Financial Statements

Boys and Girls Clubs of Austin and Travis County, Inc. d/b/a Boys & Girls Clubs of the Austin Area

As of and for the years ended December 31, 2016 and 2015
with Report of Independent Auditors

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d/b/a Boys and Girls Clubs of the Austin Area

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Report of Independent Auditors

To the Board of Directors
Boys and Girls Club of Austin and Travis County, Inc.

We have audited the accompanying financial statements of Boys and Girls Club of Austin and Travis County, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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. 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 Boys and Girls Club of Austin and Travis County, Inc. as of December 31, 2016 and 2015, and the change 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.

HOLTZMAN PARTNERS

AUDIT · TAX · ADVISORY

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Expenses by Location is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Holtzman Partners, LLP

Austin, Texas
May 18, 2017

Boys and Girls Clubs of Austin and Travis County, Inc.
d/b/a Boys and Girls Clubs of the Austin Area

Statements of Financial Position

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	**$ 2,529,580**	$ 1,847,585
Investments	**500,000**	250,000
Accounts receivable	**1,171,533**	932,233
Prepaid expenses and other current assets	**73,557**	55,566
Total current assets	**4,274,670**	3,085,384
Other assets	**–**	69,479
Property and equipment, net	**3,261,628**	150,195
Interest in net assets of Foundation (Note 10)	**1,355,656**	1,279,204
Total assets	**$ 8,891,954**	$ 4,584,262
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 300,110**	$ 256,040
Total current liabilities	**300,110**	256,040
Promissory note payable (Note 4)	**1,000,000**	–
Total liabilities	**1,300,110**	256,040
Net assets:		
Unrestricted	**3,742,614**	1,795,041
Temporarily restricted	**2,887,757**	1,611,039
Permanently restricted	**961,473**	922,142
Net assets	**7,591,844**	4,328,222
Total liabilities and net assets	**$ 8,891,954**	$ 4,584,262

See accompanying notes.

Boys and Girls Clubs of Austin and Travis County, Inc.
d/b/a Boys and Girls Clubs of the Austin Area

Statement of Activities

Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Grants and contributions	$ 1,760,891	$ 4,525,312	$ –	$ 6,286,203
Program service fees	115,026	–	–	115,026
Home Club contributions	–	2,976,675	–	2,976,675
Fund raising events	1,051,101	–	–	1,051,101
Less: costs of direct benefits to donors	(279,350)	–	–	(279,350)
Net revenue from fund raising events	771,751	–	–	771,751
Other income, net	81,442	–	–	81,442
Total support and revenue	2,729,110	7,501,987	–	10,231,097
Net assets released from restrictions				
Satisfaction of program restrictions	6,262,390	(6,262,390)	–	–
Total support, revenue and net asset releases	8,991,500	1,239,597	–	10,231,097
Expenses:				
Program service expenses	5,667,093	–	–	5,667,093
Management and general expenses	981,028	–	–	981,028
Fund raising expenses	352,105	–	–	352,105
Home Club expenses	43,701	–	–	43,701
Total expenses	7,043,927	–	–	7,043,927
Change in net assets	1,947,573	1,239,597	–	3,187,170
Change in Foundation net assets	–	37,121	39,331	76,452
Net assets at beginning of year	1,795,041	1,611,039	922,142	4,328,222
Net assets at end of year	$ 3,742,614	$ 2,887,757	$ 961,473	$ 7,591,844

See accompanying notes.

Boys and Girls Clubs of Austin and Travis County, Inc.
d/b/a Boys and Girls Clubs of the Austin Area

Statement of Activities

Year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Grants and contributions	$ 2,704,811	$ 4,087,948	$ –	$ 6,792,759
Program service fees	14,750	–	–	14,750
Fund raising events	983,109	–	–	983,109
Less: costs of direct benefits to donors	(239,259)	–	–	(239,259)
Net revenue from fund raising events	743,850	–	–	743,850
Other income, net	40,768	–	–	40,768
Total support and revenue	3,504,179	4,087,948	–	7,592,127
Net assets released from restrictions				
Satisfaction of program restrictions	3,376,438	(3,376,438)	–	–
Total support, revenue and net asset release	6,880,617	711,510	–	7,592,127
Expenses:				
Program service expenses	5,374,258	–	–	5,374,258
Management and general expenses	1,395,311	–	–	1,395,311
Fund raising expenses	348,329	–	–	348,329
Total expenses	7,117,898	–	–	7,117,898
Change in net assets	(237,281)	711,510	–	474,229
Transfer of net assets to Foundation	(500,000)	–	500,000	–
Change in Foundation net assets	–	106,896	(142,268)	(35,372)
Net assets at beginning of year	2,532,322	792,633	564,410	3,889,365
Net assets at end of year	$ 1,795,041	$ 1,611,039	$ 922,142	$ 4,328,222

See accompanying notes.

Boys and Girls Clubs of Austin and Travis County, Inc.
d/b/a Boys and Girls Clubs of the Austin Area

Statements of Cash Flows

	Years ended December 31, 2016	2015
Operating activities		
Change in net assets	**$ 3,187,170**	$ 474,229
Adjustment to reconcile change in net assets to cash provided by operating activities:		
Depreciation expense	**31,450**	37,503
Provision for bad debt on accounts receivable	**9,195**	–
(Gain) loss on disposal of property and equipment	**(7,276)**	22,000
Contribution of land	**(2,100,000)**	–
Changes in operating assets and liabilities:		
Accounts receivable	**(248,495)**	(174,584)
Prepaid expenses and other current assets	**51,488**	(19,016)
Accounts payable and accrued liabilities	**44,070**	(7,532)
Net cash provided by operating activities	**967,602**	332,600
Investing activities		
Transfer of net assets to Foundation	**–**	(500,000)
Purchase of property and equipment	**(35,607)**	(16,964)
Capitalization of construction planning costs	**–**	(69,479)
Purchase of investments	**(250,000)**	(250,000)
Net cash used in investing activities	**(285,607)**	(836,443)
Net change in cash and cash equivalents	**681,995**	(503,843)
Cash and cash equivalents, beginning of year	**1,847,585**	2,351,428
Cash and cash equivalents, end of year	**$ 2,529,580**	$ 1,847,585
Supplemental disclosure of cash flow information:		
Interest paid	**$ 8,479**	$ –
In-kind donations received	**$ 1,109,391**	$ 1,090,561
Purchase of land with proceeds from promissory note	**$ 1,000,000**	$ –

See accompanying notes.

1. Organization and Purpose

The mission of Boys and Girls Clubs of Austin and Travis County, Inc. d/b/a Boys and Girls Clubs of the Austin Area (the "Organization") is to inspire and enable all kids – especially those that need help most – to develop into productive, caring and responsible citizens. The Organization is supported primarily through donor contributions and grants. The Organization offers diversified program activities in five areas. These programs are based on the physical, emotional, cultural, and social needs and interests of boys and girls, and recognized developmental principles.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization 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 are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958-205, *Not-for-Profit Entities Presentation of Financial Statements*, which requires the Organization 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. In addition, the Organization is required to present the costs of providing various programs and other activities on a functional basis in the statement of activities. Costs are allocated between management and general expense or the appropriate program based on evaluations of the related benefits. Management and general expense include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Organization

2. Summary of Significant Accounting Policies (continued)

evaluates its estimates, including those related to the useful lives of property and equipment, and contingencies, among others. The Organization bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from the estimates made by management with respect to these items and other items that require management's estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments acquired with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates market value, because of the short maturity of these instruments.

Short-term Investments

The Company's short-term investments consist of certificates of deposit held with financial institutions with maturity dates of one year or less from the date of purchase. As of December 31, 2016 and 2015, the carrying values approximate the market values of these investments.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, and accounts receivable. The Organization's cash and cash equivalents are placed with high-credit-quality financial institutions, and at times may exceed federally insured limits. The Organization has not experienced any loss relating to cash and cash equivalents in these accounts. The Organization performs periodic credit evaluations of its donors' financial condition.

The Organization is supported primarily through donor contributions and grants to fulfill its mission. Should future support decline, there could be a negative impact on the Organization's ability to provide program services through its various clubs.

2. Summary of Significant Accounting Policies (continued)

Grantors representing more than 10% of the Organization's total accounts receivable and support as of December 31, 2016 are as follows:

	Accounts Receivable	Support
Grantor A	60%	<10%
Grantor B	<10%	19%
Donor A	<10%	20%

Additionally, fundraising events and campaigns representing more than 10% of the Organization's fundraising revenue as of December 31, 2016 are as follows:

	Fundraising Revenue
Fall Gala	64%
Spring Luncheon	22%
Golf Event	13%

Loss of these funding sources could have a material adverse impact on the results of operations and financial position of the Organization.

Accounts Receivable

Accounts receivable consist of pledges, contributions and grants which are recorded at net realizable value. The Organization continuously assesses the collectability of outstanding balances; and in doing such, the Organization writes off any existing accounts receivable balances it considers uncollectible. In identifying uncollectible accounts receivable, the Organization considers factors such as: historical collection experience, age of the receivable balance, both individually and in the aggregate, and general economic conditions that may affect an entity's ability to pay. At December 31, 2016 and 2015, the Organization recorded approximately $9,000 and $0 in bad debt expense, respectively, which is reflected in management and general expenses in the accompanying statements of activities.

2. Summary of Significant Accounting Policies (continued)

Other Assets

Other assets consist of capitalized costs related to the planning stages of a new headquarters and club facility known as The Home Club.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the estimated fair market value at the date of the donation less accumulated depreciation. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets. When depreciable assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts. Any gains or losses are included in the Organization's statements of activities. Major additions and betterments are capitalized. Maintenance and repairs which do not materially improve or extend the lives of the respective assets are charged to operations as incurred.

Fair Value of Financial Instruments

The Organization groups its assets and liabilities measured at fair value in a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets, with valuations obtained from readily available pricing sources for market transactions involving identical assets or liabilities; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level of the fair value hierarchy in which the fair value measurement falls is determined by the lowest level input that is significant to the fair value measurement.

2. Summary of Significant Accounting Policies (continued)

The Organization's financial instruments consist principally of cash and cash equivalents, investments, accounts receivable, accounts payable, and accrued expenses. The carrying amounts of these financial instruments are considered to approximate their respective fair values due to the short-term nature of such financial instruments. Cash equivalents and investments, measured at fair value on a recurring basis, are categorized as Level 1 based on quoted prices in active markets.

The Organization recognizes transfers between levels at the end of the reporting period as if the transfers occurred on the last day of the reporting period. There were no transfers during 2016 or 2015.

Grants and contributions

Contributions include grants and amounts received from donors. The Organization serves as a fiscal agent for a federal grant that funds volunteers at Boys and Girls Club locations throughout the State of Texas. Amounts received under this grant are recorded as grants and contributions in the accompanying Statement of Activities, and related expenses are recorded as program expenses.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by donors for specific purposes are reported as temporarily restricted support that increases those net assets. However, if a restriction is fulfilled, the Organization reclassifies the support as unrestricted. Contributions do not include volunteer services provided for fiscal years ended December 31, 2016 or 2015.

Conditional Promises to Give

Pursuant with the Organization's policy and in conformity with FASB ASC Topic 958, *Not-for-Profit Entities*, the Organization does not recognize conditional promises as revenue until the condition is met or the pledges are received.

2. Summary of Significant Accounting Policies (continued)

Federal Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Organization is also a public charity under the IRC Sections 509(a)(1) and 170(b)(1)(A)(vi).

The Organization accounts for uncertainty in income taxes based on a "more-likely-than-not" threshold for the recognition and de-recognition of tax positions, which includes the accounting for interest and penalties relating to tax positions. At December 31, 2016 and 2015, the Organization does not have any unrecognized tax benefits resulting from its tax positions.

The Organization accrues interest and penalties related to unrecognized tax positions as a component of income tax expense. No such interest or penalties were recognized during the periods presented. The Company had no accruals for interest and penalties at December 31, 2016 or 2015.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates guidance for when revenue should be recognized from the exchange of goods or services. ASU No. 2016-08 was issued in March 2016 to clarify the principal versus agent guidance in this new revenue recognition standard. ASU 2016-10 was issued in April 2016 to clarify the guidance on accounting for licenses of intellectual property and identifying performance obligations in the new revenue recognition standard. ASU 2016-12 was issued in May 2016 to clarify the guidance on transition, collectibility, noncash consideration and the presentation of sales and other similar taxes in the new revenue recognition standard. ASU 2016-20 was issued in December 2016 to make technical corrections and improvements on narrow aspects of this guidance. ASU No.

2. Summary of Significant Accounting Policies (continued)

2015-14 was issued in August 2015 to defer the effective date of ASU 2014-09 for one year. For private companies, this standard is effective for annual reporting periods beginning after December 15, 2018. A nonpublic entity may elect to apply the guidance in this ASU early with certain restrictions. Management does not expect this guidance to have a significant effect on the Organization's financial position and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40)*. This ASU defines management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Prior to this ASU, U.S. generally accepted accounting principles lacked guidance about management's responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern or to provide related footnote disclosures and all guidance was included in generally accepted auditing standards ("GAAS"). This guidance is effective for annual periods ending after December 15, 2016. Early adoption is permitted. This standard has been adopted beginning with the reporting period ended December 31, 2016. The adoption of ASU 2014-15 did not have a material effect on the Organization's financial statements and related disclosures, although it could have an impact on disclosures in future periods.

In April 2015, the FASB issued ASU No. 2015-03, *Interest — Imputation of Interest (Subtopic 835-30) — Simplifying the Presentation of Debt Issuance Costs*. This standard requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset. This guidance was amended by ASU No. 2015-15, which was issued in August 2015. This amendment provides additional guidance related to the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. These updates are effective for annual periods beginning after December 15, 2015. Early adoption is permitted. Upon adoption, an entity must apply the new guidance retrospectively to all prior periods presented in the financial statements. This standard has been adopted beginning with the reporting period ended December 31, 2016. The adoption of ASU 2014-15 did not have an impact on the Organization's financial statements and related disclosures.

2. Summary of Significant Accounting Policies (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The standard also expands the required quantitative and qualitative disclosures surrounding leases. This standard is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. This standard will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Management does not expect this guidance to have a significant effect on the Organization's financial position and results of operations.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in the earlier recognition of allowances for losses. This guidance is effective for annual periods beginning after December 15, 2020. Early adoption is permitted. This standard will be applied as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. Management is currently evaluating the effect of these provisions on the Organization's financial position and results of operations.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The guidance is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Management is currently evaluating the effect of these provisions on the Organization's financial position and results of operations.

2. Summary of Significant Accounting Policies (continued)

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments — a consensus of the Emerging Issues Task Force*. This standard promotes consistency in the presentation of certain items on the Statement of Cash Flows. In November 2016 the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. This standard clarifies restricted cash and restricted cash equivalents should be presented in the statement of cash flows. These new standards are effective for annual periods beginning after December 15, 2018. Early adoption is permitted. Management is currently evaluating the effect of these provisions on the Organization's financial position and results of operations.

Subsequent Events

The Organization evaluated events occurring between the end of the most recent fiscal year and May 18, 2017, the date the financial statements were available to be issued.

3. Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2016	**2015**
Land, buildings and improvements	**$ 3,210,677**	$ 102,794
Equipment	**340,326**	340,326
Vehicles	**199,087**	182,414
Software	**62,650**	62,650
Leasehold improvements	**21,000**	21,000
Website development	**20,000**	20,000
	3,853,740	729,184
Less: accumulated depreciation	**(592,112)**	(578,989)
Property and equipment, net	**$ 3,261,628**	$ 150,195

3. Property and Equipment (continued)

The estimated useful life is forty years for buildings, five to seven years for equipment, five to ten years for vehicles, five years for software, and three years for website development. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the related asset. Depreciation relating to the Organization's property and equipment for the years ended December 31, 2016 and 2015 was $31,450 and $37,503, respectively.

During the year ended December 31, 2016, the Organization recorded a gain on sale and casualty loss of vehicles of approximately $7,000. During the year ended December 31, 2015, the Organization recorded a loss on disposal of land improvements of $22,000.The amounts for the years ended December 31, 2016 and 2015 are recorded in other income, net in the accompanying statements of activities.

During the year ended December 31, 2016, the Organization acquired land associated with the buildout of The Home Club valued at $3.1 million. The Organization paid $1.0 million, financed with a note payable (see Note 4), and the seller donated the remaining fair value of the land. The Organization recorded a non-cash charitable contribution of $2.1 million, which is recorded as temporarily restricted contributions in the accompanying statements of activities.

4. Line of Credit and Promissory Note

In December 2012, the Organization entered into a $250,000 unsecured revolving line of credit agreement with a financial institution. During 2016, the Organization extended the expiration date of the line of credit to September 6, 2017. Borrowings under this line of credit accrue interest at an annual rate equal to 4.5%, with interest only due monthly and full principal balance due upon maturity. There is no outstanding balance on the line of credit at December 31, 2016 and 2015.

4. Line of Credit and Promissory Note (continued)

In September 2016, the Organization entered into a promissory note with a financial institution in the amount of $1.0 million for the purchase of land associated with buildout of The Home Club. Borrowings under the promissory note bear interest at a rate of 2.75% per annum. The full principal balance of $1.0 million is due and payable in September 2018. Beginning October 1, 2016, the Organization will pay regular monthly payments of all accrued unpaid interest due as of each payment date. At December 31, 2016, the outstanding borrowings under the promissory note is $1.0 million, all of which is reflected as noncurrent within the accompanying statement of financial position. Land acquired with the promissory notes collateralizes the note.

5. Commitments

The Organization leases office facilities and certain equipment under non-cancellable operating leases. For the office facilities, the Organization recognizes expense on a straight-line basis and records the difference between the recognized rental expense and amounts payable under the lease as deferred rent.

Future minimum lease payments, by year and in aggregate, under non-cancelable operating leases consist of the following as of December 31, 2016:

Years ending December 31,	Operating Lease Obligations
2017	**$ 82,076**
2018	**3,330**
2019	**3,053**
Total minimum lease payments	**$ 88,459**

Rent expense under operating leases included in the accompanying statements of activities was $88,806 and $71,280 for the years ended December 31, 2016 and 2015, respectively.

6. Restrictions on Net Assets

Net assets are restricted as to use for the following purposes at December 31, 2016 and 2015:

	2016	2015
Organization:		
Academic success	**$ 410,115**	$ 201,679
STEM	**251,212**	167,000
Healthy habits	**509,500**	442,337
General program support	**20,230**	5,855
Character and leadership	**32,085**	9,585
Capital Campaign	**1,270,432**	427,521
Total Organization net assets	**2,493,574**	1,253,977
Foundation:		
Unrestricted to Foundation	**97,940**	96,380
Building – temporarily restricted	**127,642**	122,421
Scholarship – temporarily restricted	**76,884**	80,296
Club sustainment – temporarily restricted	**91,717**	57,965
Endowment – permanently restricted	**961,473**	922,142
Total Foundation net assets	**1,355,656**	1,279,204
Total net assets	**$3,849,230**	$2,533,181

Temporarily restricted net assets were released from donor restrictions as follows during the years ended December 31, 2016 and 2015:

	2016	2015
Programs	**$ 5,489,666**	$ 2,553,090
In-kind food donations	**514,888**	823,348
	$ 6,004,554	$ 3,376,438

7. National Affiliation

The Organization is an affiliate of the Boys and Girls Clubs of America. The Organization paid $15,865 and $14,956 during the years ended December 31, 2016 and 2015, respectively, to the national organization for membership dues.

8. Donated Material

The Organization receives various donated materials throughout the year which are used in the operation of the clubs and for fundraising events. Donated materials recorded as support and revenue totaled $1,109,391 and $1,090,561 for the years ended December 31, 2016 and 2015, respectively.

9. Retirement Plan

Effective April 2012, the Organization sponsors a defined contribution plan (the "Plan") in accordance with Section 401(k) of the Internal Revenue Code. The Plan is available to all regular employees of the Organization.

For the years ended December 31, 2016 and 2015, the Organization contributed $103,770 and $89,345, respectively, on behalf of its employees.

10. The Austin Boys and Girls Club Foundation

The Capital Area Boys and Girls Club Foundation, established in November 1999, is organized and operated exclusively for the benefit of the Organization. In January 2010, The Capital Area Boys and Girls Club Foundation filed a certificate of amendment changing its name to The Austin Boys and Girls Club Foundation (the "Foundation"). The Foundation bylaws provide for three of the ten board members to be appointed by the Organization. In addition, the chief executive officer of the Organization serves as an ex-officio member of the board but is unable to vote on any matter brought before the board of directors. Should the Organization discontinue operations, the net assets are to be used for the benefit of The Boys and Girls Clubs of Austin Area. Should the Boys and Girls Clubs of Austin Area discontinue operations, the net assets are to be distributed to The Boys and Girls Club of America and then to United Way Capital Area for the exclusive benefit of disadvantaged youth in the Austin area.

10. The Austin Boys and Girls Club Foundation (continued)

During the year ended December 31, 2015, the Organization transferred $500,000 to the Foundation to assist in establishing the Foundation's endowment. Additionally, during the years ended December 31, 2016 and 2015, the Foundation gifted approximately $39,000 and $35,000, respectively to the Organization.

Although the Organization has a financial interest in the Foundation, it does not control the Foundation through board representation or other means. Accordingly, the Foundation is not combined in the accompanying financial statements. The Organization is financially interrelated to and has influence relative to the operations of the Foundation. Accordingly, the net assets of the Foundation are reflected in the accompanying financial statements. See Note 6.

The Foundation's net assets are controlled by a separate board of directors and the Organization's ability to access these funds is significantly limited and subject to pre-approval by the Foundation board of directors.

Summarized financial information for the Foundation as of December 31, 2016 and 2015 is as follows:

	December 31,	
	2016	**2015**
Current assets	**$ 491,310**	$ 409,329
Investments	**864,346**	869,875
Total assets	**$1,355,656**	$1,279,204
Current liabilities	**$ –**	$ –
Net assets – permanently restricted	**961,473**	922,142
Net assets – temporarily restricted	**296,243**	260,682
Net assets - unrestricted	**97,940**	96,380
Total liabilities and net assets	**$1,355,656**	$1,279,204
Revenues	**$ 65,558**	$ 457,087
Change in net assets	**$ (28,785)**	$ 421,783

Other Financial Information

Boys and Girls Clubs of Austin and Travis County, Inc.
d/b/a Boys and Girls Clubs of the Austin Area

Schedules of Expenses by Location
(unaudited)

	December 31,	
Location:	**2016**	**2015**
Galindo	**$ 61,451**	$ 12,604
East Austin	**236,728**	204,285
Webb Middle School	**221,980**	201,392
Burnet Middle School	**247,225**	228,690
Wooldridge	**302,135**	256,520
Bedichek	**–**	3,623
Del Valle High School	**38,551**	10,028
Gus Garcia	**252,953**	210,508
Cook	**271,382**	241,074
Lanier	**211,586**	232,235
Mendez	**87,088**	175,915
McBee	**259,750**	241,149
Ann Richards	**254,131**	248,344
SW Key	**201,823**	188,702
Overton	**238,712**	238,343
LBJ	**199,255**	178,652
HACA - Chalmers	**192,013**	170,188
HACA - Thurmond	**135,518**	130,752
Del Valle Middle School	**145,305**	139,982
SWK2	**175,030**	145,886
Small	**–**	3,982
Barbara Jordan	**228,919**	235,930
Walnut Creek	**249,738**	240,602
Simms	**239,696**	222,598
HACA - Meadowbrook	**170,212**	152,656
San Juan Diego	**129,452**	120,488
Sadler	**123,469**	115,782
Bastrop	**223,019**	–
NYOS	**55,972**	–
Total club expenses	**$ 5,153,093**	$ 4,550,910
Total in-kind food expenses included in program expenses in accompany statements of activities	**$ 514,000**	$ 823,348
Total program expenses	**$ 5,667,093**	$ 5,374,258