



April 22, 2016

To the Board of Directors
Boys and Girls Club of Lawrence

We have audited the financial statements of Boys and Girls Club of Lawrence, for the year ended December 31, 2015, and have issued our report thereon dated April 22, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 10, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Boys and Girls Club of Lawrence, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during December 31, 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the depreciation is based on estimated useful life of an asset. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts related to program fees is based on the prior amounts of actual uncollected program fees. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 22, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our examination of the financial statements of Boys and Girls Club of Lawrence for the year ended December 31, 2015, we made observations, which in our professional judgment are neither a significant deficiency or a material weakness, we feel will be of benefit to you in your continuing management or the Organization's affairs and policies.

1. Management should regularly reconcile the flexible spending account liability balances to ensure usage of the flexible spending account funds is being appropriately recorded.
2. Management should review the D&O insurance policy to ensure the coverage provided by the policy continues to meet the Organization's growing needs.
3. Management should review the Workers Compensation insurance policy to ensure the coverage provided meets the Organization's needs.
4. Management should ensure the method of depreciation is consistent between asset classifications.
5. Management should ensure clarification is attained on the contracts between the Organization and USD 497 when 21st Century grant funds are used to purchase technology. Management should also ensure the usage of subcontractor agreements are the appropriate legal document for these dealings.

The overall accounting records were found to be in excellent order. We have enjoyed working with organization personnel on the annual audit and look forward to a continuing professional association. We would be happy to make ourselves available to organization personnel or board members if any questions arise as a result of this year's examination.

This information is intended solely for the use of Board of Directors and management of Boys and Girls Club of Lawrence and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Kohart Accounting, PA

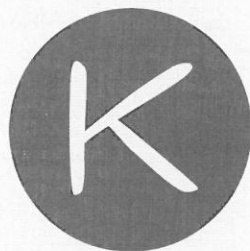
Kohart Accounting, PA
A Professional Association
Certified Public Accountant

**BOYS AND GIRLS CLUB OF LAWRENCE
LAWRENCE, KANSAS**

FINANCIAL STATEMENTS
For the year ended December 31, 2015

And

INDEPENDENT AUDITORS' REPORT



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BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

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The Board of Directors
Boys and Girls Club of Lawrence
Lawrence, KS 66044

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Report on the Financial Statements

We have audited the accompanying statement of financial position of Boys and Girls Club of Lawrence (a nonprofit organization) as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 State of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Club of Lawrence as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2016, on our consideration of Boys and Girls Club of Lawrence'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 Boys and Girls Club of Lawrence's internal control over financial reporting and compliance.

Kohart Accounting, PA

Kohart Accounting, PA
A Professional Association
Certified Public Accountant

April 22, 2016

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

STATEMENT OF FINANCIAL POSITION

As of December 31, 2015

Assets	
Current assets	
Cash and cash equivalents	\$ 988,432
Cash held on behalf of others	4,476
Fees receivable, less allowance of \$160,534	53,511
Pledges receivable, less allowance of \$27,623	524,828
Prepaid expenses and advances	<u>17,639</u>
Total current assets	<u>1,588,886</u>
Fixed assets	
Property, plant & equipment	1,096,143
Accumulated depreciation	<u>(687,933)</u>
Total fixed assets	<u>408,210</u>
Other assets	
Beneficiary interest in assets held by others	1,364,049
Restricted cash & cash equivalents	<u>3,907</u>
Total other assets	<u>1,367,956</u>
Total assets	<u><u>\$ 3,365,052</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	12,489
Accrued payroll expenses	14,443
Agency funds payable	<u>4,476</u>
Total current liabilities	<u>31,408</u>
Net Assets	
Unrestricted, restated	2,508,822
Temporarily restricted	820,416
Permanently restricted	<u>4,406</u>
Total net assets	<u>3,333,644</u>
Total liabilities and net assets	<u><u>\$ 3,365,052</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

BOYS AND GIRLS CLUB OF LAWRENCE
Lawrence, Kansas

STATEMENT OF ACTIVITIES
For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support				
Donations	\$ 158,811	\$ 934,233	\$ -	\$ 1,093,044
Fundraising	4,177			4,177
Grants	1,264,520			1,264,520
Program fees	1,283,539			1,283,539
Assets released from restrictions	117,735	(117,735)		-
Total support	2,828,782	816,498	-	3,645,280
Revenues				
Interest income	2,115			2,115
Change in beneficiary interest	(21,441)			(21,441)
Gain on disposition of assets	-			-
Miscellaneous	3,972			3,972
Total revenues	(15,354)	-	-	(15,354)
Expenditures				
Program services	2,095,668			2,095,668
Support services				
Management and general	733,754			733,754
Fundraising	146,413			146,413
Total expenditures	2,975,835	-	-	2,975,835
Change in Net Assets - Unrestricted	(162,407)	816,498	-	654,091
Net assets, beginning of year, restated	2,671,229	3,918	4,406	2,679,553
Net assets, end of year	\$ 2,508,822	\$ 820,416	\$ 4,406	\$ 3,333,644

The accompanying notes to financial statements
are an integral part of this statement.

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,413,959	471,320	\$ 2,788	\$ 1,888,067
Payroll taxes	140,324	46,775	264	187,363
Fringe benefits	27,462	9,154	75	36,691
Insurance	35,911	11,970		47,881
Professional services		65,415	92,000	157,415
Bank charges	24,956			24,956
Conferences and meetings	36,567	4,063	1,683	42,313
Memberships and subscriptions		18,869		18,869
Contracted staff	71,039			71,039
Supplies and fees	163,741		25,674	189,415
Supplies: office		14,262		14,262
Utilities	7,487	2,496		9,983
Telephone	18,376	6,125		24,501
Vehicle costs	32,171	10,724		42,895
Media	8,605	2,868	23,929	35,402
Scholarships	5,000			5,000
Miscellaneous		930		930
Buildings and grounds		31,925		31,925
Repairs and maintenance		168		168
Depreciation	110,070	36,690		146,760
Total Expenses	<u>\$ 2,095,668</u>	<u>\$ 733,754</u>	<u>\$ 146,413</u>	<u>\$ 2,975,835</u>

The accompanying notes to financial statements
are an integral part of this statement

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

Cash flows from operating activitiesReconciliation of changes in net assets to net cash
provided (used) by operating activities:

Increase (decrease) in net assets \$ 654,091

Adjustments to reconcile change in net assets to net
cash provided (used) by operating activities:

Depreciation 146,760

Gain on sale of fixed assets -

Changes in current assets and liabilities

(Increase) decrease in fees receivable (10,512)

(Increase) decrease in pledges receivable (524,829)

(Increase) decrease in prepaid expenses and advances (4,492)

Increase (decrease) in accounts payable 12,489

Increase (decrease) in accrued payroll expenses 8,693

Increase (decrease) in deferred revenue (24,805)

Net cash provided (used) by operating activities 257,395**Cash flows from investing activities**

Change in beneficiary interest (294,618)

Redemption of Z series shares 500

Purchase of depreciable assets (14,584)

Net cash provided (used) by investing activities (308,702)**Net increase (decrease) in cash for period** (51,307)**Cash as of beginning of period, restated** 1,039,739**Cash as of end of period** \$ 988,432**Supplemental Information**

Interest paid \$ -

Income taxes paid \$ -

The accompanying notes to financial statements
are an integral part of this statement

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Boys and Girls Club of Lawrence was organized in Douglas County, Kansas in 1972. The purpose of the Organization is to promote the health, social, educational, vocational, character, and leadership development of boys and girls. The Organization is primarily supported through program service fees and grant funds.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned rather than when received, and expenses are recognized when incurred rather than when paid.

Financial statement presentation

The Organization is required, in accordance with FASB ASC 958, to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets – Net assets are subject to irrevocable donor restrictions requiring that the asset be maintained in perpetuity usually for the purpose of generation investment income to fund the donor intentions.

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

Unrestricted net assets – Net assets not subject to donor imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, money market accounts and certificates of deposit. The Organization considers all cash to be cash equivalents.

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Transfer of Assets to a Not-for-Profit that holds Contributions for Others

The Organization has adopted the provisions of FASB ASC 958-605 with respect to the monies transferred into a fund at Douglas County Community Foundation. The Organization provided the Foundation the power to modify the distribution of funds. The distribution of funds is limited to the income of the fund, net of the fees and expenses for purposes described in Code Section 170(c)(1) or (2)(B) that are consistent with the exempt status and purposes of the Foundation. Under FASB ASC 958-605, the transferring of assets is presumed reciprocal in nature even if the transferring entity explicitly grants the recipient entity variance power when the transferring entity specifies itself as the beneficiary. As a result, the Organization recognized in the Statement of Financial Position \$1,364,049 as an asset. The asset is considered a beneficiary interest in assets held by others.

Support and revenues

The Organization receives funding from donations, various programs and state and federal grants. Revenues from donations are recognized when earned.

Fees and pledges receivable and allowance for doubtful accounts

Fees and pledges receivable are valued at their estimated collectible amounts. The Organization uses estimates in computing the allowance for doubtful accounts. No interest accrues on past due receivables. Accounts are written off when deemed uncollectible. As of December 31, 2015, the amount of fees and pledges receivables considered doubtful was \$160,534 and \$27,623, respectively.

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. Expenditures for routine maintenance and repairs are charged to expense as incurred.

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code as provided by a determination letter received from the Internal Revenue Service. The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. The tax returns for the years 2012-2014 are open to examination by federal and state authorities. Transfer of Assets to a Not-For-Profit that holds Contributions for Others

NOTE 2 – Cash and Credit Risk

At year end, the Organization's carrying amount of deposits and cash on hand was \$1,025,990 and the bank balance was \$570,422. The Federal Deposit Insurance Corporation insures demand and interest bearing accounts up to \$250,000 per bank per account type. The deposits were under secured by \$455,569 as of December 31, 2015. The board has determined to accept the risk involved for under secured deposits.

NOTE 3 – Fixed Assets

Property and equipment are summarized by major classifications at December 31, 2015, as follows:

Transportation	\$ 89,061
Buildings	249,781
Furniture and equipment	729,607
Improvements	12,694
Land	15,000
	<hr/>
	\$ 1,096,143
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Depreciation recorded for the year ended December 31, 2015 was \$146,760

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Compensated Absences

The Organization provides for sick and vacation leave. Sick leave accrues at one full day per month for salaried full-time staff and one-half day per month for salaried staff working 30 hours or less per week. Unused sick leave is not paid to the employee at the time of termination. Vacation leave accrues as follows: 10 days per year for the first five years, 15 days per year for the following years. Unused vacation time is forfeited at the end of each calendar year. Unused vacation time is paid at the time of termination. No provision is made for compensated absences in these financial statements.

NOTE 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets represents contributions received with donor or grantor imposed restrictions as to use of the funds or due to donor imposed time restrictions.

Temporarily restricted net assets consist fully of use restricted funds as of December 31, 2015.

NOTE 6 – Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Organization's general activities. The permanently restricted fund balance of \$4,406 as of December 31, 2015, consists of an Art Endowment for \$3,906 and a permanently restricted donation to the Boys and Girls Club of America of \$500 as designated by the donor(s).

NOTE 7 – Lease Commitment and Rent Expense

The Organization leases its office facility in Lawrence, Kansas under an operating lease that was entered into on February 15, 2014. The original lease expired on February 14, 2015; however, the lease agreement was continued for an additional year and will renew annually unless either party cancels the lease with written notice 45 days in advance. The current agreement requires monthly payments of \$900 and future minimum rental payments through February 14, 2017, will be \$10,800. Rent expense under the operating lease was \$7,700 for the year ended December 31, 2015.

NOTE 8 – Risk Management

The Organization is exposed to various risks of loss related to limited torts, theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

BOYS AND GIRLS CLUB OF LAWRENCE

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Prior Period Adjustment

A prior period adjustment was made to correct an understatement of previously reported agency funds payable discovered during the current year. Accordingly, an adjustment of \$1,685 was made during 2015 to increase agency funds payable as of the beginning of the year. A corresponding entry was made to increase previously reported net assets.

NOTE 10 – Related Party Transactions

During 2015, the Organization procured a significant portion of the business insurance through a local independent insurance agency. A member of the Organization's board of directors is a shareholder of the insurance agency.

NOTE 11 – Subsequent Events

Management has evaluated subsequent events through April 22, 2016, the date in which the financial statements were available to be issued.



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The Board of Directors
Boys and Girls Club of Lawrence
Lawrence, KS 66044

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of Boys and Girls Club of Lawrence (the "Club") as of and for the year ended December 31, 2015, and have issued our report thereon dated April 22, 2016. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Club's internal control over financial reporting as a basis for designing our auditing procedures 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 Club's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Club's internal control over financial reporting.

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 Club's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Club's financial statements are free of 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*.

This report is intended solely for the information and use of managements, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kohart Accounting, PA

Kohart Accounting, PA
A Professional Association
Certified Public Accountant

April 22, 2016

