The Boys and Girls Clubs of Hartford, Inc.

Financial Statements
and Independent Auditor's Report

June 30, 2017 and 2016

The Boys and Girls Clubs of Hartford, Inc.

Index

Independent Auditor's Report

To the Board of Directors
The Boys and Girls Clubs of Hartford, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Boys and Girls Clubs of Hartford, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Boys and Girls Clubs of Hartford, Inc. as of June 30, 2017 and 2016, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated (Report Date), on our consideration of The Boys and Girls Clubs of Hartford, Inc.'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 the 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 Boys and Girls Clubs of Hartford, Inc.'s internal control over financial reporting and compliance.

CohnReznick LLP

Hartford, Connecticut
December 1, 2017

The Boys and Girls Clubs of Hartford, Inc.

Statements of Financial Position
June 30, 2017 and 2016

Assets

	2017	2016
Current assets		
Cash and cash equivalents	$ 612,564	$ 740,831
Grants and other receivables	495,782	326,059
Prepaid expenses	-	8,065
Total current assets	1,108,346	1,074,955
Investments	6,183,880	5,820,238
Assets held in trust	6,545,111	6,198,580
Property and equipment, net	4,508,205	4,961,440
Total assets	$ 18,345,542	$ 18,055,213

Liabilities and Net Assets

	2017	2016
Current liabilities		
Accounts payable and accrued liabilities	$ 196,506	$ 208,114
Line of credit	-	75,000
Deferred revenue	154,541	179,815
Total current liabilities	351,047	462,929
Total liabilities	351,047	462,929
Commitments		
Net assets		
Unrestricted	10,323,497	10,503,946
Temporarily restricted	734,785	498,656
Permanently restricted	6,936,213	6,589,682
Total net assets	17,994,495	17,592,284
Total liabilities and net assets	$ 18,345,542	$ 18,055,213

See Notes to Financial Statements.

The Boys and Girls Clubs of Hartford, Inc.

Statement of Activities
Year Ended June 30, 2017
(With Comparative Totals for 2016)

	Unrestricted	Temporarily restricted	Permanently restricted	2017 Total	2016 Total
Revenue					
Contributions	$ 833,847	$ 836,938	$ -	$ 1,670,785	$ 1,171,282
Grants and contracts	905,351	-	-	905,351	912,097
Legacies	274,573	-	-	274,573	292,715
United Way support	24,686	149,000	-	173,686	161,907
Special events	586,072	-	-	586,072	493,809
Investment return utilized for operations	274,911	27,980	-	302,891	446,423
Fees	542,154	-	-	542,154	485,498
Other revenue	18,973	-	-	18,973	22,283
Net assets released from restrictions	808,852	(808,852)	-	-	-
Total revenue	4,269,419	205,066	-	4,474,485	3,986,014
Functional expenses					
Program services	3,196,539	-	-	3,196,539	2,851,717
Management and general	610,461	-	-	610,461	622,704
Fundraising	484,900	-	-	484,900	390,677
Total expenses	4,291,900	-	-	4,291,900	3,865,098
Changes in net assets, operations	(22,481)	205,066	-	182,585	120,916
Other changes					
Investment return (loss), net	590,321	59,043	-	649,364	(6,732)
Investment return utilized for operations	(274,911)	(27,980)	-	(302,891)	(446,423)
Depreciation	(473,378)	-	-	(473,378)	(437,480)
Change in value of assets held in trust	-	-	346,531	346,531	(275,896)
Total other changes	(157,968)	31,063	346,531	219,626	(1,166,531)
Changes in net assets	(180,449)	236,129	346,531	402,211	(1,045,615)
Net assets, beginning	10,503,946	498,656	6,589,682	17,592,284	18,637,899
Net assets, ending	$ 10,323,497	$ 734,785	$ 6,936,213	$ 17,994,495	$ 17,592,284

See Notes to Financial Statements.

The Boys and Girls Clubs of Hartford, Inc.

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue				
Contributions	$ 682,882	$ 488,400	$ -	$ 1,171,282
Grants and contracts	912,097	-	-	912,097
Legacies	292,715	-	-	292,715
United Way support	38,907	123,000	-	161,907
Special events	493,809	-	-	493,809
Investment return utilized for operations	419,223	27,200	-	446,423
Fees	485,498	-	-	485,498
Other revenue	22,283	-	-	22,283
Net assets released from restrictions	709,274	(709,274)	-	-
Total revenue	4,056,688	(70,674)	-	3,986,014
Functional expenses				
Program services	2,851,717	-	-	2,851,717
Management and general	622,704	-	-	622,704
Fundraising	390,677	-	-	390,677
Total expenses	3,865,098	-	-	3,865,098
Changes in net assets, operations	191,590	(70,674)	-	120,916
Other changes				
Investment return, net	(7,623)	891	-	(6,732)
Investment return utilized for operations	(419,223)	(27,200)	-	(446,423)
Depreciation	(437,480)	-	-	(437,480)
Change in value of assets held in trust	-	-	(275,896)	(275,896)
Net assets released from restrictions				
Capital expenditures	44,442	(44,442)	-	-
Total other changes	(819,884)	(70,751)	(275,896)	(1,166,531)
Changes in net assets	(628,294)	(141,425)	(275,896)	(1,045,615)
Net assets, beginning	11,132,240	640,081	6,865,578	18,637,899
Net assets, ending	$ 10,503,946	$ 498,656	$ 6,589,682	$ 17,592,284

See Notes to Financial Statements.

The Boys and Girls Clubs of Hartford, Inc.

Statement of Functional Expenses
Year Ended June 30, 2017
(With Comparative Totals for 2016)

	Program services	Management and general	Fundraising	2017 Total	2016 Total
Salaries and benefits					
Salaries	$ 1,893,693	$ 409,968	$ 247,420	$ 2,551,081	$ 2,088,930
Benefits	211,167	52,622	36,405	300,194	287,968
Payroll taxes	139,413	27,918	18,052	185,383	152,042
Total salaries and benefits	2,244,273	490,508	301,877	3,036,658	2,528,940
Other operating expenses					
Direct program expenses	435,658	-	-	435,658	403,380
Building repair and maintenance	156,875	11,774	7,849	176,498	198,601
Utilities	105,667	7,790	5,194	118,651	115,183
Special events expense	-	-	135,580	135,580	146,117
Insurance	67,379	13,581	3,172	84,132	85,405
Office expense	50,905	12,920	10,320	74,145	55,716
Professional and outside services	28,526	21,650	4,500	54,676	108,410
Dues and fees	26,748	26,474	1,645	54,867	46,705
Occupancy	34,816	-	-	34,816	34,816
Miscellaneous	9,694	11,881	2,139	23,714	55,603
Travel, conferences and training	16,217	10,734	1,535	28,486	51,078
Telephone	19,582	1,591	707	21,880	22,277
Postage	199	576	2,990	3,765	4,696
Interest	-	982	-	982	1,247
Printing and publications	-	-	7,392	7,392	5,710
Bad debt expense	-	-	-	-	1,214
Total expenses before depreciation	3,196,539	610,461	484,900	4,291,900	3,865,098
Depreciation	435,878	37,500	-	473,378	437,480
Total expenses	$ 3,632,417	$ 647,961	$ 484,900	$ 4,765,278	$ 4,302,578

See Notes to Financial Statements.

The Boys and Girls Clubs of Hartford, Inc.

Statement of Functional Expenses
Year Ended June 30, 2016

	Program services	Management and general	Fundraising	Total
Salaries and benefits				
Salaries	$ 1,543,207	$ 368,548	$ 177,175	$ 2,088,930
Benefits	212,529	54,192	21,247	287,968
Payroll taxes	113,277	25,877	12,888	152,042
Total salaries and benefits	1,869,013	448,617	211,310	2,528,940
Other operating expenses				
Direct program expenses	403,380	-	-	403,380
Building repair and maintenance	189,011	5,754	3,836	198,601
Professional and outside services	54,358	54,052	-	108,410
Utilities	110,070	3,068	2,045	115,183
Special events expense	-	-	146,117	146,117
Insurance	70,645	12,569	2,191	85,405
Dues and fees	21,354	25,231	120	46,705
Travel, conferences and training	34,197	10,611	6,270	51,078
Office expense	30,945	16,029	8,742	55,716
Occupancy	34,816	-	-	34,816
Miscellaneous	14,765	39,703	1,135	55,603
Telephone	18,467	2,904	906	22,277
Printing and publications	490	1,061	4,159	5,710
Bad debt expense	-	1,214	-	1,214
Postage	206	644	3,846	4,696
Interest	-	1,247	-	1,247
Total expenses before depreciation	2,851,717	622,704	390,677	3,865,098
Depreciation	412,480	25,000	-	437,480
Total expenses	$ 3,264,197	$ 647,704	$ 390,677	$ 4,302,578

See Notes to Financial Statements.

The Boys and Girls Clubs of Hartford, Inc.

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Contributions, grants and other support utilized for operations	$ 2,554,825	$ 2,336,867
Cash received from legacies	274,573	292,715
Cash received from special events	586,072	579,286
Cash received from fees and other revenue	561,127	507,781
Interest and dividends, net of fees	84,749	91,966
Payments to suppliers and employees	(4,294,461)	(3,894,484)
Interest paid	(982)	(1,247)
Net cash used in operating activities	(234,097)	(87,116)
Cash flows from investing activities		
Proceeds from sale of investments	3,655,578	1,742,484
Purchase of investments	(3,454,605)	(1,410,991)
Purchase of property and equipment	(20,143)	(216,365)
Net cash provided by investing activities	180,830	115,128
Cash flows from financing activities		
Net borrowings (repayments) on line of credit	(75,000)	75,000
Net cash provided by (used in) financing activities	(75,000)	75,000
Net increase (decrease) in cash and cash equivalents	(128,267)	103,012
Cash and cash equivalents, beginning	740,831	637,819
Cash and cash equivalents, end	$ 612,564	$ 740,831
Supplemental disclosure of noncash information		
Donated property and equipment	$ -	$ 50,000

The Boys and Girls Clubs of Hartford, Inc.

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of change in net assets to net cash used in operating activities		
Change in net assets	$ 402,211	$ (1,045,615)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	473,378	437,480
Net realized and unrealized (gains) losses on investments	(564,615)	98,698
Bad debt expense	-	1,214
Change in value of assets held in trust	(346,531)	275,896
Donated property and equipment	-	(50,000)
Changes in operating assets and liabilities		
Grants and other receivables	(169,723)	187,082
Prepaid expenses	8,065	(4,935)
Accounts payable and accrued liabilities	(11,608)	(26,912)
Deferred revenue	(25,274)	39,976
Total adjustments	(636,308)	958,499
Net cash used in operating activities	$ (234,097)	$ (87,116)

See Notes to Financial Statements.

Note 1 - Organization and summary of significant accounting policies

Organization and operations

The Boys and Girls Clubs of Hartford, Inc. (the "Organization"), affiliated with The Boys and Girls Clubs of America, maintains several facilities in Hartford, Connecticut. The Organization provides programs of academic, cultural and social enrichment, in addition to health and life skills, and physical and recreational activities. Support is received from various sources, including grants, the United Way, private foundations, private charitable organizations and earnings from endowment funds.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements report information regarding the Organization's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted - Net assets which are not subject to explicit donor-imposed stipulations, or to those imposed by operation of law. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted - Net assets whose use by the Organization is subject to explicit donor-imposed stipulations or to those imposed by operation of law, which can be fulfilled by actions of the Organization pursuant to those stipulations or which expire by the passage of time. The change in temporarily restricted net assets is impacted primarily by gifts with time and donor constraints, such as restricted annual fund gifts, unconditional pledges and deferred giving instruments.

Permanently restricted - Net assets subject to explicit donor-imposed stipulations, or to those imposed by operation of law, that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the investment return on these assets for unrestricted purposes. Such assets primarily represent the historic dollar amount of the donor-restricted endowment gifts and the fair value of certain assets held in trust. The change in permanently restricted net assets is impacted by the addition of donor-restricted gifts as well as by the change in value of certain assets held in trust.

Measure of operations

The accompanying statements of activities distinguish between operating and non-operating activities. Operating activities include all revenues and expenses which are an integral part of the Organization's programs and supporting activities. Non-operating activities primarily include grants and contributions for capital purposes, investment return in excess of amounts utilized for operations, the change in the value of assets held in trust, depreciation and other non-operating gains and losses.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid short-term instruments with an original maturity of three months or less when acquired. Cash equivalents as of June 30, 2017 and 2016 were $338,200 and $448,966, respectively.

Grants receivable and deferred revenue
Government grants are recognized when eligible grant costs are incurred. Receivables are recognized to the extent costs have been incurred, but not reimbursed. Deferred revenue results when grant monies collected exceed grant costs incurred. Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors. As of the date of the financial statements, the Organization has not been informed by any funding organization of any funds which are required to be returned. Grants to be received after one year are discounted at the appropriate rate to calculate the present value of the grant. Amortization of the discount is recorded as additional grants and contracts revenue.

Allowances for receivables
Allowances for pledges, grants and other receivables are determined by management based on an assessment of their collectability. Management considers past history, current economic conditions and overall viability of the obligor. Receivables are written off only when management believes amounts will not be collected. Receivables are considered past due based on invoice or pledge date.

Investments
The Organization reports investments at fair value (see Note 4) and reflects any gains or losses in the statements of activities. Gains and losses are considered unrestricted unless restricted by donor stipulation or law. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Nonmonetary investments received as gifts are immediately sold and recorded at the realized value.

Property and equipment
The Organization capitalizes all expenditures for property and equipment with a cost in excess of $1,000 and a useful life of greater than three years. Purchased property and equipment are carried at cost less accumulated depreciation. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated lives for financial reporting purposes are as follows:

Asset	Estimated lives
Building and improvements	5 - 40 years
Furniture and equipment	3 - 7 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activities for the period.

Impairment of long-lived assets

The Organization reviews long-lived assets for impairment whenever events or circumstances indicate the carrying amount of the assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no impairment losses during 2017 or 2016.

Contributions

Contributions received, including unconditional promises to give ("pledges"), are recognized as revenue in the period received. Contributions subject to donor-imposed stipulations which are met in the same reporting period are reported as unrestricted support. Pledges scheduled to be received after the fiscal year-end are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met. Pledges subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that being when the conditions upon which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair values. Contributions to be received after one year are discounted at the appropriate rate to calculate the present value of the contribution. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

Gifts of long-lived assets

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions of acquired long-lived assets when placed in service.

Contributed services

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments. No amounts have been recorded in the financial statements for these donated volunteer services for the years ended June 30, 2017 and 2016 as they do not meet the criteria for recognition.

Income taxes

The Organization is organized as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and, as such, is not subject to federal or state corporate income taxes. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization's federal information returns prior to fiscal year 2014 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. If the Organization had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

Functional expenses
The costs of providing 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.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events
The Organization has evaluated events and transactions for potential recognition or disclosure through December 1, 2017, which is the date the financial statements were available to be issued.

Note 2 - Investments

Investments as of June 30, 2017 and 2016 consist of the following:

	2017	2016
Domestic mutual funds		
Large Cap	$ 1,799,585	$ 1,897,331
Mid Cap	748,045	480,689
Small Cap	506,045	355,863
International mutual funds	1,660,995	1,040,850
Domestic bond funds	920,795	1,227,748
International bond funds	183,680	206,611
Real estate funds	-	298,731
Other funds	239,832	154,477
Money market funds	124,903	157,938
Total	$ 6,183,880	$ 5,820,238

Net investment return (loss) for the years ended June 30, 2017 and 2016 consists of the following:

	2017	2016
Interest and dividend income	$ 115,479	$ 121,933
Less investment expenses	(30,730)	(29,967)
Interest and dividend income, net	84,749	91,966
Net realized and unrealized gains (losses)	564,615	(98,698)
Total investment return (loss), net	649,364	(6,732)
Less amount utilized for operations	(302,891)	(446,423)
Investment return (loss), net of amount utilized for operations	$ 346,473	$ (453,155)

Note 3 - Assets held in trust

The Organization is the beneficiary of four perpetual trusts (the "Trusts") administered by a third-party financial institution. The Organization's interest in the net assets of each trust is included in the statements of financial position as assets held in trust and classified as permanently restricted net assets. The income distributed from the Trusts for 2017 and 2016 was $274,573 and $292,715, respectively. The value of the assets held in trust at June 30, 2017 and 2016 was $6,545,111 and $6,198,580, respectively.

Note 4 - Fair value measurements

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Financial assets carried at fair value at June 30, 2017 and 2016 are classified in the tables below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
2017				
Domestic mutual funds				
Large Cap	$ 1,799,585	$ -	$ -	$ 1,799,585
Mid Cap	748,045	-	-	748,045
Small Cap	506,045	-	-	506,045
International mutual funds	1,660,995	-	-	1,660,995
Domestic bond funds	920,795	-	-	920,795
International bond funds	183,680	-	-	183,680
Other funds	239,832	-	-	239,832
Money market funds	124,903	-	-	124,903
Assets held in trust	-	-	6,545,111	6,545,111
Total	$ 6,183,880	$ -	$ 6,545,111	$ 12,728,991

	Level 1	Level 2	Level 3	Total
2016				
Domestic mutual funds				
Large Cap	$ 1,897,331	$ -	$ -	$ 1,897,331
Mid Cap	480,689	-	-	480,689
Small Cap	355,863	-	-	355,863
International mutual funds	1,040,850	-	-	1,040,850
Domestic bond funds	1,227,748	-	-	1,227,748
International bond funds	206,611	-	-	206,611
Real estate funds	298,731	-	-	298,731
Other funds	154,477	-	-	154,477
Money market funds	157,938	-	-	157,938
Assets held in trust	-	-	6,198,580	6,198,580
Total	$ 5,820,238	$ -	$ 6,198,580	$ 12,018,818

Investments in mutual, bond and money market funds are valued using market prices in active markets (Level 1). Mutual funds and money market funds held are open-ended funds that are registered with the Securities and Exchange Commission and are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds and money market funds are deemed to be actively traded.

The Organization's beneficial interests in assets held in trust are classified as Level 3. The fair value of the Organization's beneficial interests in assets held in trust is based on the fair values of the underlying investments within these agreements, which are established by the trustee using fair values in an active market for similar assets. The trustee provides the Organization with investment statements and valuations of its portion of the trusts at year end. These are evaluated annually by the Organization without adjustments. As such, the Company is not required to provide certain quantitative disclosures regarding the valuation methods used because they were unobtainable.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Changes in assets measured at fair value using Level 3 inputs for the year ended June 30, 2017 and 2016 are as follows:

	2017	2016
Balance, beginning	$ 6,198,580	$ 6,474,476
Income earned	97,964	104,310
Realized and unrealized losses	523,140	(87,491)
Cash disbursements	(274,573)	(292,715)
Balance, end	$ 6,545,111	$ 6,198,580

Note 5 - Property and equipment

Property and equipment as of June 30, 2017 and 2016 are as follows:

	2017	2016
Land	$ 169,500	$ 169,500
Buildings and improvements	8,622,591	8,733,780
Computers and equipment	144,766	181,987
Furniture and fixtures	266,426	555,789
Vehicles	181,635	181,635
	9,384,918	9,822,691
Less accumulated depreciation	(4,876,713)	(4,861,251)
	$ 4,508,205	$ 4,961,440

Note 6 - Line of credit

The Organization had a $75,000 line of credit (the "Line") with HEDCO, Inc. under its nonprofit revolving loan fund program, which was funded by the Hartford Foundation for Public Giving. The Line bore interest at 4% per annum on any outstanding balance and matures on September 30, 2017. There was no outstanding balance at June 30, 2017. The outstanding balance at June 30, 2016 was $75,000. Total interest expense paid on the line of credit was $982 in 2017 and $1,247 in 2016.

Note 7 - Endowment

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, 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 Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") 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 Organization 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 Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA. In accordance with CTUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$ 160,519	$ 391,102	$ 551,621
Board-designated endowment funds	5,589,285	-	-	5,589,285
Total funds	$ 5,589,285	$ 160,519	$ 391,102	$ 6,140,906

Changes in endowment net assets for the year ended June 30, 2017 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 5,274,082	$ 129,456	$ 391,102	$ 5,794,640
Investment return				
Investment earnings	76,725	7,816	-	84,541
Net appreciation	513,389	51,227	-	564,616
Appropriations	(274,911)	(27,980)	-	(302,891)
Endowment net assets, end of year	$ 5,589,285	$ 160,519	$ 391,102	$ 6,140,906

Endowment net asset composition by type of fund for the year ended June 30, 2016 was as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ -	$ 129,456	$ 391,102	$ 520,558
Board-designated endowment funds	5,274,082	-	-	5,274,082
Total funds	$ 5,274,082	$ 129,456	$ 391,102	$ 5,794,640

Changes in endowment net assets for the year ended June 30, 2016 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 5,700,928	$ 155,765	$ 391,102	$ 6,247,795
Investment return, net				
Investment income, net	82,748	9,218	-	91,966
Net depreciation	(90,371)	(8,327)	-	(98,698)
Appropriations	(419,223)	(27,200)	-	(446,423)
Endowment net assets, end of year	$ 5,274,082	$ 129,456	$ 391,102	$ 5,794,640

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 applicable law requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2017 and 2016, there were no such deficiencies.

Return objectives and risk parameters: The Organization adheres to investment and spending policies for endowment assets that attempt to provide a reasonably predictable stream of funding to the Organization's operating budget while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board designated funds. According to the investment policy, as approved by the Board of Directors, the endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in account performance.

Strategies employed for achieving objectives: To satisfy its long-term rate of return objectives, the Organization 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 Organization targets a diversified asset allocation in order to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Organization has a policy of appropriating for distribution each year an amount not to exceed 5% of the five year (20 quarters) moving average of the endowment's fair value. These amounts shall be calculated through the calendar year-end preceding the fiscal year for which the distribution is planned. Over the long-term, the Organization expects the current spending policy to allow its endowment to grow at a rate that is consistent with its objective of maintaining the purchasing power of the endowment assets while providing additional real growth through new gifts and investment return.

Note 8 - Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2017 and 2016 are available for the following purposes:

	2017	2016
Earnings from perpetual endowment subject to time restriction under CTUPMIFA	$ 160,519	$ 129,456
Program related	349,266	241,200
Time restriction	149,000	123,000
Facilities and other	51,000	5,000
Techonolgy	25,000	-
Total temporarily restricted net assets	$ 734,785	$ 498,656

Net assets were released as follows:

	2017	2016
Program related	$ 657,872	$ 546,074
Time restriction	150,980	163,200
Net assets released from operations	808,852	709,274
Facilities	-	44,442
Total	$ 808,852	$ 753,716

Note 9 - Permanently restricted net assets

Permanently restricted net assets are restricted endowments in which the principal is invested in perpetuity and the income is expendable to support operations, as well as certain perpetual trusts. Permanently restricted net assets at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Assets held in trust	$ 6,545,111	$ 6,198,580
Donor-restricted endowment funds	391,102	391,102
Total permanently restricted net assets	$ 6,936,213	$ 6,589,682

Note 10 - Operating leases

The Organization leases a vehicle and office equipment under operating lease agreements which expire at various times through January 2022. Monthly lease payments range from $34 to $541. Total rental expense for all operating leases for the years ended June 30, 2017 and 2016 was $16,786 and $12,486, respectively.

Future minimum lease payments required under noncancelable operating leases with initial lease terms in excess of one year as of June 30, 2017 are as follows:

2018	$ 12,731
2019	12,731
2020	6,784
2021	6,004
2022	2,917
	$ 41,167

Note 11 - Pension plan

The Organization maintains a 401(k) plan that covers all eligible employees. The Organization matches 4% of the participant's 401(k) contributions and will make a safe harbor employer contribution in an amount equal to 4% of the employee's eligible compensation. The safe harbor employer contributions are fully vested in the year the contribution is made. 401(k) retirement expense for the years ended June 30, 2017 and 2016 was $67,795 and $58,071, respectively.

Note 12 - Donated materials, facilities and services

Services, materials and facilities are donated to the Organization by various individuals and organizations. Donated materials and facilities are recorded at fair value at the date of donation, and have been included in revenue and expenses or capital assets in the period received. The following have been recorded in the financial statements: donated use of facilities of $34,816 for the years ended June 30, 2017 and 2016; donated materials and supplies of $10,090 and $12,951 for the years ended June 30, 2017 and June 30, 2016, respectively; and donated capital assets of $50,000 for the year ended June 30, 2016.

Note 13 - Asylum Hill Club unrestricted endowment disclosure

The following disclosure is made pursuant to a contribution agreement between the Asylum Hill Boys and Girls Club Development Association, Inc. (the "Asylum Hill Club") and the Organization dated January 11, 2005, regarding the terms of an unrestricted endowment contribution for the benefit of the Asylum Hill Club. Results are shown below for fiscal years ended June 30, 2017 and 2016:

	2017	2016
Board designated endowment assets for the benefit of the Asylum Hill Club	$ 1,769,050	$ 1,666,074
Appropriations from Asylum Hill Club Board designated endowment for operations	$ 82,646	$ 80,285
Asylum Hill Club maintenance and operating expenses	$ 452,410	$ 488,658

These amounts are included as part of the Organization's endowment in Note 7.

Note 14 - Concentrations

Credit risk
Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The Organization maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federally insured limits. The Organization has not experienced any losses in such accounts. At June 30, 2017 and 2016, the Organization had cash balances that exceeded federally insured limits of approximately $390,000 and $525,000, respectively.

Concentrations of credit risk with respect to grants receivable are limited to contractual agreements with various federal and state organizations. Contributions receivable are limited to contributions from various foundations, businesses and individuals.

Market risk
The Organization invests in various debt and equity securities. These investment securities are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit, market and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of the Organization's investments which could materially affect amounts reported in the financial statements. The Organization's investments are placed within a wide array of institutions with high credit ratings and their performance is reviewed periodically by the Finance Committee of the Board of Directors.