	448,712	721,410	—	1,170,122
Net realized and unrealized (losses) gains on investments	(4,779)	6,837,697	6,832,918	2,767,762	—	9,600,680
Other	1,156,892	48,468	1,205,360	71,406	—	1,276,766
Total revenue and gains	66,052,309	11,330,087	77,382,396	88,652,378	—	166,034,774
Net assets released from restrictions (note 10):						
Satisfaction of program restrictions	117,281,628	—	117,281,628	(117,281,628)	—	—
Expirations of time restrictions	4,397,252	—	4,397,252	(4,397,252)	—	—
Total net assets released from restrictions	121,678,880	—	121,678,880	(121,678,880)	—	—
Total revenue, gains, and other support	187,731,189	11,330,087	199,061,276	(33,026,502)	—	166,034,774
Expenses and losses:						
On-site assistance to member clubs and establishment of new clubs	73,113,187	6,816,041	79,929,228	—	—	79,929,228
Leadership training, development, and support of youth programs	84,147,730	216,584	84,364,314	—	—	84,364,314
Management and general	22,214,906	317,521	22,532,427	—	—	22,532,427
Fund-raising	14,766,339	136,921	14,903,260	—	—	14,903,260
Total expenses and losses	194,242,162	7,487,067	201,729,229	—	—	201,729,229
Changes in net assets before transfers	(6,510,973)	3,843,020	(2,667,953)	(33,026,502)	—	(35,694,455)
Other changes in net assets – transfers (note 7)	6,993,734	(6,993,734)	—	—	—	—
Change in net assets	482,761	(3,150,714)	(2,667,953)	(33,026,502)	—	(35,694,455)
Net assets at beginning of year	2,976,902	165,984,015	168,960,917	195,483,185	33,795,614	398,239,716
Net assets at end of year	$ 3,459,663	162,833,301	166,292,964	162,456,683	33,795,614	362,545,261

See accompanying notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	(2,698,720)	(35,694,455)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		1,115,879	935,638
Net realized and unrealized losses (gains) on investments		(35,845,024)	(9,600,680)
In-kind contributions of assets		(1,043,973)	(1,139,660)
Decrease (increase) in membership dues and grants receivable		358,578	(2,997,610)
Decrease in contributions receivable		10,873,311	16,315,082
(Increase) decrease in split interest agreements		(314,099)	170,500
Increase in other assets		(253,900)	(677,260)
Increase in accounts payable and accrued expenses		8,092,583	3,875,853
Increase in annuities payable		555,287	67,739
Net cash used in operating activities		(19,160,078)	(28,744,853)
Cash flows from investing activities:			
Proceeds from sales of investments		61,763,591	73,231,303
Purchase of investments		(35,762,521)	(57,960,649)
Purchases of property and equipment		(368,732)	(397,864)
Net cash provided by investing activities		25,632,338	14,872,790
Cash flows from financing activities:			
Payments to life income beneficiaries		(93,478)	(93,478)
Net increase (decrease) in cash and cash equivalents		6,378,782	(13,965,541)
Cash and cash equivalents at beginning of year		15,543,350	29,508,891
Cash and cash equivalents at end of year	$	21,922,132	15,543,350
Supplemental disclosure:			
Cash paid for interest	$	5,215	—
Cash paid for taxes		33,754	353,948
In-kind gifts – investments		1,043,973	829,594
In-kind gifts – equipment		—	310,066
In-Kind Gifts – services		655,242	819,152

See accompanying notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year ended December 31, 2017

	Program services			Supporting services			
	On-site assistance to member clubs and establishment of new clubs	Leadership training, development, and support of youth programs	Total program services	Management and general	Fund-raising	Total supporting services	Total expenses
Salaries	$ 23,378,663	5,826,539	29,205,202	10,222,299	7,264,549	17,486,848	46,692,050
Benefits	4,332,869	1,230,587	5,563,456	1,880,860	1,062,191	2,943,051	8,506,507
Payroll taxes	1,652,917	416,720	2,069,637	603,524	496,810	1,100,334	3,169,971
Total salaries and related expenses	29,364,449	7,473,846	36,838,295	12,706,683	8,823,550	21,530,233	58,368,528
Contractual services	9,027,100	7,719,349	16,746,449	6,015,504	5,885,909	11,901,413	28,647,862
Supplies	2,055,577	584,613	2,640,190	262,238	144,239	406,477	3,046,667
Telephone	453,526	112,135	565,661	141,758	119,917	261,675	827,336
Postage and shipping	191,267	157,743	349,010	96,573	957,909	1,054,482	1,403,492
Occupancy	1,058,559	372,068	1,430,627	1,617,092	467,130	2,084,222	3,514,849
Printing and artwork	755,670	503,583	1,259,253	371,980	1,166,299	1,538,279	2,797,532
Travel	3,969,121	902,530	4,871,651	549,009	817,495	1,366,504	6,238,155
Training conferences	2,314,476	2,657,272	4,971,748	673,307	262,765	936,072	5,907,820
Membership dues	52,132	27,074	79,206	79,751	31,588	111,339	190,545
Awards and grants	30,669,727	82,040,443	112,710,170	—	—	—	112,710,170
Interest expense	—	—	—	5,215	—	5,215	5,215
Miscellaneous	586,781	203,648	790,429	576,562	456,725	1,033,287	1,823,716
Depreciation	382,006	186,329	568,335	370,530	177,014	547,544	1,115,879
Total expenses	$ 80,880,391	102,940,633	183,821,024	23,466,202	19,310,540	42,776,742	226,597,766

See accompanying notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year ended December 31, 2016

	Program services			Supporting services			
	On-site assistance to member clubs and establishment of new clubs	Leadership training, development, and support of youth programs	Total program services	Management and general	Fund-raising	Total supporting services	Total expenses
Salaries	$ 23,349,018	4,605,326	27,954,344	9,764,024	6,487,032	16,251,056	44,205,400
Benefits	4,823,069	809,488	5,632,557	1,796,724	918,057	2,714,781	8,347,338
Payroll taxes	1,699,767	311,802	2,011,569	620,430	462,245	1,082,675	3,094,244
Total salaries and related expenses	29,871,854	5,726,616	35,598,470	12,181,178	7,867,334	20,048,512	55,646,982
Contractual services	6,518,948	7,149,441	13,668,389	5,685,886	4,653,601	10,339,487	24,007,876
Supplies	2,216,753	1,518,924	3,735,677	315,524	69,476	385,000	4,120,677
Telephone	453,948	88,497	542,445	120,136	110,623	230,759	773,204
Postage and shipping	290,176	21,487	311,663	126,239	492,452	618,691	930,354
Occupancy	444,758	239,022	683,780	1,412,337	193,751	1,606,088	2,289,868
Printing and artwork	649,776	137,553	787,329	290,526	114,135	404,661	1,191,990
Travel	3,842,598	569,865	4,412,463	579,785	852,018	1,431,803	5,844,266
Training conferences	3,031,244	1,420,001	4,451,245	780,226	271,347	1,051,573	5,502,818
Membership dues	12,676	3,509	16,185	67,620	37,789	105,409	121,594
Awards and grants	32,146,288	67,121,956	99,268,244	129,949	25,500	155,449	99,423,693
Miscellaneous	185,597	150,859	336,456	525,500	78,313	603,813	940,269
Depreciation	264,612	216,584	481,196	317,521	136,921	454,442	935,638
Total expenses	$ 79,929,228	84,364,314	164,293,542	22,532,427	14,903,260	37,435,687	201,729,229

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Boys & Girls Clubs of America (BGCA) is a federally chartered, national organization that was formed to promote the health, social, educational, vocational, and character development of young people throughout the United States (U.S.). Through its national headquarters, five regional service centers, and government relations office in Washington, D.C., BGCA:

- Develops innovative program services for young people;
- Assists community leaders to form new local member clubs;
- Provides training, management consulting, and resource materials to local member clubs;
- Promotes greater public and media awareness of local member club work; and
- Addresses legislative and public policy issues affecting young people.

The accompanying consolidated financial statements include the financial position and operating results of BGCA's subsidiary alliance organizations located throughout the U.S. These alliance organizations are organized under either Section 501(c)(4) or Section 501(c)(3) of the Internal Revenue Code and were formed primarily to meet certain state statutory reporting requirements. Certain members of BGCA's senior management serve as members of the governing boards for certain of these alliance organizations. Such subsidiary alliance organizations numbered 51 at both December 31, 2017 and 2016.

The accompanying consolidated financial statements do not include the financial position and operating results of local member clubs, each of which is an autonomous corporation organized under the laws of the jurisdiction in which it is located. Each local member club operates under a charter granted by BGCA and has its own independent board of directors which controls the local Boys & Girls Club, its programs, and staff. BGCA, the national organization, does not exercise supervision, direction, or control of these chartered local member clubs.

(b) Accrual Basis

The consolidated financial statements of BGCA have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

(c) Basis of Presentation

The accounting policies of BGCA have been designed to conform to U.S. generally accepted accounting principles (U.S. GAAP) as applicable to not-for-profit organizations.

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of BGCA and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of BGCA and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by BGCA. Generally, the donors of these assets permit BGCA to use all or part of the income earned on related investments for general or specific purposes.

(d) Contributions

Contributions received, including unconditional promises to give, are recognized as revenue when assets or a donor's unconditional commitment is received.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

(e) Investments

Investments are carried at fair value, with changes in fair value being recorded as unrealized gains (losses). The fair value of publicly traded fixed income and equity securities is based upon quoted market prices. Fair values for private market investments and investments held through limited partnerships or commingled funds, are not as readily determinable. Fair value for these investments is established based on either external events which substantiate a change in fair value or a reasonable methodology that exists to identify and quantify changes in fair value. Fair value determinations for these investments require the use of estimates. Accordingly, such values may differ from the values that would have been used had a ready market for these investments existed.

BGCA has estimated the fair value of certain investments in investment funds on the basis of the net asset value (NAV) per share of the investment, as a practical expedient, if a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated by the fund manager as of BGCA's fiscal year end date. Valuations provided by investment managers are evaluated by management, and management believes such values are reasonable estimates of fair value at December 31, 2017 and 2016 (see notes 2 and 16).

(f) Split Interest Agreements

BGCA's split interest agreements with donors consist primarily of gift annuity agreements and irrevocable charitable remainder trusts for which BGCA serves as trustee. Contribution revenue is recognized when trusts (or annuity agreements) are established, after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted annually for changes in the values of assets, accretion of the discount and other changes in the estimates of future benefits.

BGCA is also the beneficiary of certain charitable lead trusts held and administered by others. The present value of the estimated future cash receipts from the trusts is recognized as an asset and contribution revenue at the date such trusts are established. The carrying value of the assets is adjusted annually for changes in the values of assets, accretion of the discount and other changes in the estimates of future benefits.

(Continued)

(g) Land, Buildings and Equipment

Land, buildings and equipment are stated at cost at the date of acquisition or at fair value if acquired through donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

(h) Tax Status

BGCA is recognized as an organization exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. During 2017 and 2016, $262,000 and $122,000, respectively, was provided for income taxes.

BGCA's subsidiary alliance organizations are exempt from Federal income taxes under either Section 501(c)(4) or Section 501(c)(3) of the Code.

(i) Functional Allocation of Expenses

The costs of providing BGCA's various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) Concentration of Credit Risk

Credit risk represents the risk of loss attributable to possible nonperformance by donors and counterparties relative to the terms of agreements and contracts. Financial instruments that are subject to concentrations of credit risk consist primarily of cash equivalents, investments, and certain receivables. In order to minimize credit risk in connection with cash equivalents and investments, BGCA invests in U.S. government securities, mutual funds, and other marketable securities. These investments are held by diverse, high-quality financial institutions.

(k) Use of Estimates

Management of BGCA has made certain estimates and assumptions relating to the reporting of the allowance for uncollectible contributions receivable, valuation of certain investment securities without readily determinable fair values, depreciable lives of property and equipment, accrued expenses, annuities payable, and the disclosure of contingent assets and liabilities to prepare the consolidated financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates.

(l) New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for BGCA for fiscal years beginning after December 15, 2018 (as amended in August 2015 by ASU No. 2015-14, *Deferral of Effective Date).* BGCA has not yet completed its assessment of the impact of the new standard on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Liabilities* (ASU 2016-01). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. The new standard impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. BGCA has not yet determined the impact of the new standard on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) (ASU 2016-02). The amendments in ASU 2016-02 create FASB ASC Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for BGCA's fiscal year 2020. BGCA has not yet determined the impact of the new standard on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 (1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expenses by functional and natural classification in one location; and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. BGCA has not yet determined the impact of the new standard on its consolidated financial statements.

(2) Investments

Investments are carried at estimated fair value and consist of the following at December 31, 2017 and 2016:

		2017	2016
Short-term investments	$	1,934,893	1,318,884
U.S. Treasuries		19,966,556	—
Fixed income:			
Mutual funds		569,171	556,730
Fixed income securities		19,268,048	26,828,479
Corporate stocks-domestic		89,259,520	94,714,553
Community foundation		46,957	40,515
Private equity investments/hedge funds		159,326,361	154,766,328
		290,371,506	278,225,489
Less custodial fund investments		(12,953,521)	(11,695,431)
Total	$	277,417,985	266,530,058

Management is required to make certain estimates in the preparation of the financial statements. Among those significant estimates is the valuation of investments without readily determinable fair values. These estimates are subjective and require judgment regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that appropriately reflect market and credit risks. BGCA believes that the carrying amounts of these investments are a reasonable estimate of fair value. Estimates, by their nature, are based on judgment and available information. Changes in assumptions could have a material impact on the financial statements.

Custodial fund investments consist of assets which are being held on behalf of other organizations (see note 15).

Net realized and unrealized gains/losses on investments as reflected in the accompanying consolidated statements of activities for the year ended December 31 is as follows:

		2017	2016
Realized gains, net	$	4,873,141	23,436,224
Unrealized gains (losses), net		30,971,883	(13,835,544)
	$	35,845,024	9,600,680

Investment management expenses were approximately $489,000 and $1,138,000 for the years ended December 31, 2017 and 2016, respectively.

Risk Factors

Liquidity risk – Liquidity risk represents the risk that BGCA may not be able to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If BGCA were compelled to dispose of an illiquid investment at an inopportune time, the result may be a sale at a substantial discount to fair value.

BGCA invests in alternative investments, which can be highly illiquid. Under adverse market or economic conditions, the secondary market for certain of these alternative investments could further contract. As a result, BGCA could find it more difficult to sell these securities or may only be able to sell these securities at amounts lower than if such securities were more widely traded.

Currency and foreign exchange risk – BGCA may hold investments denominated in currencies other than the U.S. dollar. Thus, there is exposure to currency and foreign exchange risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates.

Interest rate and credit risk – BGCA's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk of the issuer of the security becoming unable to pay interest or repay principal when it is due.

Market price risk – The value of securities held by BGCA may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Events impacting valuation may include (but are not limited to) economic changes, market fluctuations, regulatory changes, global and political instability, and currency, interest rate, and commodity price fluctuations. BGCA attempts to manage this risk through diversification, ongoing due diligence of fund managers, and monitoring of relevant economic conditions.

Concentration risk – Investments in multi-strategy hedge funds totaling $140,357,754 and $149,661,158 at December 31, 2017 and 2016, respectively, were held and managed by a single fund manager.

(3) Contributions Receivable

Contributions receivable consists of the following at December 31, 2017 and 2016:

		2017	2016
Contributions receivable, gross	$	62,786,554	75,422,070
Less:			
Unamortized discount		(2,616,902)	(4,424,760)
Allowance for uncollectible contributions		(1,785,563)	(1,739,910)
Net unconditional promises to give	$	58,384,089	69,257,400
Amounts due in:			
Less than one year	$	43,794,037	41,413,673
One to five years		18,992,517	34,008,397
	$	62,786,554	75,422,070

Contributions receivable are initially recorded at fair value as of the date of gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue. Estimated future cash flows to be received after one year were discounted at December 31, 2017 and 2016 at rates ranging from 0.12% to 5.41%.

Conditional promises to give are not recognized in the accompanying consolidated financial statements and, if they are subsequently recorded, they may be restricted for specific purposes stipulated by the donors. There were no new conditional gifts received from donors during 2017 and 2016. Approximately $24,058,000 and $8,551,000 of conditional promises to give were recognized as revenue during 2017 and 2016, respectively, as donor imposed conditions were met by BGCA. Approximately $31,326,000 and $55,384,000 of conditional promises to give were outstanding at December 31, 2017 and 2016, respectively.

(4) Land, Buildings, and Equipment

Land and buildings, as well as furnishings and equipment, are recorded at acquisition cost, or fair value upon receipt in the case of gifts. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets.

Land, buildings, and equipment consist of the following at December 31, 2017 and 2016:

	2017	2016	Estimated useful life
Land	$ 10,848,690	10,848,690	—
Buildings	16,540,525	16,540,525	50 years
Leasehold improvements	443,536	404,583	10 years
Building improvements	3,494,429	3,354,552	6–9 years
Furniture, fixtures and equipment	8,847,854	8,657,952	5–7 years
	40,175,034	39,806,302	
Less accumulated depreciation and amortization	(13,146,796)	(12,030,917)	
	$ 27,028,238	27,775,385	

Depreciation expense totaled $1,115,879 and $935,638 for the years ended December 31, 2017 and 2016, respectively.

(5) Retirement Plans

Effective January 1, 2015, BGCA amended its noncontributory defined contribution pension plan to a Defined Contribution 401(k) plan covering all eligible employees. Under the amended plan, BGCA contributes 3% of compensation for each payroll period and a matching contribution for participants who make Elective Deferral Contributions to the Plan of up to 4% of compensation. Pension expense for 2017 and 2016 totaled approximately $2,358,000 and $2,513,000, respectively.

(Continued)

In 2011, the Board of Governors approved a supplemental executive retirement plan for the benefit of a member of senior management whereby a retirement benefit will be earned ratably by the executive during the service term as defined in the plan agreement. The vested amount will be paid to the executive upon retirement, disability, or termination without cause as defined in the plan agreement. The liability recorded in connection with this plan as of December 31, 2017 and 2016 is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

BGCA also has a retirement fund totaling approximately $622,550 at both December 31, 2017 and 2016 included in board – designated unrestricted net assets.

(6) Assets Held in and Liability under Deferred Compensation Accounts

BGCA has in place deferred compensation agreements with certain key officers, whereby sums will be paid according to the terms of the agreements into accounts maintained by BGCA for the purpose of salary continuation upon retirement. This plan is subject to certain stipulations outlined within the agreements, one of which is the officers' continued employment with BGCA. Deferred compensation activity during 2017 and 2016 consists of the following:

		2017	2016
Employee contributions	$	163,406	154,443
Annuity contracts		(133,448)	(96,252)
Distributions		(240,881)	(143,892)
Change in fair value		428,196	63,755
Net change for the year		217,273	(21,946)
Assets held in and liability under deferred compensation:			
Beginning of year		1,926,807	1,948,753
End of year	$	2,144,080	1,926,807

(7) Transfers

Transfers of net assets for the years ended December 31, 2017 and 2016 consist of the following:

		2017	
		Unrestricted net assets	
Description		Undesignated	Board-designated
Fixed asset acquisitions transferred to unrestricted-board-designated net assets	$	(7,146)	7,146
Investment income transferred in accordance with board spend rate policy		6,482,734	(6,482,734)
Transfer of unrestricted-board-designated net assets to general operating activities, net		7,076,449	(7,076,449)
	$	13,552,037	(13,552,037)

		2016	
		Unrestricted net assets	
Description		Undesignated	Board-designated
Fixed asset acquisitions transferred to unrestricted-board-designated net assets	$	(23,125)	23,125
Investment income transferred in accordance with board spend rate policy		6,649,500	(6,649,500)
Transfer of unrestricted-board-designated net assets to general operating activities, net		367,359	(367,359)
	$	6,993,734	(6,993,734)

(8) Government Grants and Contracts

During 2017 and 2016, BGCA recorded revenue totaling $74,022,133 and $67,072,252, respectively, related to various government grants and contracts. Of this amount, $65,733,082 and $57,771,948 was passed through to certain affiliated local member clubs (see note 1) for leadership training, development and support of youth programs during 2017 and 2016, respectively.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purposes or periods:

		2017	2016
On-site assistance to member clubs and establishment of new clubs	$	106,272,844	124,259,091
Leadership training, development and support of youth programs		50,168,040	30,213,512
Available for use in future periods		4,286,355	7,984,080
	$	160,727,239	162,456,683

(10) Net Assets Released from Restrictions

During 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by occurrence of other events satisfying restrictions specified by donors as follows:

	2017	2016
Purpose restrictions accomplished:		
Expenses for on-site assistance to member clubs and establishment of new clubs	$ 57,219,831	70,952,955
Expenses for leadership training, development and support of youth programs	72,095,619	46,328,673
	129,315,450	117,281,628
Time restrictions expired – passage of specified time	3,622,776	4,397,252
	$ 132,938,226	121,678,880

(11) Unrestricted Net Assets – Board-Designated

Board-designated net assets consist of the following at December 31:

	2017	2016
Functioning as quasi-endowment:		
Reserve fund	$ 116,614,779	118,012,331
Board designated fund	15,298,676	14,069,869
	131,913,455	132,082,200
Other board-designated	2,400,855	2,975,716
Land, buildings, and equipment	27,028,238	27,775,385
	$ 161,342,548	162,833,301

(12) Endowment Net Assets

BGCA's endowment consists of 56 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Governors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Governors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

BGCA has interpreted the State of Georgia's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, BGCA 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 expenditures by BGCA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, BGCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires BGCA to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets and generally result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as an increase in unrestricted net assets. There were no aforementioned deficiencies at December 31, 2017 and 2016.

(c) Return Objectives and Risk Parameters

The financial objective of BGCA's endowment is to provide support to the operations of its programs and affiliates and to preserve the inflation adjusted purchasing power of the long term investment. The investment objective is to attain an average annual real total return of at least 5% over the long term (rolling five year periods). Actual returns in any given year may vary from this amount.

To achieve its investment objective, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of 80% Russell 3000 index and 20% Barclays Aggregate Bond Index while assuming a moderate level of investment risk.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, BGCA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). BGCA targets a diversified asset allocation that places emphasis on investments in marketable securities, bonds, private equity and real estate trusts designed to achieve its long-term return objectives within prudent risk constraints.

(e) Spending Policy

A spending policy is established to ensure that the real value of the investment is maintained over time, which requires that the long-term average spending rate not exceed the long-term real return. BGCA's spending rate is established as up to 5% of the previous three year average of the September 30 fair value of the endowment net assets unless stipulated otherwise by the donor.

Endowment net assets consist of the following at December 31, 2017:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	79,197,333	33,795,614	112,992,947
Board-designated quasi-endowment funds	131,913,455	—	—	131,913,455
Total endowment net assets	$ 131,913,455	79,197,333	33,795,614	244,906,402

Endowment net assets consist of the following at December 31, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	67,298,007	33,795,614	101,093,621
Board-designated quasi-endowment funds	132,082,200	—	—	132,082,200
Total endowment net assets	$ 132,082,200	67,298,007	33,795,614	233,175,821

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, December 31, 2016	$	132,082,200	67,298,007	33,795,614	233,175,821
Contributions		679,162	—	—	679,162
Investment return – investment income and net appreciation		22,022,867	15,100,660	—	37,123,527
Appropriation of endowment assets for expenditure		(22,870,774)	(3,201,334)	—	(26,072,108)
Endowment net assets, December 31, 2017	$	131,913,455	79,197,333	33,795,614	244,906,402

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, December 31, 2015	$	134,451,527	67,456,469	33,795,614	235,703,610
Contributions		3,738,171	—	—	3,738,171
Investment return – investment income and net appreciation		7,281,849	3,306,635	—	10,588,484
Appropriation of endowment assets for expenditure		(13,389,347)	(3,465,097)	—	(16,854,444)
Endowment net assets, December 31, 2016	$	132,082,200	67,298,007	33,795,614	233,175,821

(13) Fund-Raising Event Direct Operating Costs

BGCA holds periodic fund-raising events and reports the revenues generated, net of any direct operating costs, as revenue, gains, and other support in the accompanying consolidated statements of activities. These direct operating costs during 2017 and 2016 are as follows:

	2017	2016
Supplies	$ 59,476	77,070
Printing	80,076	77,582
Postage	7,608	8,163
Travel	46,071	96,330
Banquets and space rental	1,586,568	2,194,977
Entertainment, event management, and speakers	743,331	724,794
	$ 2,523,130	3,178,916

(14) Leases

BGCA is obligated under noncancelable long-term operating leases for rental of office facilities and equipment, as follows:

Years ending December 31:	
2018	$ 445,178
2019	429,584
2020	358,109
	$ 1,232,871

Rental expense under operating leases totaled approximately $736,000 and $547,000 for the years ended December 31, 2017 and 2016, respectively.

BGCA leases a portion of its National Office facility and subleases leased space in New York, NY no longer used by BGCA to outside tenants. Rental income to be received in future periods under current lease and sub-lease arrangements is as follows:

Years ending December 31:	
2018	$ 1,160,748
2019	1,143,712
2020	1,190,736
2021	1,157,586
2022	1,124,436
Thereafter	1,542,480
	$ 7,319,698

Rental income totaled approximately $1,368,000 and $1,412,000 for the years ended December 31, 2017 and 2016, respectively.

(15) Obligations for Custodial Funds

BGCA has custody of certain assets which are being held and disbursed only on instructions of the person or organization from which they were received. These custodial funds and related obligations are included in the accompanying consolidated statements of financial position; however, additions to/disbursements from these funds are not considered part of BGCA's operations.

The changes in custodial funds for the years ended December 31, 2017 and 2016 are as follows:

		2017	2016
Net gains (losses) on investments and other receipts	$	1,858,961	354,492
Disbursements		(600,871)	(845,418)
Net change for the year		1,258,090	(490,926)
Assets held in custody for others:			
Beginning of year		11,695,431	12,186,357
End of year	$	12,953,521	11,695,431

(16) Fair Value Measurements

BGCA applies ASC No. 820, *Fair Value Measurement*, for fair value measurements of financial and nonfinancial assets and financial liabilities. BGCA's estimates of fair value for financial assets and liabilities are based on the framework established in ASC No. 820, which considers the inputs used in valuation, gives the highest priority to quoted prices in active markets, and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the ASC No. 820 hierarchy is based on whether the significant inputs relative to the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect BGCA's significant market assumptions. The three levels of the hierarchy are further described as follows:

Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities in accessible and active markets.

Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable. Examples include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 – Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets or liabilities. Level 3 investments comprise primarily alternative investments which are not readily marketable.

The majority of BGCA's investments are held through limited partnerships for which the fair value is estimated using the Net Asset Value (NAV) reported by the investment managers as a practical expedient. In accordance with ASU 2015-07 *Fair Value Measurement*, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The carrying amounts presented are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position. Certain investments totaling $151,580,239 that were previously classified as Level 2 in fiscal 2016 have been classified as "Investments measured at NAV" as an immaterial correction.

The carrying amounts of membership dues and grants receivable, split-interest agreements, accounts payable and accrued expenses, and annuities payable (all classified largely as Level 1 within the fair value hierarchy described above) approximate fair value because of the relative terms and/or short maturity of these financial instruments. Contributions receivable are initially measured at fair value in the year the receivable is recorded based on the present value of the estimated future cash flows discounted at a rate that reflects the risks inherent in those cash flows, which is an application of the income approach. Current year gifts included in contributions receivable reflected at fair value were approximately $25.7 million and $17.0 million at December 31, 2017 and 2016, respectively, and are classified as Level 3 in the fair value hierarchy. Cash and cash equivalents, investments, assets held in custody for others, and assets held in deferred compensation accounts are reflected in the accompanying consolidated financial statements at fair value. The carrying amounts of obligations for custodial funds, and the liability under deferred compensation agreements are recorded at the fair value of the underlying assets.

As required by ASC No. 820, financial instruments recorded at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The following is a summary of BGCA's financial instruments within the fair value hierarchy as of December 31, 2017 and 2016:

	2017						
	Investments measured at NAV	Level 1	Level 2	Level 3	Total	Redemption or liquidation	Notice period
Assets:							
Recurring:							
Cash and cash equivalents	$ —	21,922,132	—	—	21,922,132	Daily	None
Investments, and assets held in custody for others:							
Cash and cash equivalents	$ —	1,934,893	—	—	1,934,893	Daily	None
U.S. Treasuries	—	19,966,556	—	—	19,966,556	30–60 days	None
Fixed income:							
Mutual funds	—	569,171	—	—	569,171	Daily	None
Fixed income securities	—	—	19,268,048	—	19,268,048	Monthly	5 days
Corporate stocks	—	89,259,520	—	—	89,259,520	Daily	None
Community foundation	—	—	—	46,957	46,957	At discretion of foundation	At discretion of foundation
Alternative investments:							
Private equity	7,360,227	—	—	—	7,360,227	At discretion of general partner	At discretion of general partner
Credit/distressed hedge funds	11,608,380	—	—	—	11,608,380	Quarterly or bi-annually	45–90 days
Multi-strategy hedge funds	140,357,754	—	—	—	140,357,754	Annually or quarterly	65–105 days
Total investments and assets held in custody for others	$ 159,326,361	111,730,140	19,268,048	46,957	290,371,506		
Assets held in deferred compensation accounts	$ —	2,144,080	—	—	2,144,080	Daily	None

	2016						
	Investments measured at NAV	Level 1	Level 2	Level 3	Total	Redemption or liquidation	Notice period
Assets:							
Recurring:							
Cash and cash equivalents	$ —	15,543,350	—	—	15,543,350	Daily	None
Investments, and assets held in custody for others:							
Cash and cash equivalents	$ —	1,318,884	—	—	1,318,884	Daily	None
Fixed income:							
Mutual funds	—	556,730	—	—	556,730	Daily	None
Fixed income securities	—	—	26,828,479	—	26,828,479	Monthly	5 days
Corporate stocks	—	94,714,553	—	—	94,714,553	Daily	None
Community foundation	—	—	—	40,515	40,515	At discretion of foundation	At discretion of foundation
Alternative investments:							
Private equity	3,186,089	—	—	—	3,186,089	At discretion of general partner	At discretion of general partner
Credit/distressed hedge funds	10,919,081	—	—	—	10,919,081	Quarterly or bi-annually	45–90 days
Multi-strategy hedge funds	140,661,158	—	—	—	140,661,158	Annually or quarterly	65–105 days
Total investments and assets held in custody for others	$ 154,766,328	96,590,167	26,828,479	40,515	278,225,489		
Assets held in deferred compensation accounts	$ —	1,926,807	—	—	1,926,807	Daily	None

The following is a description of the valuation methodologies and inputs used for alternative investments recorded at NAV.

Private Equity

This class includes a fund of funds that invests in private equity funds making investments in the U.S. across a broad range of industries and company sizes. These investments cannot be redeemed at the investor's request. Instead, the nature of the investments in this class is such that distributions are received through the liquidation of the underlying assets of the fund. The fair value of these investments has been estimated using the net asset value per share of the investment as a practical expedient to estimate fair value.

Credit/Distressed

This class includes investments in funds that buy bonds or structured credit products expected to appreciate in value and short those they expect to decline in value. These managers will invest in corporate bonds, structured products, bank loans and fixed income derivatives. Distressed-debt managers typically focus on bonds and bank loans trading at a significant discount to par value as a result of the debtor company's troubled financial condition. These managers may become actively involved in company reorganization and bankruptcy committees and may also buy bonds with the expectation that they will be converted to equity. The fair value of these investments has been determined to be the net asset value per share of the investments. Investments representing 7% of this class cannot be redeemed due to liquidity restrictions and will be distributed at the managers' discretion.

Multi-Strategy

This class includes investments in funds that invest in different strategies, shifting capital among them according to their profitability. These managers employ event driven and diversified strategies, seeking to generate risk-adjusted returns across business and market cycles. In addition, they may also engage in other areas, such as private placements, insurance and real estate. The term open mandate is sometimes used synonymously with multi-strategy. The fair value of these investments has been determined to be the net asset value per share of the investments. Investments representing 5% of this class cannot be redeemed due to liquidity restrictions and will be distributed at the managers' discretion.

(17) Commitments and Contingencies

Financial

In July 2017, BGCA secured a Line of Credit with SunTrust Bank for $10,000,000 with a one-year maturity date. The line of credit will assist with BGCA's working capital needs. During 2017, BGCA drew $15,800,000 from the line of credit. As of December 31, 2017, there was no outstanding balance on the line of credit.

Legal Matters

BGCA is subject to claims and legal actions arising in the ordinary course of business. In the opinion of management, the outcome of such actions will not have a material adverse effect on the financial position of BGCA.

Federal Financial Assistance

Federally funded programs are routinely subject to special audits that could result in claims against the resources of BGCA. Management does not believe that there will be any claims arising from such audits that could have a material adverse effect on the financial position of BGCA.

(18) Subsequent Events

BGCA evaluated events subsequent to December 31, 2017 and through August 24, 2018, the date on which the consolidated financial statements were available for issuance and determined that all significant events and disclosures are included in the consolidated financial statements.

**BOYS & GIRLS CLUBS OF AMERICA – NATIONAL ORGANIZATION
(EXCLUDING SUBSIDIARY ORGANIZATIONS)**

Statements of Financial Position – Information

December 31, 2017 and 2016

Assets		**2017**	**2016**
Cash and cash equivalents	$	15,281,160	6,991,073
Investments		277,417,985	266,530,058
Assets held in custody for others		12,953,521	11,695,431
Membership dues and grants receivable, net		5,241,369	4,991,512
Contributions receivable		58,384,089	69,257,400
Assets held in deferred compensation accounts		2,144,080	1,926,807
Split interest agreements		3,443,638	3,129,539
Land, buildings, and equipment, net		26,994,540	27,738,540
Other assets		2,816,408	2,744,246
Total assets	$	404,676,790	395,004,606
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	31,892,746	22,165,900
Obligations for custodial funds		12,953,521	11,695,431
Liability under deferred compensation agreements		2,144,080	1,926,807
Annuities payable		2,735,924	2,274,115
Total liabilities		49,726,271	38,062,253
Net assets:			
Unrestricted:			
Undesignated		755,714	486,137
Board-designated		161,308,850	162,796,456
		162,064,564	163,282,593
Temporarily restricted		159,090,341	159,864,146
Permanently restricted		33,795,614	33,795,614
Total net assets		354,950,519	356,942,353
Total liabilities and net assets	$	404,676,790	395,004,606

See accompanying independent auditors' report

BOYS & GIRLS CLUBS OF AMERICA – NATIONAL ORGANIZATION
(EXCLUDING SUBSIDIARY ORGANIZATIONS)

Statement of Activities – Information

Year ended December 31, 2017
(with comparative totals for 2016)

	Unrestricted						
	Undesignated	Board-designated	Total unrestricted	Temporarily restricted	Permanently restricted	Total 2017	Total 2016
Changes in net assets:							
Revenue, gains, and other support:							
Contributions	$ 9,890,809	613,583	10,504,392	78,998,373	—	89,502,765	62,370,688
Contributions in-kind	1,043,973	—	1,043,973	—	—	1,043,973	1,139,660
Government grants and contracts (includes pass through to clubs for 2017 and 2016 of $23,378,901 and $23,052,894, respectively)	28,581,026	—	28,581,026	—	—	28,581,026	26,140,622
Income from funds held in trust by others	152,091	—	152,091	1,368,803	—	1,520,894	1,524,800
Fund raising events:							
Revenue generated	6,857,129	—	6,857,129	618,541	—	7,475,670	11,157,988
Less direct operating costs	(2,429,500)	—	(2,429,500)	—	—	(2,429,500)	(3,071,736)
Fund-raising events revenue in excess of direct costs	4,427,629	—	4,427,629	618,541	—	5,046,170	8,086,252
Member organization dues	7,330,676	—	7,330,676	—	—	7,330,676	7,176,252
Investment income, net of advisory and custody fees	—	768,471	768,471	1,339,931	—	2,108,402	1,165,562
Net realized and unrealized (losses) gains on investments	(2,904)	21,254,393	21,251,489	14,593,535	—	35,845,024	9,600,680
Others	1,139,023	65,605	1,204,628	75,797	—	1,280,425	1,035,747
Total revenue and gains	52,562,323	22,702,052	75,264,375	96,994,980	—	172,259,355	118,240,263
Net assets released from restrictions:							
Satisfaction of program restrictions	94,146,009	—	94,146,009	(94,146,009)	—	—	—
Expirations of time restrictions	3,622,776	—	3,622,776	(3,622,776)	—	—	—
Total net assets released from restrictions	97,768,785	—	97,768,785	(97,768,785)	—	—	—
Total revenue, gains, and other support	150,331,108	22,702,052	173,033,160	(773,805)	—	172,259,355	118,240,263
Expenses and losses:							
On-site assistance to member clubs and establishment of new clubs	71,030,308	9,850,083	80,880,391	—	—	80,880,391	79,929,228
Leadership training, development, and support of youth programs	53,378,636	186,329	53,564,965	—	—	53,564,965	40,382,717
Management and general	20,221,062	416,570	20,637,632	—	—	20,637,632	20,114,551
Fund-raising	18,990,708	177,493	19,168,201	—	—	19,168,201	14,714,113
Total expenses and losses	163,620,714	10,630,475	174,251,189	—	—	174,251,189	155,140,609
Changes in net assets before transfers	(13,289,606)	12,071,577	(1,218,029)	(773,805)	—	(1,991,834)	(36,900,346)
Other changes in net assets – transfers	13,559,183	(13,559,183)	—	—	—	—	—
Change in net assets	269,577	(1,487,606)	(1,218,029)	(773,805)	—	(1,991,834)	(36,900,346)
Net assets at beginning of year	486,137	162,796,456	163,282,593	159,864,146	33,795,614	356,942,353	393,842,699
Net assets at end of year	$ 755,714	161,308,850	162,064,564	159,090,341	33,795,614	354,950,519	356,942,353

See accompanying independent auditors' report

BOYS & GIRLS CLUBS OF AMERICA – NATIONAL ORGANIZATION
(EXCLUDING SUBSIDIARY ORGANIZATIONS)

Statements of Cash Flows – Information

Years ended December 31, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	(1,991,834)	(36,900,346)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		1,105,586	929,301
Net realized and unrealized gains on investments		(35,845,024)	(9,600,680)
In-kind contributions of assets		(1,043,973)	(1,139,660)
Increase in membership dues and grants receivable		(249,857)	(2,557,963)
Decrease in contributions receivable		10,873,311	16,315,082
(Increase) decrease in split interest agreements		(314,099)	170,500
Increase in other assets		(72,162)	(685,950)
Increase in accounts payable and accrued expenses		9,726,846	3,111,733
Increase in annuities payable		555,287	67,739
Net cash used in operating activities		(17,255,919)	(30,290,244)
Cash flows from investing activities:			
Proceeds from sales of investments		61,763,591	73,226,743
Purchase of investments		(35,762,521)	(57,956,089)
Purchases of property and equipment		(361,586)	(368,633)
Net cash provided by investing activities		25,639,484	14,902,021
Cash flows from financing activities:			
Payments to life income beneficiaries		(93,478)	(93,478)
Net increase (decrease) in cash and cash equivalents		8,290,087	(15,481,701)
Cash and cash equivalents at beginning of year		6,991,073	22,472,774
Cash and cash equivalents at end of year	$	15,281,160	6,991,073
Supplemental disclosure:			
Cash paid for interest	$	5,215	—
Cash paid for taxes		33,754	229,282
In-kind gifts – investments		1,043,973	829,594
In-kind gifts – equipment		—	310,066

See accompanying independent auditors' report.

BOYS & GIRLS CLUBS OF AMERICA – NATIONAL ORGANIZATION
(EXCLUDING SUBSIDIARY ORGANIZATIONS)

Statement of Functional Expenses – Information

Year ended December 31, 2017

		Program services			Supporting services			
		On-site assistance to member clubs and establishment of new clubs	Leadership training, development, and support of youth programs	Total program services	Management and general	Fund-raising	Total supporting services	Total expenses
Salaries	$	23,378,663	5,641,676	29,020,339	10,152,074	7,158,367	17,310,441	46,330,780
Benefits		4,332,869	1,197,040	5,529,909	1,866,679	1,046,800	2,913,479	8,443,388
Payroll taxes		1,652,917	399,346	2,052,263	596,635	487,612	1,084,247	3,136,510
Total salaries and related expenses		29,364,449	7,238,062	36,602,511	12,615,388	8,692,779	21,308,167	57,910,678
Contractual services		9,027,100	2,730,035	11,757,135	3,469,032	5,877,821	9,346,853	21,103,988
Supplies		2,055,577	349,885	2,405,462	243,048	143,744	386,792	2,792,254
Telephone		453,526	89,577	543,103	136,359	119,917	256,276	799,379
Postage and shipping		191,267	152,555	343,822	93,976	957,909	1,051,885	1,395,707
Occupancy		1,058,559	329,151	1,387,710	1,595,965	466,620	2,062,585	3,450,295
Printing and artwork		755,670	473,452	1,229,122	371,889	1,166,299	1,538,188	2,767,310
Travel		3,969,121	697,967	4,667,088	529,183	815,020	1,344,203	6,011,291
Training conferences		2,314,476	2,224,992	4,539,468	633,700	262,765	896,465	5,435,933
Membership dues		52,132	26,472	78,604	73,601	31,588	105,189	183,793
Awards and grants		30,669,727	38,934,585	69,604,312	—	—	—	69,604,312
Interest expense		—	—	—	5,215	—	5,215	5,215
Miscellaneous		586,781	131,903	718,684	510,039	456,725	966,764	1,685,448
Depreciation		382,006	186,329	568,335	360,237	177,014	537,251	1,105,586
Total expenses	$	80,880,391	53,564,965	134,445,356	20,637,632	19,168,201	39,805,833	174,251,189

See accompanying independent auditors' report.

BOYS & GIRLS CLUBS OF AMERICA – NATIONAL ORGANIZATION
(EXCLUDING SUBSIDIARY ORGANIZATIONS)

Statement of Functional Expenses – Information

Year ended December 31, 2016

	Program services			Supporting services			
	On-site assistance to member clubs and establishment of new clubs	Leadership training, development, and support of youth programs	Total program services	Management and general	Fund-raising	Total supporting services	Total expenses
Salaries	$ 23,349,018	4,423,582	27,772,600	9,689,525	6,369,541	16,059,066	43,831,666
Benefits	4,823,069	778,004	5,601,073	1,782,032	901,067	2,683,099	8,284,172
Payroll taxes	1,699,767	296,202	1,995,969	613,672	452,846	1,066,518	3,062,487
Total salaries and related expenses	29,871,854	5,497,788	35,369,642	12,085,229	7,723,454	19,808,683	55,178,325
Contractual services	6,518,948	2,126,906	8,645,854	3,623,021	4,614,350	8,237,371	16,883,225
Supplies	2,216,753	442,005	2,658,758	283,330	68,008	351,338	3,010,096
Telephone	453,948	63,168	517,116	118,240	110,623	228,863	745,979
Postage and shipping	290,176	18,237	308,413	125,926	492,452	618,378	926,791
Occupancy	444,758	200,622	645,380	1,405,456	192,730	1,598,186	2,243,566
Printing and artwork	649,776	134,899	784,675	290,107	113,739	403,846	1,188,521
Travel	3,842,598	504,169	4,346,767	552,665	848,887	1,401,552	5,748,319
Training conferences	3,031,244	883,624	3,914,868	713,115	271,347	984,462	4,899,330
Membership dues	12,676	1,829	14,505	61,621	37,789	99,410	113,915
Awards and grants	32,146,288	30,172,028	62,318,316	129,949	25,500	155,449	62,473,765
Miscellaneous	185,597	120,858	306,455	414,708	78,313	493,021	799,476
Depreciation	264,612	216,584	481,196	311,184	136,921	448,105	929,301
Total expenses	$ 79,929,228	40,382,717	120,311,945	20,114,551	14,714,113	34,828,664	155,140,609

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Governors
Boys & Girls Clubs of America:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Boys & Girls Clubs of America and subsidiaries (BGCA), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 24, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

Atlanta, Georgia
August 24, 2018

SINGLE AUDIT REPORTS

BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards

Year ended December 31, 2017

Federal grantor/program title	Federal CFDA number	Grantor number	Passed-through to Subrecipients	Federal expenditures
Major programs:				
U.S. Department of Justice:				
Juvenile Mentoring Program:				
Expanding and Enhancing Boys & Girls Clubs Mentoring Programs in Underserved Communities-2008	16.726	2008-JU-FX-K010	$ —	(1,256)
Expanding and Enhancing Boys & Girls Clubs Mentoring Programs in Underserved Communities-2010	16.726	2010-JU-FX-0004	—	(1,519)
Expanding and Enhancing Boys & Girls Clubs Mentoring Programs in Underserved Communities-2011	16.726	2011-MU-MU-0009	—	(2,008)
Expanding and Enhancing Boys & Girls Clubs Mentoring Programs in Underserved Communities-2012	16.726	2012-JU-FX-0006	—	(316)
Expanding and Enhancing Boys & Girls Clubs Mentoring Programs in Underserved Communities-2014	16.726	2014-JU-FX-0018	(7,500)	(7,500)
Expanding and Enhancing Boys & Girls Clubs Mentoring Programs in Underserved Communities-2015	16.726	2015-JU-FX-0017	3,755,946	4,743,515
Expanding and Enhancing Boys & Girls Clubs Mentoring Programs in Underserved Communities-2016	16.726	2016-JU-FX-0021	19,166,513	20,710,282
Expanding and Enhancing Boys & Girls Clubs Mentoring Programs in Underserved Communities-2017	16.726	2017-JU-FX-0005	—	42,493
Total CFDA # 16.726			22,914,959	25,483,691
U.S. Department of Health and Human Services/ Centers for Disease Control and Prevention:				
Building a Culture of Wellness;				
National Collaboration to Support Health, Wellness, and Academic Success of School-age Children	93.858	NU1ADP003093	132,457	360,651
U.S. Department of Agriculture:				
Passed through California Department of Education:				
Child and Adult Care Food Program	10.558	06180-CACFP-19-NP-CS	—	340,620
Child and Adult Care Food Program	10.558	CACFP 04	—	390,980
Passed through Texas Department of Agriculture:				
Child and Adult Care Food Program	10.558	05857	—	94,116
Passed through Illinois State Board of Education:				
Child and Adult Care Food Program	10.558	65108220051	—	107,606
Passed through Georgia Department of Early Care and Learning:				
Child and Adult Care Food Program	10.558	15053	—	15,966
Passed through Arizona Department of Education:				
Child and Adult Care Food Program	10.558	CTD # 00-92-02	—	4,720
Total CFDA # 10.558			—	954,008
Nonmajor programs:				
National Aeronautics and Space Administration, Great Futures in Science:				
Boys and Girls Clubs of America Robotics Project	43.008	NNX14AE60A	16,000	110,291
U.S. Department of Justice:				
Recovery Act National Youth Mentoring Program	16.808	2009-SC-B9-K010	—	(1,177)
Tribal Youth Program	16.731	2010-TY-FX-0014	—	1,179
U.S. Department of the Interior/National Parks Service:				
Conservation Activities by Youth Service Organizations:				
Ultimate Journey	15.931	P15AC00583	6,948	15,162
Youth Conservation Activities	15.931	P15AC00583	23,137	48,871
Total CFDA # 15.931			30,085	64,033
U.S. Department of Agriculture:				
Child Nutrition Cluster:				
Passed through California Department of Education:				
Summer Food Service Program	10.559	06180-SFSP-19	—	(4,107)
Summer Food Service Program	10.559	06180-SFSP-19	—	116,030
Passed through Texas Department of Agriculture:				
Summer Food Service Program	10.559	05857	—	39,278
Passed through Illinois State Board of Education:				
Summer Food Service Program	10.559	65108220051	—	99,624
Passed through Georgia Department of Early Care and Learning:				
Summer Food Service Program	10.559	15053	—	34,776
Total CFDA # 10.559			—	285,601
Total federal expenditures			$ 23,093,501	27,258,277

See accompanying notes to schedule of expenditures of federal awards.

BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2017

(1) Summary of Significant Accounting Policies for Federal Award Expenditures

The accompanying schedule of expenditures of federal awards for the year ended December 31, 2017 (the Schedule) includes the federal grant activity of Boys & Girls Clubs of America and subsidiaries (BGCA) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

BGCA's consolidated financial statements include the operations of its 51 subsidiary alliance organizations, certain of which received approximately $27,060,000 in federal awards in aggregate which is not included in the Schedule for the year ended December 31, 2017. Our audit did not include the operations of these organizations because these organizations engaged other auditors to perform audits in accordance with the Uniform Guidance.

BGCA charges indirect costs based on a negotiated agreement and has not elected to use the 10% deminimis indirect cost rate as outlined in the Uniform Guidance.

(2) Nonappropriated Fund Instrumentalities

Nonappropriated Fund Instrumentalities (NAFIs) are created and regulated by federal agencies for the benefit of governmental entities, but are not federal agencies or government corporations in and of themselves. During the year ended December 31, 2017, BGCA expended $1,322,748 in NAFIs, which is not included in the Schedule.

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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited Boys & Girls Clubs of America and subsidiaries' (BGCA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of BGCA's major federal programs for the year ended December 31, 2017. BGCA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

BGCA's consolidated financial statements include the operations of its 51 subsidiary alliance organizations, certain of which expended approximately $27,060,000 in federal awards in aggregate which is not included in the schedule of expenditures of federal awards for the year ended December 31, 2017. Our audit, described below, did not include the operations of these organizations because these organizations engaged other auditors to perform audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our unmodified and modified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of BGCA's compliance.

Basis for Qualified Opinion on Child and Adult Care Food Program

As described in the accompanying schedule of findings and questioned costs, BGCA did not comply with requirements regarding CFDA 10.558 Child and Adult Care Food Program as described in finding number 2017-001 for Special Tests – Monitoring. Compliance with such requirement is necessary, in our opinion, for BGCA to comply with the requirements applicable to that program.

Qualified Opinion on Child and Adult Care Food Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, BGCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 10.558 Child and Adult Care Food Program for the year ended December 31, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, BGCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2017.

BGCA's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. BGCA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of BGCA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered BGCA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BGCA's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003 to be significant deficiencies.

BGCA's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. BGCA's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of BGCA as of and for the year ended December 31, 2017, and have issued our report thereon dated August 24, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Atlanta, Georgia
September 26, 2018

BOYS & GIRLS CLUBS OF AMERICA AND SUBSIDIARIES

Schedule of Findings and Questioned Costs

Year ended December 31, 2017

(1) Summary of Auditors' Results

(a) Type of report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

Material weaknesses: **No**

Significant deficiencies: **None reported**

(c) Noncompliance material to the financial statements: **No**

(d) Internal control deficiencies over major programs disclosed by the audit:

Material weaknesses: **Yes** – See finding 2017-001

Significant deficiencies: **Yes** – See findings 2017-002 and 2017-003

(e) Major programs and type of report issued on compliance for major programs:

	Federal CFDA no.	Type of report
National Collaboration to Support Health, Wellness and Academic Success of School-Age Children	93.858	Unmodified
Juvenile Mentoring Program	16.726	Unmodified
Child and Adult Care Food Program	10.558	Qualified

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**

(g) Dollar threshold used to distinguish between Type A and Type B programs: **$817,748**

(h) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

(3) Findings and Questioned Costs Relating to Federal Awards

Finding No. 2017-001

Compliance Requirement: Special Tests – Monitoring

Federal Agency: U.S. Department of Agriculture

Program: Child and Adult Care Food Program

CFDA #:	10.558
Award #:	06180-CACFP-19-NP-CS; CACFP 04; 65108220051; 15053; 05857; CTD 00-92-02
Award year:	2016 and 2017

Criteria or Specific Requirement

The USDA At-Risk After School guide requires program sponsors to review each facility three times per year with at least two of these reviews being unannounced and at least one of the two unannounced reviews must include observation of a meal service. In addition, at least one review must be performed during each new facility's first four weeks of operations and no more than six months may elapse between reviews. Further, the grant agreements with the U.S. Department of Agriculture require a record of site monitoring, including dates and locations of the sites, notations of any problems, and the corrective action prescribed and implemented.

Condition Found

During our testwork of monitoring performed at 40 sites, we noted eight sites did not have documentation of on-site monitoring being performed. We further noted four additional sites were not monitored within the first four weeks of the site providing services under the grant.

Cause and Possible Asserted Effect

BGCA has an internal process for tracking monitoring visits. During the year, personnel responsible for monitoring did not consistently document and report their monitoring of the sites to the repective state providing the funding. BGCA management became aware of this and action was taken; however, submission to the respective state and documentation of the monitoring was not provided. BGCA lacks a systemic process to ensure documentation of monitoring of sites is prepared and submitted timely. As a result, there was a lack of documentation to support that certain site visits had occurred. In addition, monitoring did not always occur within the first four weeks of the beginning of the program.

Questioned Cost

There were no questioned costs associated with the finding.

Whether the Sample was a Statistically Valid Sample

The sample was not intended to be, and was not, a statistically valid sample.

Identification of Whether the Audit Finding was a Repeat Finding in the Immediately Prior Audit

This finding was not a repeat of a finding from the immediately prior year audit.

Recommendation

BGCA should strengthen procedures around ensuring that on-site monitoring is timely performed and documentation is submitted to the respective state providing the grant funding. In addition, BGCA should strengthen procedures to ensure new sites are properly monitored within their first four weeks of operations.

(Continued)

View of Responsible Officials

This is an emerging program for BGCA and the first year it qualified as a Type A program. New and enhanced procedures are currently being deployed to ensure that monitoring and documentation are compliantly tracked and maintained. The new and enhanced procedures will be fully implemented by no later than December 31, 2018.

Finding No. 2017-002

Compliance Requirement: Allowable Costs

Federal Agency:	U.S. Department of Health and Human Services
Program:	National Collaboration to Support Health, Wellness, and Academic Success of School-Age Children
CFDA #:	93.858
Award #:	NUIADP003093
Award year:	2017

Criteria or Specific Requirement

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, requires that Non-Federal entities receiving Federal awards establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award.

Condition Found

During our testwork on 40 payroll items, we noted four instances in which employee timesheets were not properly reconciled to the grant payroll records.

Cause and Possible Asserted Effect

BGCA's payroll department prepares and provides to accounting a summary of daily timesheet payroll charges which forms the basis for allocating payroll charges to the relevant general ledger expense accounts, including federal grants. BGCA's existing process to reconcile recorded payroll costs to corresponding time sheets does not ensure that payroll costs related to time worked on the grant are appropriately allocated. As a result, payroll costs related to time worked on the grant may not be appropriately charged to the grant.

Questioned Costs

There were no questioned costs associated with the finding.

Whether the Sample was a Statistically Valid Sample

The sample was not intended to be, and was not, a statistically valid sample.

Identification of Whether the Audit Finding was a Repeat Finding in the Immediately Prior Audit

This finding was not a repeat of a finding from the immediately prior year audit.

Recommendation

BGCA should strengthen procedures around ensuring that payroll costs are charged in accordance with the timesheet that has been signed and approved by the employee and supervisor and are properly reflected in grant expenses.

View of Responsible Officials

To ensure payroll costs are appropriately charged BGCA instituted additional controls requiring review of the timesheets charged to federal grants and sign off from the Senior Accounting Manager, Senior Director, Federal Grants Programs & Performance, and the Vice President, Controller. These procedures are being enforced stringently; additionally staffing changes have been made to enhance compliance capabilities within the process.

Finding No. 2017-003

Compliance Requirement: Allowable Costs

Federal Agency:	U.S. Department of Justice
Program:	Juvenile Mentoring Program – Expanding and Enhancing Boys & Girls Clubs Mentoring Programs in Underserved Communities
CFDA #:	16.726
Award #:	2015-JU-FX-0017; 2016-JU-FX-0021
Award year:	2015 and 2016

Criteria or Specific Requirement

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, requires that Non-Federal entities receiving Federal awards establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award.

Condition Found

During our testwork on 40 payroll items, we noted two instances in which employee timesheets were not properly reconciled to the grant payroll records.

Cause and Possible Asserted Effect

BGCA’s payroll department prepares and provides to accounting a summary of daily timesheet payroll charges which forms the basis for allocating payroll charges to the relevant general ledger expense accounts, including federal grants. BGCA’s existing process to reconcile recorded payroll costs to corresponding time sheets does not ensure that payroll costs related to time worked on the grant are appropriately allocated. As a result, payroll costs related to time worked on the grant may not be appropriately charged to the grant.

Questioned Cost

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Whether the Sample was a Statistically Valid Sample

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Identification of Whether the Audit Finding was a Repeat Finding in the Immediately Prior Audit

This finding was not a repeat of a finding from the immediately prior year audit.

Recommendation

BGCA should strengthen procedures around ensuring that payroll costs are charged in accordance with the timesheet that has been signed and approved by the employee and supervisor.

View of Responsible Officials

To ensure payroll costs are appropriately charged BGCA instituted additional controls requiring review of the timesheets charged to federal grants and sign off from the Senior Accounting Manager, Senior Director, Federal Grants Programs & Performance, and the Vice President, Controller. These procedures are being enforced stringently; additionally staffing changes have been made to enhance compliance capabilities within the process.

Corrective Action Plan:

Finding No. 2017-001

Compliance Requirement: Special Tests – Monitoring

Federal Agency:	U.S. Department of Agriculture
Program:	Child and Adult Care Food Program
CFDA #:	10.558
Award #:	06180-CACFP-19-NP-CS; CACFP 04; 65108220051; 15053; 05857; CTD 00-92-02
Award year:	2016 and 2017

Criteria or Specific Requirement

The USDA At-Risk After School guide requires program sponsors to review each facility three times per year with at least two of these reviews being unannounced and at least one of the two unannounced reviews must include observation of a meal service. In addition, at least one review must be performed during each new facility's first four weeks of operations and no more than six months may elapse between reviews. Further, the grant agreements with the U.S. Department of Agriculture require a record of site monitoring, including dates and locations of the sites, notations of any problems, and the corrective action prescribed and implemented.

Condition Found

During our testwork of monitoring performed at 40 sites, we noted eight sites did not have documentation of on-site monitoring being performed. We further noted four additional sites were not monitored within the first four weeks of the site providing services under the grant.

Cause and Possible Asserted Effect

BGCA has an internal process for tracking monitoring visits. During the year, personnel responsible for monitoring did not consistently document and report their monitoring of the sites to the repective state providing the funding. BGCA management became aware of this and action was taken; however, submission to the respective state and documentation of the monitoring was not provided. BGCA lacks a systemic process to ensure documentation of monitoring of sites is prepared and submitted timely. As a result, there was a lack of documentation to support that certain site visits had occurred. In addition, monitoring did not always occur within the first four weeks of the beginning of the program.

Questioned Cost

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Identification of Whether the Audit Finding was a Repeat Finding in the Immediately Prior Audit

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Recommendation

BGCA should strengthen procedures around ensuring that on-site monitoring is timely performed and documentation is submitted to the respective state providing the grant funding. In addition, BGCA should strengthen procedures to ensure new sites are properly monitored within their first four weeks of operations.

View of Responsible Officials

This is an emerging program for BGCA and the first year it qualified as a Type A program. New and enhanced procedures are currently being deployed to ensure that monitoring and documentation are compliantly tracked and maintained. The new and enhanced procedures will be fully implemented by no later than December 31, 2018.

Corrective Action:

BGCA agrees with the finding noted above and plans to have the corrective action outlined above in place by December 31, 2018.

Contact Person: Perry Cooper, National Vice President Federal Grants

(404) 487-5724 / Pcooper@bgca.org

Finding No. 2017-002

Compliance Requirement: Allowable Costs

Federal Agency:	U.S. Department of Health and Human Services
Program:	National Collaboration to Support Health, Wellness, and Academic Success of School-Age Children
CFDA #:	93.858
Award #:	NUIADP003093
Award year:	2017

Criteria or Specific Requirement

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, requires that Non-Federal entities receiving Federal awards establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award.

Condition Found

During our testwork on 40 payroll items, we noted four instances in which employee timesheets were not properly reconciled to the grant payroll records.

Cause and Possible Asserted Effect

BGCA's payroll department prepares and provides to accounting a summary of daily timesheet payroll charges which forms the basis for allocating payroll charges to the relevant general ledger expense accounts, including federal grants. BGCA's existing process to reconcile recorded payroll costs to corresponding time sheets does not ensure that payroll costs related to time worked on the grant are appropriately allocated. As a result, payroll costs related to time worked on the grant may not be appropriately charged to the grant.

Questioned Costs

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Recommendation

BGCA should strengthen procedures around ensuring that payroll costs are charged in accordance with the timesheet that has been signed and approved by the employee and supervisor and are properly reflected in grant expenses.

View of Responsible Officials

To ensure payroll costs are appropriately charged BGCA instituted additional controls requiring review of the timesheets charged to federal grants and sign off from the Senior Accounting Manager, Senior Director, Federal Grants Programs & Performance, and the Vice President, Controller. These procedures are being enforced stringently; additionally staffing changes have been made to enhance compliance capabilities within the processes.

Corrective Action:

BGCA agrees with the finding noted above and plans to implement the procedure above by December 31, 2018.

Contact Person: Jason Penegar, Vice President - Controller

(404) 487-5403 / Jpenegar@bgca.org

Finding No. 2017-003

Compliance Requirement: Allowable Costs

Federal Agency:	U.S. Department of Justice
Program:	Juvenile Mentoring Program – Expanding and Enhancing Boys & Girls Clubs Mentoring Programs in Underserved Communities
CFDA #:	16.726
Award #:	2015-JU-FX-0017; 2016-JU-FX-0021
Award year:	2015 and 2016

Criteria or Specific Requirement

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, requires that Non-Federal entities receiving Federal awards establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award.

Condition Found

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Cause and Possible Asserted Effect

BGCA's payroll department prepares and provides to accounting a summary of daily timesheet payroll charges which forms the basis for allocating payroll charges to the relevant general ledger expense accounts, including federal grants. BGCA's existing process to reconcile recorded payroll costs to corresponding time sheets does not ensure that payroll costs related to time worked on the grant are appropriately allocated. As a result, payroll costs related to time worked on the grant may not be appropriately charged to the grant.

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Recommendation

BGCA should strengthen procedures around ensuring that payroll costs are charged in accordance with the timesheet that has been signed and approved by the employee and supervisor.

View of Responsible Officials

To ensure payroll costs are appropriately charged BGCA instituted additional controls requiring review of the timesheets charged to federal grants and sign off from the Senior Accounting Manager, Senior Director, Federal Grants Programs & Performance, and the Vice President, Controller. These procedures are being enforced stringently; additionally staffing changes have been made to enhance compliance capabilities within the processes.

Corrective Action:

BGCA agrees with the finding noted above and plans to implement the procedure above by December 31, 2018.

Contact Person: Jason Penegar, Vice President - Controller

(404) 487-5403 / Jpenegar@bgca.org

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OF AMERICA

CORRECTIVE ACTION PLAN

1. Name of contact person responsible for corrective action:

   M. V. Prasad

2. The corrective action planned:

   To strengthen the procedures to ensure that payroll costs are appropriately charged BGCA has instituted an additional control requiring a sign off from the Controller confirming the charges are in accordance with the timesheet signed and approved by the employee and supervisor.

3. Anticipated completion date:

   September 1, 2017

4. Reference number the auditor assigned to the audit findings in the schedule of findings and questioned costs:

   2016-001

Status Update

In September 2017, a new process was implemented to provide additional controls related to the charging of payroll cost to federal programs. In addition, changes have been made to staffing and responsibilities to further enhance our compliance in this area.