
MATHEWS-DICKEY
BOYS' & GIRLS' CLUB
FINANCIAL STATEMENTS
DECEMBER 31, 2016



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Independent Auditors' Report

Board of Directors
Mathews-Dickey Boys' & Girls' Club
St. Louis, Missouri

Report On Financial Statements

We have audited the accompanying financial statements of Mathews-Dickey Boys' & Girls' Club, a not-for-profit organization, which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mathews-Dickey Boys' & Girls' Club as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

RubinBrown LLP

June 28, 2017

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

STATEMENT OF FINANCIAL POSITION

Assets

	December 31,	
	2016	2015
Current Assets		
Cash and cash equivalents	\$ 159,985	\$ 587,233
Investments (Notes 3 and 4)	429,750	—
Accounts receivable	1,825	2,925
Pledges receivable, net (Note 5)	185,991	153,236
Pledge receivable - United Way	337,685	367,142
Prepaid expenses and other assets	6,308	29,640
Total Current Assets	1,121,544	1,140,176
Pledges Receivable - Long-Term, Net (Note 5)	21,818	119,696
Restricted Cash	99	4,310
Property And Equipment (Note 6)	2,176,608	1,832,091
Property Held For Sale (Note 6)	66,348	—
Restricted Cash - Endowment (Note 8)	—	128,000
Total Assets	\$ 3,386,417	\$ 3,224,273

Liabilities And Net Assets

Current Liabilities		
Accounts payable	\$ 156,069	\$ 103,949
Accrued expenses and other liabilities	68,597	64,048
Line of credit	150,000	—
Total Current Liabilities	374,666	167,997
Net Assets		
Unrestricted	2,323,440	1,729,849
Temporarily restricted (Note 7)	688,311	1,198,427
Permanently restricted (Note 8)	—	128,000
Total Net Assets	3,011,751	3,056,276
Total Liabilities And Net Assets	\$ 3,386,417	\$ 3,224,273

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

STATEMENT OF ACTIVITIES

For The Years Ended December 31,

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Public Support And Revenue							
Public Support								
United Way	\$ 12,825	\$ 337,685	\$ —	\$ 350,510	\$ 17,431	\$ 367,142	\$ —	\$ 384,573
Contributions	923,967	170,668	—	1,094,635	589,217	567,228	—	1,156,445
In-kind donations	278,858	—	—	278,858	263,731	—	—	263,731
Banquets and special events (net of direct donor benefits of \$264,424 in 2016 and \$227,387 in 2015)	365,629	—	—	365,629	578,963	—	—	578,963
Memberships	36,530	—	—	36,530	61,890	—	—	61,890
Net assets released from restrictions (Note 7)	1,018,469	(1,018,469)	—	—	643,425	(643,425)	—	—
Reclassification of net assets due to clarification of donor intent (Note 8)	128,000	—	(128,000)	—	—	—	—	—
Total Public Support	2,764,278	(510,116)	(128,000)	2,126,162	2,154,657	290,945	—	2,445,602
Revenue And Gains (Losses)								
Registration fees, net of scholarship discounts of \$39,850 in 2016 and \$49,500 in 2015)	52,629	—	—	52,629	75,155	—	—	75,155
Net realized and unrealized losses on investments (Note 3)	(21)	—	—	(21)	—	—	—	—
Interest and dividends	5,200	—	—	5,200	753	—	—	753
Room rental	26,692	—	—	26,692	27,706	—	—	27,706
Miscellaneous revenue	47,755	—	—	47,755	26,448	—	—	26,448
Total Revenue And Gains (Losses)	132,255	—	—	132,255	130,062	—	—	130,062
Total Public Support, Revenue, And Gains (Losses)	2,896,533	(510,116)	(128,000)	2,258,417	2,284,719	290,945	—	2,575,664
Expenses								
Program services	1,735,317	—	—	1,735,317	1,605,740	—	—	1,605,740
General and administrative	271,741	—	—	271,741	301,166	—	—	301,166
Fundraising	295,884	—	—	295,884	329,396	—	—	329,396
Total Expenses	2,302,942	—	—	2,302,942	2,236,302	—	—	2,236,302
Increase (Decrease) In Net Assets	593,591	(510,116)	(128,000)	(44,525)	48,417	290,945	—	339,362
Net Assets - Beginning Of Year	1,729,849	1,198,427	128,000	3,056,276	1,681,432	907,482	128,000	2,716,914
Net Assets - End Of Year	\$ 2,323,440	\$ 688,311	\$ —	\$ 3,011,751	\$ 1,729,849	\$ 1,198,427	\$ 128,000	\$ 3,056,276

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2016

	Program Services					Supporting Services			Total
	Athletics	Education	Cultural Arts	Summer Camp	Total Program	Management And General	Fundraising	Total Supporting Services	
Salaries And Related Expenses:									
Salaries	\$ 269,333	\$ 52,636	\$ 23,254	\$ 65,255	\$ 410,478	\$ 182,444	\$ 131,299	\$ 313,743	\$ 724,221
Payroll taxes and fringe benefits	63,147	13,345	5,896	16,544	98,932	57,539	27,142	84,681	183,613
Total Salaries And Related Expenses	332,480	65,981	29,150	81,799	509,410	239,983	158,441	398,424	907,834
Other Expenses:									
Contract labor	71,297	63,578	2,340	6,603	143,818	662	3,282	3,944	147,762
Volunteer hours	36,582	137,350	—	61,351	235,283	36	12,589	12,625	247,908
Transportation	56,658	12,002	—	7,454	76,114	9	1,168	1,177	77,291
Postage and shipping	3,811	—	—	—	3,811	120	690	810	4,621
Scholarships and awards	—	42,000	—	—	42,000	—	—	—	42,000
Occupancy	44,400	36,169	4,419	18,172	103,160	3,020	2,013	5,033	108,193
Telephone	15,808	12,877	1,573	6,770	37,028	1,205	1,371	2,576	39,604
Insurance	35,218	28,699	3,505	14,414	81,836	2,729	1,786	4,515	86,351
Equipment and supplies	50,434	40,460	4,988	4,678	100,560	5,446	33,732	39,178	139,738
Repairs and maintenance	62,437	—	—	—	62,437	888	592	1,480	63,917
Professional services	128,152	12,085	—	—	140,237	10,181	5,775	15,956	156,193
Fundraising and special events	—	—	—	—	—	45	69,038	69,083	69,083
Miscellaneous	15,727	931	—	—	16,658	1,644	1,555	3,199	19,857
Total Other Expenses	520,524	386,151	16,825	119,442	1,042,942	25,985	133,591	159,576	1,202,518
Depreciation	105,929	25,037	32,740	19,259	182,965	5,773	3,852	9,625	192,590
	\$ 958,933	\$ 477,169	\$ 78,715	\$ 220,500	\$ 1,735,317	\$ 271,741	\$ 295,884	\$ 567,625	\$ 2,302,942

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2015

	Program Services					Supporting Services			Total	
	Athletics	Education	Cultural	Summer	Total	Management And		Total		
			Arts	Camp	Program	General	Fundraising	Supporting Services		
Salaries And Related Expenses:										
Salaries	\$ 296,520	\$ 49,654	\$ 31,552	\$ 57,111	\$ 434,837	\$ 192,790	\$ 127,941	\$ 320,731	\$ 755,568	
Payroll taxes and fringe benefits	61,055	10,192	6,476	11,722	89,445	41,688	32,203	73,891	163,336	
Total Salaries And Related Expenses	357,575	59,846	38,028	68,833	524,282	234,478	160,144	394,622	918,904	
Other Expenses:										
Contract labor	51,253	4,490	4,557	4,430	64,730	3,536	45,008	48,544	113,274	
Volunteer hours	9,725	68,400	24,493	—	102,618	750	375	1,125	103,743	
Transportation	39,675	1,506	—	6,697	47,878	893	5,171	6,064	53,942	
Postage and shipping	2,823	—	—	—	2,823	332	1,381	1,713	4,536	
Scholarships and awards	—	30,000	—	—	30,000	—	—	—	30,000	
Occupancy	47,157	21,854	8,139	9,893	87,043	9,519	4,759	14,278	101,321	
Telephone	20,389	9,450	3,519	4,278	37,636	4,371	3,179	7,550	45,186	
Insurance	41,879	19,410	7,228	8,787	77,304	7,818	7,534	15,352	92,656	
Equipment and supplies	190,484	18,412	13,290	22,384	244,570	4,867	15,337	20,204	264,774	
Repairs and maintenance	65,926	205	—	—	66,131	2,854	1,576	4,430	70,561	
Professional services	102,367	16,606	—	250	119,223	11,780	51,399	63,179	182,402	
Fundraising and special events	5,417	29,822	5,020	1,201	41,460	—	22,533	22,533	63,993	
Miscellaneous	1,344	—	—	—	1,344	666	1,665	2,331	3,675	
Total Other Expenses	578,439	220,155	66,246	57,920	922,760	47,386	159,917	207,303	1,130,063	
Depreciation	96,806	20,631	25,392	15,869	158,698	19,302	9,335	28,637	187,335	
	\$ 1,032,820	\$ 300,632	\$ 129,666	\$ 142,622	\$ 1,605,740	\$ 301,166	\$ 329,396	\$ 630,562	\$ 2,236,302	

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

STATEMENT OF CASH FLOWS

	For The Years	
	Ended December 31,	
	2016	2015
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (44,525)	\$ 339,362
Adjustments to reconcile (increase) decrease in net assets to net cash provided by operating activities:		
Depreciation	192,590	187,335
Net unrealized gains on investments	(3,372)	—
Net realized losses on investments	3,393	—
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	1,100	(2,925)
Increase in pledges receivable - current	(32,755)	(15,868)
Decrease in pledge receivable - United Way	29,457	35,378
Decrease in prepaid expenses and other assets	23,332	12,890
(Increase) decrease in pledges receivable - long-term	97,878	(119,696)
Increase (decrease) in accounts payable	3,435	(33,444)
Increase in accrued expenses and other liabilities	4,549	4,444
Net Cash Provided By Operating Activities	275,082	407,476
Cash Flows From Investing Activities		
Purchases of property and equipment	(404,770)	(74,719)
Purchases of investments	(456,568)	—
Sales of investments	26,797	—
Net Cash Used In Investing Activities	(834,541)	(74,719)
Net Increase (Decrease) In Cash, Cash Equivalents And Restricted Cash	(559,459)	332,757
Cash, Cash Equivalents And Restricted Cash	719,543	386,786
Cash, Cash Equivalents And Restricted Cash - End Of Year	\$ 160,084	\$ 719,543
Supplemental Disclosure Of Cash Flow Information		
Noncash investing and financing activities (Note 14)		

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 And 2015

1. Summary Of Significant Accounting Policies

Basis Of Accounting

The accompanying financial statements of Mathews-Dickey Boys' & Girls' Club (the Club) have been prepared on the accrual basis of accounting.

Basis Of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board for Not-for-Profit Organizations by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity and financial flexibility. As a result, the Club is required to report its financial position and activities according to the following three classes of assets:

Unrestricted Net Assets represent those net assets that are not subject to donor-imposed stipulations. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets represent those net assets whose use has been limited by donor-imposed stipulations that either can be fulfilled or expire by the passage of time.

Permanently Restricted Net Assets represent those net assets whose use has been limited by donor-imposed stipulations that will remain in effect in perpetuity.

Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

Notes To Financial Statements *(Continued)*

Cash And Cash Equivalents

All highly liquid investments with maturity of three months or less when purchased are considered to be cash equivalents. Cash received by the Club that is restricted in use by the donor is accounted for separately by the Club and is reflected as restricted cash in the statement of financial position. Restricted cash held at December 31, 2016 and 2015 is restricted by the donors to be used for the Club's building improvement campaign and a specific scholarship program. As of December 31, 2016 and 2015, the restricted cash account is owed approximately \$273,000 and \$70,000, respectively, from operations to be used for future building improvements and scholarship awards.

The Club maintains cash and cash equivalents with major banks and financial institutions. Accounts at banks and financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. At December 31, 2016, all bank deposits are insured by the FDIC.

Investments

Investments are reported at fair value based on quoted prices in active markets for identical assets (Level 1) or on significant other observable inputs (Level 2) as described in Note 4. Gains and losses on sales of investments are determined on a specific cost identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations. All investment income is reported as increases or decreases in unrestricted net assets unless a donor or law restricts the use of income.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

Promises To Give

Unconditional promises to give are recognized as support in the period in which the promises are received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

Notes To Financial Statements *(Continued)*

The Club provides an allowance for uncollectible promises equal to the estimated collection losses that will be incurred in the collection of all promises to give. The estimated losses are based on historical collection experience coupled with a review of the current status of the existing promises to give. Management provides for probable uncollected amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual balances. The balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable.

Promises to give with a term greater than one year are discounted at 4.5%.

Property And Equipment

Property and equipment are carried at cost, if purchased, or at fair value, if donated, less accumulated depreciation computed using the straight-line method. The assets are depreciated over the following periods:

Building	27.5 years
Leasehold improvements	9.5 - 19 years
Furniture and equipment	3 - 8 years
Athletic equipment	4 years

Repairs and maintenance are charged to expense when incurred. Expenditures in excess of \$1,000 for major renewals and betterments that extend the useful life of an asset are capitalized. Routine repairs and maintenance are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and the gain or loss, if any, is included in the statement of activities.

Restricted And Unrestricted Public Support

The Club reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. In situations where the restriction is met in the same period the contribution is made, the income is recorded in unrestricted net assets.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

Notes To Financial Statements (*Continued*)

Donated Property, Services And Materials

Various equipment, services and materials are donated to the Club. Donated equipment, certain donated professional services and donated materials are recorded as contributions at their estimated fair value on the dates of the contributions. During 2016 and 2015, the Club received \$144,308 and \$95,043, respectively, in donated services.

From time to time, the Club receives donated goods that it passes along to its members, but would not otherwise purchase. The Club is not the ultimate beneficiary of these donated goods, and therefore, revenue is not recorded. In addition, a substantial number of other volunteers have donated their time to the Club's program services and fundraising activities. This volunteer time has not been recorded because it does not meet the criteria for recognition under generally accepted accounting principles.

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Program Services:

The Club's goals are aimed at:

Athletics

Emphasizing the three Rs - Respect, Restraint, Responsibility - through athletic competition and team-building in football, baseball, basketball, swimming, softball, cheerleading and other recreational activities.

Education

Building self-esteem, while allowing for personal growth, emphasizing the importance of becoming literate and educated citizens.

Cultural Arts

Teaching moral, personal, social and cultural development and practices.

Summer Camp

Providing opportunities for recreation, education, cultural-awareness, entertainment and job skills for youth.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

Notes To Financial Statements (*Continued*)

Supporting Activities:

Management and General

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Club's program strategy, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of the Club.

Fundraising

Provides the structure necessary to encourage and secure financial support for operations and capital from individuals, organizations, corporations, foundations and public agencies.

Expense Allocation

The Club allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service activity are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the program or support service activity.

Income Tax Status

The Club operates as a tax exempt corporation under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes on related, exempt income. The Club's tax returns for tax years 2013 and later remain subject to examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through the date which the financial statements were available for issue, which is the date of the Independent Auditors' Report.

2. Operations

The Club is a Missouri not-for-profit corporation established in 1960 for the purpose of providing recreational, athletic, and educational facilities and programs for youth in the metropolitan St. Louis, Missouri community. The St. Louis, Missouri community and the United Way are the primary sources of revenue for the Club.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

Notes To Financial Statements (Continued)

The Club serves more than 40,000 young men and women, ages 5-18, throughout the St. Louis-metropolitan area. The Club also serves as a meeting center for various community, social and business organizations and as an outreach resource center for troubled youth.

3. Investments

Investments consist of:

	2016	
	Cost	Fair Value
Preferred stock	\$ 13,008	\$ 12,024
Equities	297,313	304,184
Bonds	116,057	113,542
	<u>\$ 426,378</u>	<u>\$ 429,750</u>

For the year ended December 31, 2016, unrealized gains of \$3,372 were recorded to adjust investments to fair value. For the year ended December 31, 2016, realized losses of \$3,393 were recorded from the sale of investments. As of December 31, 2016, no investment fees were incurred or paid. The Club had no investments at December 31, 2015.

4. Fair Value

The Club accounts for certain investments at fair value as required by generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

There are three general valuation techniques that may be used to measure fair value, as described below:

- Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable asset or liabilities.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

Notes To Financial Statements (Continued)

- Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset.
- Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts.

Investments measured and reported at fair value are classified and disclosed in one of the following three categories:

- Level 1* Quoted prices that are readily available in active markets/exchanges for identical investments.
- Level 2* Pricing inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3* Significant pricing inputs that are unobservable for the investment and includes investments for which there is little, if any, market activity for the investment.

The following are the major categories of assets measured at fair value on a recurring basis:

	December 31, 2016	
	Level 1	Level 2
Preferred Stock	\$ 12,024	\$ —
Equity Funds		
Emerging markets	16,502	—
Foreign large-cap blend	47,012	—
Small-cap value	14,769	—
Small-cap growth	13,460	—
Mid-cap growth	12,836	—
Mid-cap value	13,580	—
Large-cap value	63,594	—
Large-cap growth	60,428	—
Energy Limited Partnership	20,583	—
Natural resources	20,738	—
Commodities	20,682	—
Total Equities	304,184	—
Bonds		
Emerging Markets	12,082	—
Short-term	16,771	—
High yield	43,290	—
Intermediate- Term Bond	33,120	—
Inflation Protected Bond	8,279	—
Total Bonds	113,542	—
	\$ 429,750	\$ —

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

Notes To Financial Statements (Continued)

5. Pledges Receivable

Pledges receivable consist of the following:

	<u>2016</u>	<u>2015</u>
Pledges Receivable		
Pledges due in less than one year	\$ 189,774	\$ 155,574
Pledges due in 1 to 5 years	23,289	128,088
Total Pledges Receivable	<u>213,063</u>	<u>283,662</u>
Less: Allowance for uncollectible pledges	4,250	4,250
Less: Present value discount	1,004	6,480
Net Pledges Receivable	<u>207,809</u>	<u>272,932</u>
Less: Current portion	<u>185,991</u>	<u>153,236</u>
Noncurrent Portion	<u>\$ 21,818</u>	<u>\$ 119,696</u>

6. Property And Equipment

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 3,252,452	\$ 3,035,505
Furniture and equipment	780,079	753,140
Athletic equipment	461,983	398,535
Athletic fields	250,000	250,000
Building	311,868	346,168
	<u>5,056,382</u>	<u>4,783,348</u>
Less: Accumulated depreciation	<u>2,879,774</u>	<u>2,951,257</u>
	<u>\$ 2,176,608</u>	<u>\$ 1,832,091</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$192,590 and \$187,335, respectively.

The Club's building and sports facility, built with contributions and subsequently deeded to the City of St. Louis, Missouri (the City), is leased for a nominal annual fee from the City pursuant to a 50-year lease agreement. The Club is obligated to provide for the maintenance of the leased property for the term of the lease. The value of such property is not capitalized in the financial statements of the Club. Improvements to such facilities are capitalized as leasehold improvements.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

Notes To Financial Statements (Continued)

Property Held For Sale

Property held for sale consists of a portion of the Club's property at 4444 North Union Boulevard. This property is stated at cost, including improvements, less depreciation through December 31, 2016 and approximates market value at \$66,348. As of December 31, 2016, this property was held for sale.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Building improvement campaign	\$ 70,775	\$ 210,715
Healthy babies program	122,612	252,627
Scholarships	20,000	24,340
Bob Russell Park	122,368	267,868
RBI program	14,871	17,735
Football stadium	—	58,000
United Way allocation	337,685	367,142
	<u>\$ 688,311</u>	<u>\$ 1,198,427</u>

Temporarily restricted net assets released from restrictions consist of the following:

	<u>2016</u>	<u>2015</u>
Building improvement campaign	\$ 179,941	\$ 61,840
Scholarships	9,340	5,340
United Way allocation	367,142	402,520
Bob Russel Park	267,868	—
RBI program	6,163	24,098
Legacy concert	—	120,000
Football stadium	58,000	—
Healthy babies program	130,015	29,627
	<u>\$ 1,018,469</u>	<u>\$ 643,425</u>

8. Endowments

The Club's endowment funds include both donor-restricted endowment funds, as well as funds designated by the Board of Directors. As required by accounting standards, assets associated with endowment funds, including funds designated by the Board of Directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation Of Relevant Law

The Board of Directors has interpreted 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, the Club classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

During 2016, net assets in the amount of \$128,000 were reclassified from permanently restricted to unrestricted as a result of clarification of donor intent.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

Notes To Financial Statements (Continued)

At December 31, 2016 and 2015, the Club had the following endowment funds:

	December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	\$ —	\$ —	\$ —	\$ —
Board-designated quasi-endowment fund	429,750	—	—	429,750
	\$ 429,750	\$ —	\$ —	\$ 429,750
	December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	\$ —	\$ —	\$ 128,000	\$ 128,000
Board-designated quasi-endowment fund	21,495	—	—	21,495
	\$ 21,495	\$ —	\$ 128,000	\$ 149,495

Changes in these endowment fund cash and investments for the years ended December 31, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - January 1, 2015	\$ 21,339	\$ —	\$ 128,000	\$ 149,339
Investment Income				
Investment income and realized gains, net	22	134	—	156
Net unrealized losses	—	—	—	—
Total Investment Income	22	134	—	156
Change In Endowment Funds				
Contributions to endowment	134	—	—	134
Amounts appropriated for expenditure	—	(134)	—	(134)
Total Change In Endowment Funds	134	(134)	—	—
Balance - December 31, 2015	21,495	—	128,000	149,495
Investment Income				
Investment income and realized gains, net	1,807	—	—	1,807
Net unrealized gains	3,372	—	—	3,372
Total Investment Income	5,179	—	—	5,179
Change In Endowment Funds				
Contributions to endowment	275,076	—	—	275,076
Amounts appropriated for expenditure	—	—	—	—
Reclassification of net assets due to clarification of donor intent	128,000	—	(128,000)	—
Total Change In Endowment Funds	403,076	—	(128,000)	275,076
Balance - December 31, 2016	\$ 429,750	\$ —	\$ —	\$ 429,750

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

Notes To Financial Statements *(Continued)*

Return Objectives And Risk Parameters

The Club has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Club must hold in perpetuity, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that produce maximum long-term returns consistent with the account's allowed risk level. The Club expects its endowment funds, over time, to provide an average rate of return to exceed the sum of the endowment's spending rate, anticipated inflation, investment management consulting fees, and administrative costs. To achieve the endowment objective, the endowment's assets are invested to generate appreciation and/or dividend and interest income and are diversified among several asset classes. Actual returns in any given year may vary from this amount.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Club 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). The Club targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy And How The Investment Objectives Relate To Spending Policy

The Club has a policy of appropriating for distribution each year up to 5%. Total return is defined as interest, dividends, and realized and unrealized gains and losses, net of fees. In establishing this policy, the Club considered the long-term expected return on its endowment. Accordingly, over the long term, the Club expects the current spending policy to allow its endowment to grow on an annual basis. This is consistent with the Club's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

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 that the UPMIFA requires the Club to retain as a fund of perpetual duration. There were no funds with deficiencies at December 31, 2016 or 2015.

MATHEWS-DICKEY BOYS' & GIRLS' CLUB

Notes To Financial Statements (Continued)

9. Line of Credit

In August 2016, the Club entered into a revolving line-of-credit agreement with a financial institution in the amount of \$297,500. The agreement, which renews annually unless terminated by either party, is unsecured and bears interest at the prime rate, which was 3.75% at December 31, 2016. For the year ended December 31, 2016, the Club had an outstanding balance in the amount of \$150,000.

10. Commitments

The Club leases office equipment and an employee automobile under noncancellable operating lease agreements having an initial term of greater than one year. The expected future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 29,632
2018	29,236
2018	28,102
2019	14,322
2020	10,404
	<u>\$ 111,696</u>

Rental expense was \$32,698 and \$42,855 for the years ended December 31, 2016 and 2015, respectively.

11. Benefit Plan

The Club has a defined contribution 401(k) retirement plan, which is offered to all full-time employees age 21 and over who have completed at least one year of service. Employees can contribute up to 15% of their annual salary to the plan. The Club may elect to make a matching contribution to the Plan. The expense for the employer match was \$42,909 and \$54,643 for the years ended December 31, 2016 and 2015, respectively.

12. Related Party Transactions

During the years ended December 31, 2016 and 2015, the Club received \$376,667 and \$336,314, respectively, in contributions from various board members and companies at which board members are executives or owners.

13. Concentration

The Club derived approximately 16% and 14% of its total support and revenue from United Way funding during the years ended December 31, 2016 and 2015, respectively.

14. Noncash Investing and Financing Activities

During 2016, draws from the Club's line of credit in the amount of \$150,000 were utilized to fund the renovation and improvements of real estate and property. Additionally, at December 31, 2016, capital improvement costs of \$48,685 had been incurred and were payable. No capital costs were included in payables at December 31, 2015.