

Boys and Girls Club of
North Georgia, Inc.

Financial Statements

December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Boys and Girls Clubs of North Georgia, Inc.

We have audited the accompanying financial statements of the Boys and Girls Clubs of North Georgia, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boys and Girls Clubs of North Georgia, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RL Jennings & Associates, PC

R L Jennings & Associates, PC

Rome, Georgia
May 15, 2014

BOYS AND GIRLS CLUBS OF NORTH GEORGIA, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 549,783	\$ 420,609
Grants receivable	18,337	14,060
Pledges receivable - net of allowance	33,139	1,067,850
Prepaid expense	3,482	2,051
Other assets	<u>7,035</u>	<u>-</u>
TOTAL CURRENT ASSETS	611,776	1,504,570
PROPERTY AND EQUIPMENT		
Land	427,000	-
Furniture	5,468	5,468
Equipment	<u>29,961</u>	<u>29,961</u>
	462,429	35,429
Less: accumulated depreciation	<u>(33,655)</u>	<u>(29,189)</u>
	<u>428,774</u>	<u>6,240</u>
	<u>\$ 1,040,550</u>	<u>\$ 1,510,810</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Other current liabilities	<u>\$ -</u>	<u>\$ -</u>
TOTAL CURRENT LIABILITIES	-	-
NET ASSETS		
Unrestricted net assets	26,200	50,456
Temporarily restricted net assets	<u>1,014,350</u>	<u>1,460,354</u>
	<u>1,040,550</u>	<u>1,510,810</u>
	<u>\$ 1,040,550</u>	<u>\$ 1,510,810</u>

See independent auditor's report and notes to the financial statements.

BOYS AND GIRLS CLUBS OF NORTH GEORGIA, INC.
 STATEMENTS OF ACTIVITIES
 For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
SUPPORT		
State and federal grants	\$ 96,960	\$ 78,123
Member dues	6,948	2,253
Contributions	114,351	166,534
Special events	16,158	-
Program service fees	34,621	29,934
Inkind donations	88,928	66,000
	<u>357,966</u>	<u>342,844</u>
EXPENSES		
Program expenses	268,873	302,799
Management and general expenses	69,417	45,114
Fund raising expenses	43,932	4,832
	<u>382,222</u>	<u>352,745</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(24,256)</u>	<u>(9,901)</u>
TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT		
Capital campaign donations and pledges	127,035	1,042,141
Interest income	1,961	583
	<u>128,996</u>	<u>1,042,724</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>128,996</u>	<u>1,042,724</u>
INCREASE (DECREASE) IN NET ASSETS	104,740	1,032,823
NET ASSETS, beginning of year	1,510,810	477,987
Prior period adjustment	<u>(575,000)</u>	<u>-</u>
NET ASSETS, beginning of year, as restated	<u>935,810</u>	<u>477,987</u>
NET ASSETS, end of year	<u><u>1,040,550</u></u>	<u><u>1,510,810</u></u>

See independent auditor's report and notes to the financial statements.

BOYS AND GIRLS CLUBS OF NORTH GEORGIA, INC.
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 104,740	\$ 1,032,823
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,466	4,466
(Increase) decrease in grants receivable	(4,277)	129
(Increase) decrease in pledges receivable	32,711	(861,436)
(Increase) decrease in prepaid expenses	(1,431)	468
(Increase) decrease in other assets	(7,035)	-
(Decrease) increase in accounts payable	-	(450)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>129,174</u>	<u>176,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
NET CASH USED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND EQUIVALENTS	129,174	176,000
CASH AND EQUIVALENTS, BEGINNING	420,609	244,609
CASH AND EQUIVALENTS, ENDING	<u>\$ 549,783</u>	<u>\$ 420,609</u>

See independent auditor's report and notes to the financial statements.

BOYS AND GIRLS CLUBS OF NORTH GEORGIA, INC.
 STATEMENT OF FUNCTIONAL EXPENSE
 For the Year Ended December 31, 2013

	Supporting Services			Totals
	Program Services	Management and General	Fund Raising	
Compensation and related expenses	\$ 147,644	\$ 36,605	\$ 36,605	\$ 220,854
Depreciation	-	4,465	-	4,465
Insurance	-	3,267	-	3,267
Dues and subscriptions	-	4,768	-	4,768
Equipment repair and rental	675	892	-	1,567
Repairs and maintenance	1,963	1,963	-	3,926
Utilities	8,945	-	-	8,945
Office expense	8,396	2,799	50	11,244
Supplies	220	-	397	617
Professional fees	-	3,700	-	3,700
Special events	679	-	5,881	6,560
Telephone	4,664	999	999	6,663
Scholarships	2,500	-	-	2,500
Travel and meetings	-	3,959	-	3,959
Facilities	78,900	6,000	-	84,900
Advertising	-	-	-	-
Programs	14,287	-	-	14,287
Total expense	\$ 268,873	\$ 69,417	\$ 43,932	\$ 382,222

See independent auditor's report and notes to the financial statements.

BOYS AND GIRLS CLUBS OF NORTH GEORGIA, INC.
 STATEMENT OF FUNCTIONAL EXPENSE
 For the Year Ended December 31, 2012

Supporting Services

	Program Services	Management and General	Fund Raising	Totals
Compensation and related expenses	\$ 173,135	\$ 26,480	\$ 4,074	\$ 203,689
Depreciation	3,795	581	89	4,465
Insurance	3,885	594	91	4,570
Dues and subscriptions	4,507	689	106	5,302
Equipment repair and rental	2,703	413	64	3,180
Repairs and maintenance	3,008	531	-	3,539
Utilities	4,282	-	-	4,282
Office expense	11,087	1,696	261	13,044
Supplies	16,329	-	-	16,329
Professional fees	-	2,667	-	2,667
Special events	4,706	-	-	4,706
Telephone	6,248	955	147	7,350
Scholarships	2,500	-	-	2,500
Meetings	-	4,401	-	4,401
Facilities	60,000	6,000	-	66,000
Advertising	-	107	-	107
Programs	6,614	-	-	6,614
	<u>302,799</u>	<u>45,114</u>	<u>4,832</u>	<u>352,745</u>
Total expense	\$ <u>302,799</u>	\$ <u>45,114</u>	\$ <u>4,832</u>	\$ <u>352,745</u>

See independent auditor's report and notes to the financial statements.

BOYS AND GIRLS CLUBS OF NORTH GEORGIA INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Boys and Girls Clubs of North Georgia, Inc. (the Organization) is a non-profit community based entity. The Organization helps young people of all backgrounds with special concern for those from disadvantaged circumstances, develop the qualities needed to become responsible citizens and leaders, irrespective of race, color, creed or national origin. The Organization serves the Pickens and Gilmer County area.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification 958 (ASC 958) formerly SFAS 117, Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

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

Property and Equipment

Acquisitions of property and equipment are capitalized. Property and equipment are stated at historical cost and donated fixed assets are stated at fair market value on the date of donation. Depreciation is computed using the straight-line method.

BOYS AND GIRLS CLUBS OF NORTH GEORGIA INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue and Support

The Organization elected to adopt Accounting Standards Codification 958 (ASC 958) formerly SFAS No. 116, Accounting for Contributions Received and Contributions Made in 1996. In accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions.

Donated Services

The Organization received donated services from various organizations and individuals. Most of the services performed are a normal part of the program or supporting services, but the organization does not exercise direct control over the employment and duties of the donors of the services. Accordingly, the value of these services is not recorded as a contribution.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c) (3).

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturity of those financial instruments.

BOYS AND GIRLS CLUBS OF NORTH GEORGIA INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine non-collectible unconditional promises receivable. The allowance is based on prior years experience and management's analysis of specific promises made.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains a bank account at local banks. Accounts at each institution are fully insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The total cash held by the Organization at December 31, 2013 and 2012 includes \$147,431 and \$0, respectively, in monies that are not covered by the insurance provided by the federal government. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

NOTE 3 – RISK MANAGEMENT AND LITIGATION

The Organization is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization maintains coverage from commercial insurance companies. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 4 – FUNCTIONAL ALLOCATION OF EXPENSES

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

BOYS AND GIRLS CLUBS OF NORTH GEORGIA INC.
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2013 and 2012

NOTE 5 – ADVERTISING COSTS

The Organization uses advertising to promote its programs among the individuals it serves. These costs are expensed as incurred. During 2013 and 2012 advertising costs totaled \$0 and \$107, respectively.

NOTE 6 – DONATED FACILITIES

The Organization had use of several facilities in the areas it services. Below is a summary of the facilities and estimated values which are reflected in the statement of activities:

The Pickens County Parks and Recreation Department donated facilities for meeting places and activities at Roper Park. The value of the donated facilities is estimated at \$6,000. It also donated, use of Ludville Community Center which is estimated at \$12,000.

Jasper Middle School donated facilities for meeting places and activities. The value of the donated facilities is estimated at \$6,000.

Pickens County Middle School donated facilities for meeting places and activities. The value of the donated facilities is estimated at \$6,000.

Gilmer County Schools donated facilities for meeting places and activities. The value of the donated facilities is estimated at \$30,000.

The Executive Director donated facilities for office space. The value of the donated facilities is estimated at \$6,000.

NOTE 7—PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2013:

	Due in 1 Year	Due in 1-5 Years	Total
Capital campaign pledges receivable	\$ 34,939	\$ 200	\$ 35,139
Less: allowance for uncollectable	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Net pledges receivable	<u>\$ 32,939</u>	<u>\$ 200</u>	<u>\$ 33,139</u>

BOYS AND GIRLS CLUBS OF NORTH GEORGIA INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 7—PLEDGES RECEIVABLE (continued)

The capital campaign pledges receivable are restricted in use for costs and expenses of a new facility and of the campaign, itself. Approximately forty-seven percent, or \$500,000, is due from a private foundation under an agreement that \$2,521,241 in gifts and formal written pledges is collected.

NOTE 8 - LINE OF CREDIT

The Organization signed an unsecured line of credit for up to \$15,000 on October 1, 2013 at a local bank. At December 31, 2013, no withdrawals had been made on this line.

NOTE 9 - PRIOR PERIOD ADJUSTMENT

Temporarily restricted net assets at the beginning of 2013 have been adjusted for the corrections of pledges receivable accrued in a prior year. The correction has no effect on the results of the current year's activities; however, the cumulative effect decreases beginning temporarily restricted net assets for 2013 by \$575,000.

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 15, 2014, the date which the financial statements were available to be issued.