



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B49776

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

April 2, 2018

Board of Directors  
Boys & Girls Clubs of Wayne County  
1717 South L Street  
Richmond, IN 47374

We have reviewed the report prepared by Boys & Girls Clubs of Wayne County and opined upon by Brady, Ware & Schoenfeld, Inc., Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Boys & Girls Clubs of Wayne County as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 21 through 22. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

In our opinion, Brady, Ware & Schoenfeld, Inc. prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**BOYS & GIRLS CLUBS OF WAYNE  
COUNTY, INDIANA, INC.**

**(A Nonprofit Organization)**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**TABLE OF CONTENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

---

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS PRESENTED WITH A SCHEDULE OF FEDERAL AWARDS AS SUPPLEMENTAL DATA</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 15
<b>SUPPLEMENTARY INFORMATION</b>	
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 <i>Government Auditing Standards</i>	16 - 17
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance	18 - 19
Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21 - 22
Summary Schedule of Prior Audit Findings	23
Corrective Action Plan	24



**BRADY WARE**  
& SCHOENFELD

**INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS PRESENTED  
WITH A SCHEDULE OF FEDERAL AWARDS AS SUPPLEMENTAL DATA**

---

Board of Directors  
**Boys & Girls Clubs of Wayne County, Indiana, Inc.**  
Richmond, Indiana

**Report on Financial Statements**

We have audited the accompanying financial statements of the **Boys & Girls Clubs of Wayne County, Indiana, Inc.** (a nonprofit Organization), which comprise the statements 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, 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 audits 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.

3601 Rigby Road • Suite 400 • Dayton, Ohio • 45342-4981  
1 Woodside Drive • Richmond, Indiana • 47374-2630  
4249 Easton Way • Suite 100 • Columbus, Ohio • 43219-6170  
2340 Perimeter Park Drive • Suite 100 • Atlanta, Georgia • 30341-1318  
10375 Old Alabama Road Connector • Suite 300 • Alpharetta, Georgia • 30022-1122

[www.bradyware.com](http://www.bradyware.com)

## INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS PRESENTED WITH A SCHEDULE OF FEDERAL AWARDS AS SUPPLEMENTAL DATA - CONTINUED

---

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Boys & Girls Clubs of Wayne County, Indiana, Inc.** as of December 31, 2016 and 2015, 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.

### Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the 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 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 July 11, 2017, on our consideration of the Organization's 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 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 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 the Organization's internal control over financial reporting and compliance.



Richmond, Indiana  
July 11, 2017

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 893,147	\$ 1,345,618
Grants receivable	280,614	316,011
Other receivables	-	8,267
Pledges and bequest receivable	375,000	39,567
Prepaid expenses	<u>15,553</u>	<u>1,940</u>
	<b>1,564,314</b>	1,711,403
PROPERTY AND EQUIPMENT, NET	<b>2,750,253</b>	2,830,287
INVESTMENTS	<b>1,663,521</b>	805,111
OTHER ASSETS	<u>12,226</u>	<u>13,676</u>
	<b><u>\$ 5,990,314</u></b>	<b><u>\$ 5,360,477</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable	\$ 16,112	\$ 12,069
Deferred revenue	154,649	162,809
Accrued liabilities	<u>67,643</u>	<u>53,178</u>
	<b><u>238,404</u></b>	<b><u>228,056</u></b>
NET ASSETS		
Unrestricted	4,786,247	4,601,258
Temporarily restricted	250,000	43,000
Permanently restricted	<u>715,663</u>	<u>488,163</u>
	<b><u>5,751,910</u></b>	<b><u>5,132,421</u></b>
	<b><u>\$ 5,990,314</u></b>	<b><u>\$ 5,360,477</u></b>

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT</b>				
Grants	\$ 1,629,118	\$ -	\$ -	\$ 1,629,118
United Way allocations	61,288	-	-	61,288
Contributions	722,347	264,000	227,500	1,213,847
Special events, net of \$44,564 in direct costs	113,368	-	-	113,368
In-kind contributions	41,825	-	-	41,825
<b>Total Public Support</b>	<b>2,567,946</b>	<b>264,000</b>	<b>227,500</b>	<b>3,059,446</b>
<b>REVENUE</b>				
Dues and fees	71,826	-	-	71,826
Supply sales, net	15,434	-	-	15,434
Investment income	33,684	-	-	33,684
Net unrealized gain on investments	72,792	-	-	72,792
Net realized gain on investments	2,108	-	-	2,108
Host site member assessments	287,475	-	-	287,475
Other income	8,752	-	-	8,752
<b>Total Revenue</b>	<b>492,071</b>	<b>-</b>	<b>-</b>	<b>492,071</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>57,000</b>	<b>(57,000)</b>	<b>-</b>	<b>-</b>
<b>Total Public Support and Revenue</b>	<b>3,117,017</b>	<b>207,000</b>	<b>227,500</b>	<b>3,551,517</b>
<b>EXPENSES</b>				
Program services	2,518,885	-	-	2,518,885
Administrative and general	292,181	-	-	292,181
Fundraising	120,962	-	-	120,962
<b>Total Expenses</b>	<b>2,932,028</b>	<b>-</b>	<b>-</b>	<b>2,932,028</b>
<b>INCREASE IN NET ASSETS</b>	<b>184,989</b>	<b>207,000</b>	<b>227,500</b>	<b>619,489</b>
<b>NET ASSETS</b>				
Beginning of year	4,601,258	43,000	488,163	5,132,421
End of year	\$ 4,786,247	\$ 250,000	\$ 715,663	\$ 5,751,910

See notes to financial statements.

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>PUBLIC SUPPORT</b>				
Grants	\$ 1,831,725	\$ -	\$ -	\$ 1,831,725
United Way allocations	68,284	-	-	68,284
Contributions	359,033	43,000	-	402,033
Special events, net of \$39,989 in direct costs	123,458	-	-	123,458
In-kind contributions	23,325	-	-	23,325
	<u>2,405,825</u>	<u>43,000</u>	<u>-</u>	<u>2,448,825</u>
Total Public Support				
<b>REVENUE</b>				
Dues and fees	68,236	-	-	68,236
Supply sales, net	11,059	-	-	11,059
Investment income	25,074	-	-	25,074
Net unrealized loss on investments	(63,357)	-	-	(63,357)
Net realized gain on investments	30,920	-	-	30,920
Host site member assessments	274,402	-	-	274,402
Other income	11,128	-	-	11,128
	<u>357,462</u>	<u>-</u>	<u>-</u>	<u>357,462</u>
Total Revenue				
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
	<u>129,344</u>	<u>(129,344)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>2,892,631</u>	<u>(86,344)</u>	<u>-</u>	<u>2,806,287</u>
<b>EXPENSES</b>				
Program services	2,377,029	-	-	2,377,029
Administrative and general	277,161	-	-	277,161
Fundraising	116,429	-	-	116,429
	<u>2,770,619</u>	<u>-</u>	<u>-</u>	<u>2,770,619</u>
Total Expenses				
<b>INCREASE (DECREASE) IN NET ASSETS</b>				
	122,012	(86,344)	-	35,668
<b>NET ASSETS</b>				
Beginning of year	<u>4,479,246</u>	<u>129,344</u>	<u>488,163</u>	<u>5,096,753</u>
End of year	<u>\$ 4,601,258</u>	<u>\$ 43,000</u>	<u>\$ 488,163</u>	<u>\$ 5,132,421</u>

See notes to financial statements.

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2016**

	<b>Program Services</b>	<b>Administrative and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and compensation	\$ 1,547,529	\$ 191,836	\$ 94,747	\$ 1,834,112
Payroll taxes	121,889	14,340	7,170	143,399
Employee benefits	167,411	31,390	10,463	209,264
Professional fees	-	17,560	-	17,560
Supplies	203,846	1,576	563	205,985
Building maintenance	46,707	2,458	-	49,165
Contractual services	44,439	-	-	44,439
Utilities and telephone	55,631	3,763	428	59,822
Insurance	14,948	787	-	15,735
Printing and publications	34,682	5,995	2,141	42,818
Travel and training	52,315	9,042	3,229	64,586
Dues	11,165	-	-	11,165
Miscellaneous	30,844	5,331	1,904	38,079
Vehicle	17,142	902	-	18,044
Technology	5,129	886	317	6,332
Depreciation	119,988	6,315	-	126,303
Contributions - Dream court	45,220	-	-	45,220
<b>Total Expenses</b>	<b>\$ 2,518,885</b>	<b>\$ 292,181</b>	<b>\$ 120,962</b>	<b>\$ 2,932,028</b>

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.****STATEMENT OF FUNCTIONAL EXPENSES****YEAR ENDED DECEMBER 31, 2015**

---

	<b>Program Services</b>	<b>Administrative and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and compensation	\$ 1,472,852	\$ 183,775	\$ 92,493	\$ 1,749,120
Payroll taxes	126,664	14,902	7,451	149,017
Employee benefits	138,380	25,946	8,649	172,975
Professional fees	-	16,537	-	16,537
Supplies	167,711	3,330	1,189	172,230
Building maintenance	57,699	3,037	-	60,736
Contractual services	79,385	-	-	79,385
Utilities and telephone	56,191	3,749	407	60,347
Insurance	16,101	847	-	16,948
Printing and publications	29,687	5,131	1,833	36,651
Travel and training	43,035	7,438	2,657	53,130
Dues	17,131	-	-	17,131
Miscellaneous	17,768	3,071	1,097	21,936
Vehicle	23,223	1,222	-	24,445
Technology	10,572	1,827	653	13,052
Depreciation	<u>120,630</u>	<u>6,349</u>	<u>-</u>	<u>126,979</u>
Total Expenses	<u>\$ 2,377,029</u>	<u>\$ 277,161</u>	<u>\$ 116,429</u>	<u>\$ 2,770,619</u>

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 619,489	\$ 35,668
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	126,303	126,979
Net unrealized (gain) loss on investments	(72,792)	63,357
Net realized gain on investments	(2,108)	(30,920)
Loss on sale of equipment	1,102	-
Change in cash surrender value of life insurance policy	9	3
Donated assets	-	(5,117)
	<u>672,003</u>	<u>189,970</u>
Changes in operating assets and liabilities:		
Grants receivable	35,397	(7,071)
Other receivables	8,267	9,580
Pledges and bequest receivable	(335,433)	252,488
Prepaid expenses	(13,613)	(99)
Other assets	1,441	1,236
Accounts payable	4,043	(22,308)
Deferred revenue	(8,160)	(3,362)
Accrued liabilities	14,465	15,110
	<u>14,465</u>	<u>15,110</u>
Net Cash and Cash Equivalents Provided by Operating Activities	<u>378,410</u>	<u>435,544</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of equipment	2,500	-
Purchases of property and equipment	(49,872)	(24,858)
Proceeds from sale of investments	293,439	286,561
Purchases of investments	(1,076,948)	(398,678)
	<u>(830,881)</u>	<u>(136,975)</u>
Net Cash and Cash Equivalents Used by Investing Activities	<u>(830,881)</u>	<u>(136,975)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(452,471)</b>	<b>298,569</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,345,618</u>	<u>1,047,049</u>
End of year	<u>\$ 893,147</u>	<u>\$ 1,345,618</u>

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The **Boys & Girls Clubs of Wayne County, Indiana, Inc.** (the "Organization") is a nonprofit organization incorporated under the laws of the state of Indiana in 1957. Its purpose is to inspire and enable all young people, especially those who need us most, to realize their fullest potential as productive, responsible, and caring citizens. The Organization's main operating units are located in Richmond, Indiana. The Organization also operates programs in Connersville and Hagerstown, Indiana. Further, the AmeriCorps program operates throughout the state of Indiana at various host site locations.

**Accounting Methods** - The Organization maintains its accounts on the accrual basis of accounting, and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation** - The financial statements have been prepared in accordance with accounting standards that require, among other things, reporting of the changes in and total of each of the net asset classes, based upon donor restrictions, if applicable. Net assets are to be classified as unrestricted, temporarily restricted, and permanently restricted.

**Financial Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

**Contributions** - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. 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 a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets, and reported in the statements of activities as net assets released from restrictions.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as increases in restricted net assets. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Donations with specified time stipulations are recorded as increases in temporarily restricted net assets. The Organization reclassifies these temporarily restricted net assets to unrestricted net assets each year for the amount based on donor specified time or usage stipulations.

**Concentrations** - Financial instruments that are exposed to concentrations of credit risk consist of cash, grants receivable, and investments. The cash and investments are in high quality institutions and companies with high credit ratings. Investments are based on quoted market prices. The grants receivable are principally from government agencies. The Organization had cash on deposit with a financial institution in excess of Federal Deposit Insurance Corporation (FDIC) limits at December 31, 2016 and 2015.

NOTES TO FINANCIAL STATEMENTS

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Two grants accounted for 61% and 66% of the Organization's grant revenue for the years 2016 and 2015. Amounts due from two grants accounted for 77% of the Organization's grants receivable at December 31, 2016 and 2015.

The Organization had three donors that represented 62% of contributions revenue for the year ended December 31, 2016. No such concentration existed for 2015. Receivables from two and three donors accounted for 100% and 80% of the Organization's pledges and bequest receivable at December 31, 2016 and 2015.

**Cash and Cash Equivalents** - The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

**Certificates of Deposit** - The Organization has certificates of deposit with varying maturities from 2017 and beyond. These have been included in investments on the accompanying statements of financial position as they are being managed as investments.

**Grants Receivable** - The Organization has grants receivable related to various grant contracts, the majority of which are structured on a reimbursement basis. At December 31, 2016 and 2015, these balances were expected to be realized in one year or less.

**Pledges and Bequest Receivable** - Unconditional pledges and bequest receivable are recorded at the net realizable value. Conditional promises to give are recorded only when the conditions on which they depend are substantially met and the promises become unconditional. The pledges and bequests receivable on the statements of financial position for the years 2016 and 2015 are all receivable in less than one year.

**Investments** - The Organization accounts for its investments at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities as increases or decreases in support and revenue unless their use is restricted by explicit donor stipulations or by law.

**Property and Equipment** - Land, buildings and improvements, and equipment are stated at cost, which for donated items is the fair value at the time of the gift. The Organization capitalizes purchased or donated property and equipment when the cost or fair value, respectively, is \$1,000 or more and its estimated useful life exceeds one year. Routine repairs and maintenance are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

The Organization reviews for impairment of long-lived assets in accordance with accounting standards. These standards require organizations to determine if changes in circumstances indicate that the carrying amount of its long-lived assets may not be recoverable. If a change in circumstances warrants such an evaluation, undiscounted future cash flows from the use and ultimate disposition of the asset, as well as respective market values, are estimated to determine if an impairment exists. Management believes that there has been no impairment of the carrying value of its long-lived assets at December 31, 2016 and 2015.

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Deferred Revenue** - Revenue from host site locations operating the AmeriCorps program are recognized over the term of the grant. Amounts that host site locations have paid in advance for being able to participate in the AmeriCorps program are considered deferred revenue, and are reflected as a liability in the statements of financial position.

In addition, amounts received in advance of timber being harvested at the Organization's camp is considered deferred revenue until the harvest occurs, and is reflected as a liability in the statement of financial position for 2015. The harvest occurred in 2016 and any deferred revenue from 2015 has been recognized in the 2016 statement of activities.

**In-kind Contributions** - Donated materials and goods are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Advertising Expense** - Printing and publication costs are expensed as incurred. Printing and promotional publication costs were \$42,818 and \$36,651 for the years 2016 and 2015.

**Income Taxes** - The Organization is a nonprofit organization and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes is presented in these financial statements. The Organization is not considered to be a private foundation.

**Uncertainty in Tax Positions** - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Organization's tax returns, to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. This statement provides that a tax benefit from an uncertain tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. Based on its review, management does not believe the Organization has taken any material uncertain tax positions, including any position that would place the Organization's exempt state in jeopardy as of December 31, 2016.

**Subsequent Events** - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 11, 2017, the date the financial statements were available to be issued.

**NOTE 2 - INVESTMENTS**

	2016		2015	
	Cost	Market Value	Cost	Market Value
Fixed income funds	\$ 125,057	\$ 124,605	\$ 249,527	\$ 238,984
Certificates of deposit	519,322	519,322	-	-
Equities - domestic and international	<u>919,118</u>	<u>1,019,594</u>	<u>528,353</u>	<u>566,127</u>
	<u>\$ 1,563,497</u>	<u>\$ 1,663,521</u>	<u>\$ 777,880</u>	<u>\$ 805,111</u>

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - FAIR VALUE MEASUREMENTS**

Fair values of the Organization's financial assets are measured on a recurring basis at December 31, 2016 and 2015 are as follows:

	<b>2016</b>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets</b>				
Investments				
Fixed income funds	\$ 124,605	\$ 124,605	\$ -	\$ -
Certificates of deposit	519,322	519,322	-	-
Equities - domestic and international	<u>1,019,594</u>	<u>1,019,594</u>	-	-
	<u>\$ 1,663,521</u>	<u>\$ 1,663,521</u>	-	-
	<b>2015</b>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets</b>				
Investments				
Fixed income funds	\$ 238,984	\$ 238,984	\$ -	\$ -
Equities - domestic and international	<u>566,127</u>	<u>566,127</u>	-	-
	<u>\$ 805,111</u>	<u>\$ 805,111</u>	-	-

**Investments** - Fair values for investments are determined by reference to quoted market prices.

**NOTE 4 - PROPERTY AND EQUIPMENT**

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 3,465,339	\$ 3,454,739
Land and land improvements	475,741	469,936
Equipment and furnishings	301,433	326,641
Vehicles	<u>67,313</u>	<u>82,813</u>
	<b>4,309,826</b>	4,334,129
Less accumulated depreciation	<u>1,559,573</u>	<u>1,503,842</u>
	<u>\$ 2,750,253</u>	<u>\$ 2,830,287</u>

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - ENDOWMENT FUNDS AND NET ASSETS**

The following is a summary of changes in endowment net assets for the years ended December 31, 2016 and 2015:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 1,014,741	\$ -	\$ 488,163	\$ 1,502,904
Net investment gain (realized and unrealized)	96,140	-	-	96,140
Contributions	255,000	250,000	227,500	732,500
Amounts appropriated for expenditure	<u>(42,895)</u>	<u>-</u>	<u>-</u>	<u>(42,895)</u>
Endowment net assets, end of year	<u>\$ 1,322,986</u>	<u>\$ 250,000</u>	<u>\$ 715,663</u>	<u>\$ 2,288,649</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year		\$ 911,234	\$ 488,163	\$ 1,399,397
Net investment loss (realized and unrealized)		(16,450)	-	(16,450)
Contributions		58,000	-	58,000
Transfer		100,000	-	100,000
Amounts appropriated for expenditure		<u>(38,043)</u>	<u>-</u>	<u>(38,043)</u>
Endowment net assets, end of year		<u>\$ 1,014,741</u>	<u>\$ 488,163</u>	<u>\$ 1,502,904</u>

The following is a summary of endowment net asset composition by type of fund as of December 31, 2016 and 2015:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor designated endowment funds	\$ 250,000	\$ 250,000	\$ 715,663	\$ 1,215,663
Board designated quasi-endowment fund	<u>1,072,986</u>	<u>-</u>	<u>-</u>	<u>1,072,986</u>
	<u>\$ 1,322,986</u>	<u>\$ 250,000</u>	<u>\$ 715,663</u>	<u>\$ 2,288,649</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor designated endowment funds		\$ -	\$ 488,163	\$ 488,163
Board designated quasi-endowment fund	<u>1,014,741</u>	<u>-</u>	<u>-</u>	<u>1,014,741</u>
	<u>\$ 1,014,741</u>	<u>\$ -</u>	<u>\$ 488,163</u>	<u>\$ 1,502,904</u>

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - ENDOWMENT FUNDS AND NET ASSETS - continued**

In addition to endowment net assets, the Organization also has other non-endowed funds. The following tables summarize all of the Organization's net assets as of December 31, 2016 and 2015:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment funds	\$ 1,322,986	\$ 250,000	\$ 715,663	\$ 2,288,649
Non-endowment funds:				
General	616,471	-	-	616,471
Property and equipment	2,750,253	-	-	2,750,253
Camp fund	4,464	-	-	4,464
Group club funds	548	-	-	548
Building fund	4,808	-	-	4,808
Focus fund	50,184	-	-	50,184
Transportation fund	29,104	-	-	29,104
Scholarship fund	7,429	-	-	7,429
	<u>\$ 4,786,247</u>	<u>\$ 250,000</u>	<u>\$ 715,663</u>	<u>\$ 5,751,910</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment funds	\$ 1,014,741	\$ -	\$ 488,163	\$ 1,502,904
Non-endowment funds:				
General	656,358	-	-	656,358
Pledges and bequest receivable	-	17,900	-	17,900
Dream court	-	25,100	-	25,100
Property and equipment	2,830,287	-	-	2,830,287
Camp fund	6,504	-	-	6,504
Group club funds	548	-	-	548
Building fund	23,142	-	-	23,142
Focus fund	50,184	-	-	50,184
Transportation fund	14,104	-	-	14,104
Scholarship fund	5,390	-	-	5,390
	<u>\$ 4,601,258</u>	<u>\$ 43,000</u>	<u>\$ 488,163</u>	<u>\$ 5,132,421</u>

The Organization's investment guidelines for its quasi-endowment funds provide that these assets will be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The primary investment objective is to achieve a positive rate of return over the long-term that would significantly contribute to the cash flow needs, and the Organization's mission and programs. Amounts available for annual spending are based on five percent of the three year average of the investments.

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 5 - ENDOWMENT FUNDS AND NET ASSETS - continued**

At December 31, 2016 and 2015, the Organization had permanently restricted net assets of \$715,663 and \$488,163 as part of its endowment. These net assets have been classified and reported based on the existence of donor-imposed restrictions in accordance with the provisions of the State of Indiana enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). These donor imposed restrictions require the Organization to preserve the fair value of the original gift in perpetuity. Earnings from some of these funds are immediately appropriated for expenditure by the Organization for unrestricted purposes, while earnings from some of these other funds are appropriated for expenditure once scholarships have been awarded as the earnings are restricted for providing scholarships to members of the Organization.

**NOTE 6 - 401(K) SAFE HARBOR PLAN**

The Organization has a 401(k) Safe Harbor Plan and Trust. All employees who have attained 21 years of age and completed one year of service are eligible to participate in the plan. The Organization is required to make a safe harbor contribution equal to 3% of eligible participants' compensation for the plan year. Participants are immediately vested in these safe harbor contributions. The Organization can also make discretionary matching contributions not to exceed 4% of the participants' compensation for the year. Additionally, the Organization can make non-elective employer contributions. For the years 2016 and 2015, the Organization made non-elective employer contributions equal to 3% of eligible participants' compensation. An employee is fully vested in these matching contributions and non-elective employer contributions after completing three years of service with the Organization. Total safe harbor, matching, and non-elective employer contributions for the years 2016 and 2015 were \$62,590 and \$48,552.

**NOTE 7 - IN-KIND CONTRIBUTIONS**

During the years 2016 and 2015, the Organization received the following contributed services, supplies, and property and equipment:

	<u>2016</u>	<u>2015</u>
Building maintenance	\$ 5,992	\$ 5,745
Supplies	13,337	7,141
Advertising	14,187	3,918
Food	310	404
Technology	-	1,000
Office equipment	176	2,500
Automotive equipment	-	2,617
Dream court	<u>7,823</u>	<u>-</u>
	<u>\$ 41,825</u>	<u>\$ 23,325</u>

**NOTE 8 - RELATED PARTY TRANSACTIONS**

Three board members of the Organization are also employees or board members of financial institutions which maintain investment and cash accounts for the Organization. In addition, the Organization purchased services from companies that are owned by members of the Organization's Board of Directors. The Organization paid these companies \$20,035 and \$19,450 during the years 2016 and 2015. Further, the Organization purchased services from an individual, and employed other individuals, who are closely related to employees in management positions within the Organization. The Organization paid closely related individuals \$22,319 and \$21,978 during the years 2016 and 2015.



**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**

---

Board of Directors  
**Boys & Girls Clubs of Wayne County, Indiana, Inc.**  
Richmond, Indiana

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 financial statements of the **Boys & Girls Clubs of Wayne County, Indiana, Inc.** (the "Organization"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 11, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2016-001 and 2016-002, that we consider to be material weaknesses.

**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 -  
CONTINUED**

---

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's 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*.

**Boys & Girls Clubs of Wayne County, Indiana, Inc.'s Response to Findings**

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Richmond, Indiana  
July 11, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

---

Board of Directors  
**Boys & Girls Clubs of Wayne County, Indiana, Inc.**  
Richmond, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited the **Boys & Girls Clubs of Wayne County, Indiana, Inc.**'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2016. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**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 the Organization'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 the Organization'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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the **Boys & Girls Clubs of Wayne County, Indiana, Inc.** 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 major federal programs for the year ended December 31, 2016.

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - CONTINUED

---

### Report on Internal Control Over Compliance

Management of the **Boys & Girls Clubs of Wayne County, Indiana, Inc.** 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 the Organization'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 the Organization's internal control over compliance.

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 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. A significant deficiency in internal control over compliance is a deficiency, or 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 over compliance, yet important enough to merit attention by those charged with governance.

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

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.



Richmond, Indiana  
July 11, 2017

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED DECEMBER 31, 2016**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Education</b>			
Pass-through program from:			
Indiana Department of Education:			
21st Century Community Learning Centers	84.287	Various	\$ <u>239,826</u>
<b>Corporation for National and Community Service</b>			
Pass-through program from:			
Indiana Department of Workforce Development:			
AmeriCorps - Aces	94.006	Various	<u>757,807</u>
<b>U.S. Department of Health and Human Services</b>			
Pass-through programs from:			
Indiana Department of Health:			
Abstinence Education	93.235	Various	24,130
Indiana Family and Social Services Administration:			
Temporary Assistance for Needy Families	93.558	Various	79,612
Drug Prevention	93.959	Various	<u>148,250</u>
Total U.S. Department of Health and Human Services			<u>251,992</u>
<b>U.S. Department of Justice</b>			
Pass-through program from:			
Boys & Girls Clubs of America:			
Boys & Girls Clubs National Youth Mentoring Program	16.726	Various	<u>39,663</u>
<b>U.S. Department of Agriculture</b>			
Pass-through programs from:			
Indiana Department of Education Division of School and Community Nutrition Programs:			
Child and Adult Care Food Program	10.558	Various	73,440
Summer Food Program	10.559	Various	<u>37,571</u>
Total U.S Department of Agriculture			<u>111,011</u>
<b>Total expenditures of federal awards</b>			<b>\$ <u>1,400,299</u></b>

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

**Note B - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C - Indirect Cost Rate**

The Organization has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED DECEMBER 31, 2016**

---

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the Organization were prepared in accordance with GAAP.
2. Two material weaknesses disclosed during the audit of the financial statements are reported in the 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*. No significant deficiencies are reported.
3. No instances of noncompliance material to the financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Organization expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The program tested as a major program included: CFDA 94.006: AmeriCorps.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Organization was determined to be a high-risk auditee.

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESSES**

**2016-001: Lack of Segregation of Duties**

**Condition:** For part of 2016, the Organization had a lack of segregation of internal controls related to cash due to employee turnover in its Financial Administration Assistant position. During this period of time, we noted the Director of Financial Administration processed the deposits and disbursements, recorded the transactions into the accounting software, and performed bank reconciliations. Further, as a mitigating control over disbursements, the Organization has a policy that the Executive Director reviews all unopened bank statements and initials and dates them indicating his review when this task cannot be appropriately delegated to the Director of Financial Administration when turnover takes place. We noted no signoffs on any bank statements during the period of time the lack of segregation of duties existed. The control environment during this period would not have detected and corrected material misstatements in a timely manner.

**Criteria:** Effective internal controls should be in place that provide reasonable assurance that the cash receipts and disbursements and financial reporting have been handled appropriately.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2016

---

**2016-001: Lack of Segregation of Duties (continued)**

**Cause:** The Organization was unable to perform appropriate segregation of internal controls due to employee turnover.

**Effect:** Because of the lack of segregation of duties, there could have been misstatements due to error or fraud that would not have been detected by management or employees.

**Recommendation:** We recommend the Organization monitor its procedures around cash receipts, disbursements, and bank reconciliations to make sure proper segregation of duties is achieved, especially when employee turnover takes place. Prior to the 2016 turnover, proper segregation existed. When turnover happens to cause the proper segregation to be eliminated, the Organization needs to shift responsibilities among its staff, or solicit the assistance of its board of directors.

**Views of Responsible Officials and Planned Corrective Actions:** The Organization agrees with the finding, and has corrected this finding in 2017. Refer to the Corrective Action Plan.

**2016-002: Preparation of Financial Statements**

**Condition:** The Organization has historically relied upon its auditor to convert its financial information from the cash basis to the accrual basis of accounting, and draft the financial statements and required disclosures as part of its year-end financial reporting process. Management reviews all adjusting entries to the trial balance and the audited financial statements, but does not possess the qualifications to ensure propriety and completeness of the presentation. This finding was also noted during the prior year audit. See Summary Schedule of Prior Audit Findings.

**Criteria:** The Organization should have proper controls in relation to its financial reporting in order to present its financial statements in accordance with generally accepted accounting principles.

**Cause:** Financial statements prepared by management are on a cash basis. Further, the personnel of the Organization do not have the accounting background and related continuing education to provide the requisite skills and knowledge to prepare the financial statements in complete conformity with generally accepted accounting principles.

**Effect:** Internal financial statements may not be presented in accordance with U.S. generally accepted accounting principles.

**Recommendation:** We acknowledge that this is an element of internal control that may be difficult for the Organization to overcome. We recommend that the Organization evaluate the costs associated with obtaining the necessary technical expertise.

**Views of Responsible Officials and Planned Corrective Actions:** The Organization agrees with the finding and the recommendation; however, the costs simply outweigh the benefits of obtaining the necessary technical expertise.

**BOYS & GIRLS CLUBS OF WAYNE COUNTY, INDIANA, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED DECEMBER 31, 2016**

---

**FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESS**

**Finding No. 2015-001: Preparation of Financial Statements**

**Condition:** The Organization has historically relied upon its auditor to convert its financial information from the cash basis to the accrual basis of accounting, and draft the financial statements and required disclosures as part of its year-end financial reporting process. Management reviews all adjusting entries to the trial balance and the audited financial statements, but does not possess the qualifications to ensure propriety and completeness of the presentation.

**Recommendation:** We acknowledged that this is an element of internal control that may be difficult for the Organization to overcome. We recommended that the Organization evaluate the costs associated with obtaining the necessary technical expertise.

**Current Status:** The Organization agrees with the finding and has looked into the cost effectiveness of hiring a CPA to review and prepare the financial statements on a monthly basis. The Organization does not find it cost effective to implement the changes needed to negate this comment at the current time. This was deemed a finding during 2016; refer to finding 2016-002.

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESSES**

**2016-001: Lack of Segregation of Duties**

**Recommendation:** We recommend the Organization monitor its procedures around cash receipts, disbursements, and bank reconciliations to make sure proper segregation of duties is achieved, especially when employee turnover takes place. Prior to the 2016 turnover, proper segregation existed. When turnover happens to cause the proper segregation to be eliminated, the Organization needs to shift responsibilities among its staff, or solicit the assistance of its board of directors.

**Response:** Due to the staff turnover in 2016, there was a shift in duties and the Director of Financial Administration was left with posting in the accounting software and preparing bank reconciliations with no review procedures implemented after the preparation. The Organization realized the need to continue to have good segregation of duties by publicly posting the open job position but did not find anyone to fill the role in 2016. In March of 2017, the Organization filled the vacant position and realigned the accounting function roles to achieve proper segregation. Further, the Organization had a retrospective review performed for January and February 2017 by someone outside of the accounting function to achieve properly segregation.

**2016-002: Preparation of Financial Statements**

**Recommendation:** We acknowledge that this is an element of internal control that may be difficult for the Organization to overcome. We recommend that the Organization evaluate the costs associated with obtaining the necessary technical expertise.

**Response:** The Organization agrees with the finding and has looked into the cost effectiveness of hiring a CPA to review and prepare the financial statements on a monthly basis. After weighing many options including, but not limited to, having a CPA on the board of directors to prepare the financial statements, having a CPA on staff, or furthering the education and certification of current staff, the Organization does not find it cost effective to implement the changes needed to negate this comment at the current time.