

Boys & Girls Clubs of Metro Richmond and Boys & Girls Clubs of Metro Richmond Foundation

Combined Financial Statements

June 30, 2019



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BOYS & GIRLS CLUBS OF METRO RICHMOND

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**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Boards of Directors
Boys & Girls Clubs of Metro Richmond
Boys & Girls Clubs of Metro Richmond Foundation
Richmond, Virginia

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the Boys & Girls Clubs of Metro Richmond and the Boys & Girls Clubs of Metro Richmond Foundation (collectively, the “Organization”), which comprise the combined statement of financial position as of June 30, 2019, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Metro Richmond and Boys & Girls Clubs of Metro Richmond Foundation as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Accounting Standards Update ("ASU") 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). As a result of this adoption, net assets are presented as net assets without donor restrictions and net assets with donor restrictions. In addition, there are additional disclosures related to an analysis of expenses by function and nature, and disclosures of quantitative and qualitative information regarding liquidity and availability of resources. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the 2018 combined financial statements of Boys & Girls Clubs of Metro Richmond and Boys & Girls Clubs of Metro Richmond Foundation, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated November 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Keiter", with a long, sweeping horizontal stroke extending to the right.

November 14, 2019
Glen Allen, Virginia

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Combined Statement of Financial Position
June 30, 2019 with Comparative Totals as of June 30, 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 6,459,895	\$ 6,086,642
Cash held under agency agreement	83,230	58,947
Grants receivable - current	690,237	470,408
Pledges receivable - current	1,192,307	1,385,485
Beneficial interest in charitable lead trust - current	30,000	30,000
Other assets	<u>57,547</u>	<u>46,628</u>
Total current assets	8,513,216	8,078,110
Grants receivable - noncurrent, net	534,410	600,000
Pledges receivable - noncurrent, net	104,947	1,361,701
Investments	-	60,300
Beneficial interest in charitable lead trust - noncurrent	349,397	352,663
Beneficial interest in assets held by the Community		
Foundation for a Greater Richmond	991,297	781,567
Property and equipment, net	<u>1,453,724</u>	<u>1,643,403</u>
Total assets	<u>\$ 11,946,991</u>	<u>\$ 12,877,744</u>

See accompanying notes to combined financial statements.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Combined Statement of Financial Position, Continued
June 30, 2019 with Comparative Totals as of June 30, 2018

<u>Liabilities and Net Assets</u>	<u>2019</u>	<u>2018</u>
Current liabilities:		
Accounts payable	\$ 9,216	\$ 87,579
Accrued expenses	125,739	132,794
Agency funds	83,230	58,947
Scholarships payable	67,464	77,717
Deferred revenue	<u>4,925</u>	<u>7,600</u>
Total current liabilities	<u>290,574</u>	<u>364,637</u>
Net assets:		
Net assets without donor restrictions:		
Undesignated, Club	4,417,512	4,288,694
Undesignated, Foundation	-	137,676
Board designated endowment fund, Foundation	<u>622,869</u>	<u>406,654</u>
Total net assets without donor restrictions	<u>5,040,381</u>	<u>4,833,024</u>
Net assets with donor restrictions, Club	6,247,608	7,305,170
Net assets with donor restrictions, Foundation	<u>368,428</u>	<u>374,913</u>
Total net assets with donor restrictions	<u>6,616,036</u>	<u>7,680,083</u>
Total net assets	<u>11,656,417</u>	<u>12,513,107</u>
Total liabilities and net assets	<u>\$ 11,946,991</u>	<u>\$ 12,877,744</u>

See accompanying notes to combined financial statements.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Combined Statement of Activities
Year Ended June 30, 2019 with Comparative Totals for Year Ended June 30, 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions and grants	\$ 1,410,671	\$ 1,201,686	\$ 2,612,357	\$ 4,688,352
Contributions, in-kind	443,003	-	443,003	454,795
Special events	57,145	-	57,145	62,500
Program services fees	68,743	-	68,743	57,235
Change in value of beneficial interest in charitable lead trust	-	26,735	26,735	1,839
Change in value of beneficial interest in assets held by the Community Foundation for a Greater Richmond	23,685	11,981	35,666	53,389
Investment return, net	92,267	-	92,267	28,394
(Loss) gain on disposal of property and equipment	(123,205)	-	(123,205)	3,884
Miscellaneous income	7,816	-	7,816	12,376
	<u>1,980,125</u>	<u>1,240,402</u>	<u>3,220,527</u>	<u>5,362,764</u>
Net assets released from restrictions:				
Satisfaction of time or purpose restrictions	<u>2,239,449</u>	<u>(2,239,449)</u>	<u>-</u>	<u>-</u>
 Total support and revenue	 <u>4,219,574</u>	 <u>(999,047)</u>	 <u>3,220,527</u>	 <u>5,362,764</u>

See accompanying notes to combined financial statements.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Combined Statement of Activities, Continued
Year Ended June 30, 2019 with Comparative Totals for Year Ended June 30, 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Expenses and losses:				
Program services, youth services	\$ 2,775,463	\$ -	\$ 2,775,463	\$ 2,453,974
Supporting services:				
Management and general	810,043	-	810,043	872,055
Fundraising	426,711	-	426,711	365,721
Total expenses	4,012,217	-	4,012,217	3,691,750
Loss allowance on pledges and grants receivable	-	65,000	65,000	704,000
Total expenses and losses	4,012,217	65,000	4,077,217	4,395,750
Change in net assets	207,357	(1,064,047)	(856,690)	967,014
Net assets at beginning of year	4,833,024	7,680,083	12,513,107	11,546,093
Net assets at end of year	<u>\$ 5,040,381</u>	<u>\$ 6,616,036</u>	<u>\$ 11,656,417</u>	<u>\$ 12,513,107</u>

See accompanying notes to combined financial statements.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Combined Statement of Functional Expenses
Year Ended June 30, 2019 with Comparative Totals for Year Ended June 30, 2018

	2019			2018	
	Programs		Fundraising	Total	Total
	Youth Services	Management & General			
Salaries	\$ 1,202,288	\$ 426,338	\$ 295,621	\$ 1,924,247	\$ 1,687,672
Employee benefits	121,401	46,525	33,417	201,343	157,982
Payroll taxes	96,823	27,767	22,186	146,776	133,704
Total personnel expense	1,420,512	500,631	351,223	2,272,366	1,979,358
Professional fees	109,213	164,904	17,789	291,906	213,793
Office supplies	5,885	5,669	1,637	13,191	16,032
Program supplies	138,585	-	-	138,585	104,140
Telephone and internet	13,482	2,640	2,956	19,077	18,360
Postage and shipping	-	928	999	1,927	1,313
Occupancy	657,637	35,187	30,997	723,822	717,469
Equipment rental and repair	62,513	3,115	588	66,215	77,850
Printing and promotion	1,004	1,829	1,008	3,841	2,165
Advertising	-	627	-	627	25,000
Transportation	81,683	1,518	-	83,201	87,610
Training, conferences, and meetings	74,350	22,858	11,459	108,667	192,356
Event costs	27,868	193	649	28,711	44,026
Miscellaneous	10,090	46,142	2,771	59,003	24,699
Dues	7,138	14,598	2,273	24,010	24,399
Scholarships	6,364	-	-	6,364	11,000
Program clubs	5,682	-	-	5,682	11,988
Depreciation	153,458	9,204	2,361	165,023	140,192
Total expenses	<u>\$ 2,775,463</u>	<u>\$ 810,043</u>	<u>\$ 426,711</u>	<u>\$ 4,012,217</u>	<u>\$ 3,691,750</u>

See accompanying notes to combined financial statements.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Combined Statement of Cash Flows
Year Ended June 30, 2019 with Comparative Totals for Year Ended June 30, 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (856,690)	\$ 967,014
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	165,023	140,192
Loss allowance on pledges and grants receivable	65,000	704,000
Cash collections for capital campaign	(176,000)	(976,792)
Change in value of beneficial interest in charitable lead trust	(26,735)	(1,839)
Change in value of beneficial interest in assets held by the Community Foundation for a Greater Richmond	(35,666)	(55,355)
Unrealized loss on investments	-	1,966
Gain on sale of investments	(91)	-
Loss (gain) on disposal of property and equipment	123,205	(3,884)
Changes in assets and liabilities:		
Grants receivable	(219,239)	(842,096)
Pledges receivable	1,449,932	170,574
Other assets	(10,919)	470
Accounts payable	(78,363)	22,724
Accrued expenses	(7,055)	84,579
Scholarships payable	(10,253)	(18,005)
Deferred revenue	(2,675)	2,170
	379,474	195,718
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(98,549)	(211,147)
(Deposits) withdrawals from beneficial interest in assets held by the Community Foundation for a Greater Richmond	(174,064)	4,645
Proceeds from sale of investments	60,391	-
Payments received on note receivable	-	168,562
Proceeds from the disposal of property and equipment	-	3,884
	(212,222)	(34,056)
Net cash used in investing activities		

See accompanying notes to combined financial statements.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Combined Statement of Cash Flows, Continued
Year Ended June 30, 2019 with Comparative Totals for Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities:		
Payments received from charitable lead trust	\$ 30,001	\$ 30,000
Cash collections for capital campaign	<u>176,000</u>	<u>1,306,792</u>
Net cash provided by financing activities	<u>206,001</u>	<u>1,336,792</u>
Net change in cash and cash equivalents	373,253	1,498,454
Cash and cash equivalents, beginning of year	<u>6,086,642</u>	<u>4,588,188</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,459,895</u></u>	<u><u>\$ 6,086,642</u></u>

See accompanying notes to combined financial statements.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements

1. Organization:

The Boys & Girls Clubs of Metro Richmond (the “Club”) and its related but separate entity, Boys & Girls Clubs of Metro Richmond Foundation (the “Foundation”) are not-for-profit organizations.

The primary purpose of the Club is to provide behavioral guidance and to promote the health, social, educational, vocational, and character development of youth. The primary mission shall be to inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible, and caring citizens. The Club is primarily supported through public and private grants, direct contributions from the public, including special events, as well as indirect contributions allocated by United Way Services.

The Boys & Girls Clubs of Metro Richmond Foundation, a Virginia charitable non-stock corporation, operates as a supporting organization by conducting and supporting activities that carry out the charitable, literary, and educational purposes of the Club.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”) as determined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Principles of Combination: The combined financial statements include the financial position and changes in net assets of the Boys & Girls Clubs of Metro Richmond and Boys & Girls Clubs of Metro Richmond Foundation (collectively, the “Organization”). All significant intercompany accounts and transactions were eliminated upon combination.

Adoption of New Accounting Principles: In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adopted this ASU as of and for the year ended June 30, 2019 with retrospective presentation in the 2018 comparative totals. As a result, the Organization changed the presentation of its net asset classes and expanded the note disclosures as required by the ASU.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Basis of Presentation: The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's combined financial statements for the year ended June 30, 2018, from which the summarized information was derived.

The Organization classifies its net assets into two categories: net assets with donor restrictions and net assets without donor restrictions. The Organization reports amounts separately as follows.

Net assets without donor restrictions include net assets currently available at the discretion of the Organization's Board of Directors. Net assets without donor restrictions include revenue and expenses used currently for the general operations and programs of the Organization. In addition, the Board of Directors have designated certain funds for investment purposes, which are held with the Community Foundation for a Greater Richmond (see Note 15).

Net assets with donor restrictions include net assets resulting from support and revenue whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those donor-imposed stipulations, or are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

Pledges and Grants Receivable: Pledges and grants receivable are recorded when the unconditional promise to give is made. An allowance is provided for amounts estimated to be uncollectible. Management determined that an allowance of \$65,000 and \$700,000 was required at June 30, 2019 and June 30, 2018, respectively.

Pledges and grants receivable that are due in the next year are recorded at their net realizable value. When required, pledges and grants receivable, that are due in subsequent years, are reported at the estimated present value.

Investments: Investments consisted of marketable equity and fixed income securities and were recorded at their fair market value. Donated investments are recorded at fair value as of the date gift is received. The Organization considers unrealized gains and losses on securities to be part of their operating activities. Investments were sold during 2019 and transferred to cash.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 3 to 15 years for furniture, fixtures, leasehold improvement, and equipment and 7 to 39 years for buildings. The costs of major improvements over \$1,000 are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed.

Beneficial Interest in Assets Held by the Community Foundation for a Greater Richmond: The Foundation carries its beneficial interest in the assets held by the Community Foundation for a Greater Richmond at fair value.

Deferred Revenue: Deferred revenue consists primarily of fees collected in advance of the program service.

In-Kind Contributions: The Organization recognizes contributed services, supplies, assets, and other items in accordance with GAAP. All in-kind contributions are recorded when received at fair value as income and expenses or capitalized as property or equipment. 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 to programs, campaign solicitations, and various committee assignments. In 2019, in-kind contributions of \$439,062 represent the estimated fair market value of facilities and \$3,941 represent the estimated fair market value of miscellaneous supplies used for programming by the Organization at no cost. In 2018, in-kind contributions of \$440,562 represent the estimated fair market value of facilities and \$14,233 represent the estimated fair market value of miscellaneous supplies used for programming by the Organization at no cost.

Advertising: Advertising costs are expensed as incurred.

Income Taxes: The Internal Revenue Service (the "IRS") has determined that the Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "IRC" or "the code"). Contributions to the Organization are tax deductible as defined by Section 170 of the Code. In addition, the IRS has determined that the Organization is not a "private foundation" within the meaning of Section 509(a) of the Code.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the combined financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax position and concluded that Organization had taken no uncertain tax positions that require adjustment to the combined financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Functional Allocation of Expenses: The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel and other expenses are allocated based on time and effort of identified employees. Staff training, conferences, professional fees, program supplies and office supplies are allocated based on total directly identified expenses. Other expenses are allocated based on management's estimate of time and effort of identified employees involved in those functions.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, pledges receivable, grants receivable, and investments.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant financial credit risk on cash.

Pledges and grants receivable are generally from individuals, corporations and foundations located in Virginia. The Organization believes its credit risk related to these receivables is limited due to the nature of its donors and grantors. The ability to collect receivables is affected by the general economic conditions.

The Organization's investments are exposed to various risks, such as interest rate, market and credit. The investments were sold during 2019.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Use of Estimates: The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the periods reported. Actual results could differ from those estimates.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

Subsequent Events: Management has evaluated subsequent events through November 14, 2019, the date the combined financial statements were available to be issued, and has determined that, except for the following, there are no other subsequent events to be reported in the accompanying combined financial statements.

Subsequent to year-end, the Organization entered into a lease with a term of five years for a building that will be used as a temporary teen center. During the initial year of the lease, the base annual rent will be \$40,305, payable monthly. The base annual rent will increase by 2% in each subsequent year.

Subsequent to year-end, the Organization signed an Intent to Purchase agreement for a new building in Richmond, Virginia that will be renovated for use for a new teen center. Negotiations of the final purchase price and acquisition date are ongoing and are not known as of November 14, 2019.

3. Pledges and Grants Receivable:

Pledges receivable include capital pledges from the Organization's Create New Statistics capital campaign and operating pledges due from the Organization's annual campaign. Unconditional promises are primarily from individuals located in Metropolitan Richmond. Pledges receivable as of June 30, 2019 and 2018, are expected to be received as follows:

	2019	2018
Receivable in less than one year	\$ 1,192,307	\$ 1,385,485
Receivable in two to five years	173,976	1,398,207
Total unconditional promises to give	1,366,283	2,783,692
Allowance for uncollectible pledges	(65,000)	-
Less discount of 2%	(4,029)	(36,506)
	\$ 1,297,254	\$ 2,747,186

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

3. Pledges and Grants Receivable, Continued:

Grants receivable include operating grants from local corporations and foundations and as of June 30, 2019 and 2018, are expected to be received as follows:

	2019	2018
Receivable in less than one year	\$ 690,237	\$ 470,408
Receivable in two to five years	550,000	1,300,000
Total grants receivable	1,240,237	1,770,408
Allowance for uncollectible grants receivable	-	(700,000)
Less discount of 2%	(15,590)	-
	\$ 1,224,647	\$ 1,070,408

4. Investments in Marketable Securities:

As of June 30, 2019 and 2018, the costs of investments and their related fair values were as follows:

	2019		2018	
	Cost	Market Value	Cost	Market Value
Mutual fund	\$ -	\$ -	\$ 63,644	\$ 60,300

The Organization invested in an intermediate bond fund. The fund was designed to provide broad exposure to U.S. investment grade bonds and invests about 30% in corporate bonds and 70% in U.S. government bonds of all maturities (short-, intermediate-, and long-term issues).

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

5. Beneficial Interest in Assets Held at the Community Foundation for a Greater Richmond:

During fiscal year 2012, the Foundation established an agency endowment fund (the "Fund") at the Community Foundation for a Greater Richmond ("TCF") and specified itself as the beneficiary of the funds. In addition, the Foundation established three designated funds or "subfunds" of the endowment that contain donor funds with donor restrictions. The main endowment fund was created to serve as a supplemental and emergency financial resource to support the Club in its mission to serve young people in the Greater Richmond Area.

Activity in the Fund was as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Balance, beginning of year	\$ 781,567	\$ 730,857
Contributions from the Club	211,035	30,000
Unrestricted support to TCF	(8,186)	(7,667)
Spendable income released	(36,971)	(34,645)
Net investment gain	43,852	63,022
Balance, end of year	\$ 991,297	\$ 781,567

6. Beneficial Interest in Charitable Lead Trust:

During fiscal year 2015, a donor established a charitable trust naming the Club as a lead beneficiary along with other charities. Under the terms of the agreement, the Club will receive a distribution of \$7,500 per quarter for twenty years. On an annual basis, the Club revalues the beneficial interest based on a discount rate reflective of the term of the agreement (2.31%).

7. Fair Value Measurements:

The Organization follows FASB guidance on fair value measurements. The provisions of the guidance provides a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

7. Fair Value Measurements, Continued:

Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 – Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model drive valuations with significant inputs and drivers derived from observable active markets.
- Level 3 – Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and previous years.

Mutual fund: Valued at the daily closing price as reported by the fund. The mutual fund held by the Organization is an open-ended mutual fund that is registered with the Securities and Exchange Commission. The fund is required to publish its daily net asset value and to transact at that price. The mutual fund held by the Organization is deemed to be actively traded. The investments were sold during 2019.

Pledges and grants receivable: Level 1 assets are valued at face value of amounts receivable from donors within one year. Level 2 assets are valued at the present value of cash flows receivable from donors in a time period greater than one year using a discount rate of 2%.

Benefit interest in assets held at TCF: Valued based on the Foundation's proportionate share of TCF's pooled investment portfolio. The Foundation does not have the ability to redeem this beneficial interest on a short-term basis. Withdrawals are limited to the terms of the Foundation's agreement with TCF.

Beneficial interest in Charitable Lead Trust: Valued by calculating the present value of the annuity using a discount rate commensurate with the term of the trust.

The methods described above 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 different fair value measurement at the reporting date.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

7. Fair Value Measurements, Continued:

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 and 2018:

Assets at Fair Value as of June 30, 2019:				
	Level 1	Level 2	Level 3	Total
Pledges receivable	\$ 1,192,307	\$ 104,947	\$ -	\$ 1,297,254
Grants receivable	690,237	534,410	-	1,224,647
Beneficial interest in assets held at TCF	-	-	991,297	991,297
Beneficial interest in charitable lead trust	-	379,397	-	379,397
	<u>\$ 1,882,544</u>	<u>\$ 1,018,754</u>	<u>\$ 991,297</u>	<u>\$ 3,892,595</u>
Assets at Fair Value as of June 30, 2018:				
	Level 1	Level 2	Level 3	Total
Mutual fund	\$ 60,300	\$ -	\$ -	\$ 60,300
Pledges receivable	1,385,485	1,361,701	-	2,747,186
Grants receivable	470,408	600,000	-	1,070,408
Beneficial interest in assets held at TCF	-	-	781,567	781,567
Beneficial interest in charitable lead trust	-	382,663	-	382,663
	<u>\$ 1,916,193</u>	<u>\$ 2,344,364</u>	<u>\$ 781,567</u>	<u>\$ 5,042,124</u>

A reconciliation of the beginning and ending balances of the beneficial interest in assets held at TCF measured at fair value on a recurring basis using Level 3 inputs can be found in Note 5.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

8. Property and Equipment:

Property and equipment consisted of the following at June 30, 2019 and 2018:

	2019	2018
Land and land improvements	\$ 836,154	\$ 836,154
Buildings and building improvements	1,918,026	1,918,026
Furniture, fixtures, and equipment	709,443	649,171
Automotive equipment	299,620	299,619
Construction in progress	38,277	123,206
	3,801,520	3,826,176
Accumulated depreciation	(2,347,796)	(2,182,773)
	\$ 1,453,724	\$ 1,643,403

Total depreciation expense was \$165,023 for 2019 and \$140,192 for 2018.

9. Line of Credit:

The Club has a line of credit in the amount of \$400,000, which is scheduled to mature in May 2020. The line of credit is unsecured. Interest is paid monthly at the bank's prime rate (currently 5.50%), with a minimum floor of 4.50%. There was no balance outstanding at June 30, 2019 or June 30, 2018.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

10. Liquidity and Availability of Resources:

The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when restricted by a donor for time or purpose or because the governing board has set aside the funds for a specific purpose.

Financial assets:	
Cash	\$ 6,459,895
Pledges and grants receivable	<u>1,882,544</u>
 Total financial assets	 8,342,439
 Less those unavailable for general expenditure within one year due to:	
Donor imposed restrictions, where funds can only be used to support certain activities or programs	 <u>6,616,036</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 1,726,403</u>

The financial affairs of the Organization will be managed on a comprehensive basis to ensure that the mission of the Organization, as a whole, is supported in a fiscally responsible and cost-effective manner. Adequate reserves will be maintained to fund major maintenance for facilities, significant unexpected expenditures, opportunities to expand services to the community, the acquisition of capital assets and, as necessary, supplement financial operating results. The Organization operates annually on a balanced budget where contributions and program fees equal its operating expenses. The reserve funds and its operating performance are reviewed on a consistent basis by management and the Finance Committee.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

11. Net Assets with Donor Restrictions:

Net assets with donor restrictions within the Club consist of the following at June 30, 2019 and 2018:

	2019	2018
Programming	\$ 2,488,551	\$ 4,501,832
Capital campaign	3,379,660	2,420,675
Beneficial interest in charitable lead trust	379,397	382,663
	\$ 6,247,608	\$ 7,305,170

Net assets with donor restrictions within the Foundation consist of the following at June 30, 2019 and 2018:

	2019	2018
Training endowment grant	\$ 292,270	\$ 297,415
Provide scholarship assistance	76,158	77,498
	\$ 368,428	\$ 374,913

During 2019 and 2018, net assets released from restriction resulted from spending for Club programs, construction in progress, and the expiration of the time restriction on pledges receivable.

12. Retirement Plan:

Through February 28, 2018, the Club participated in a defined contribution money purchase plan through the Boys & Girls Clubs of America Master Pension Plan's Trust, which provided retirement benefits for eligible employees. The plan was non-contributory, and the Club made annual contributions to the plan equal to 5% of employees' salaries. The Club's total contributions were \$29,707 for 2018.

Effective March 1, 2018, the Club sponsors a defined contribution retirement plan which covers all employees who must meet eligibility requirements. The plan enables participants to make contributions, and the Club makes safe harbor contributions to the eligible participants equal to 3% of participant's compensation. In addition, the Club may make a discretionary matching contribution to the eligible participants. The Club's contributions to the plan was \$41,977 for 2019 and \$12,270 for 2018.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

13. Commitments:

Certain property was a gift purchase for \$10 from the City of Richmond, who has the right of repurchase for cost, plus improvements other than operations, for the period of time beginning January 1, 2000, and ending 25 years afterwards. The property is used for the Southside Club Facilities.

The Club has a lease for an administrative office that expires in May 2020. Rent under the lease is currently payable monthly at \$6,215. In June 2019, The Club signed a five year lease for a building to be used as a teen center. Rent will begin when improvements on the building are complete and will be payable monthly in the first year of the lease at \$3,359. The Club also leases office equipment with rent payable monthly at \$428.

Total minimum future payments at June 30, 2019 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 101,506
2021	45,988
2022	46,805
2023	46,352
2024	43,342
Thereafter	14,542
	<u>\$ 298,535</u>

During 2019, rent expense totaled \$526,867, of which \$439,062 (Club site) represents non-cash rental expense. During 2018, rent expense totaled \$521,665, of which \$440,562 (Club site) represents non-cash rental expense.

14. Agency and Intermediary Funds:

Financial accounting standards for transfers of assets to a nonprofit or charitable trust that raises or holds contributions for others identifies certain situations when an organization does not record contribution revenue when it receives funds. Instead, the recipient organization records an asset and a liability. These situations include transactions where the organization receives funds as an agent, trustee, or intermediary.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

14. Agency and Intermediary Funds, Continued:

The Club is the fiscal agent for various nonprofit Boys & Girls Clubs related organizations including the VA/DC Area Council, the VA State Alliance, and VA Excels. The Club is responsible for receiving and depositing funds, as well as writing checks on behalf of these organizations. Transactions made on behalf of these organizations are not included in the Club's combined statements of activities. The amount held by the Club on behalf of these organizations was \$83,230 at June 30, 2019 and \$58,947 at June 30, 2018.

15. Board Designated Endowment Fund:

During the year ended June 30, 2012, the Board of Directors established a general endowment fund through TCF to support the mission of the Club. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

The Foundation has a spending policy of appropriating for distribution each year 5% of its Board designated endowment fund's balance averaged over the past twelve quarters, exclusive of the compensation to TCF. Any spendable income not requested by the Foundation within a given calendar year will be returned to the endowment fund's principal balance. Upon meeting certain conditions, the Foundation may in addition request for distributions up to 10% of the prior year ending balance in the endowment fund. TCF's Board of Governors shall have full authority and discretion as to the investment of the assets of the endowment fund. Additionally, all assets held in the endowment shall be subject to the variance power and other provisions of the governing documents of TCF, including, without limitation, the power contained therein for TCF's Board of Governors to modify any restrictions or conditions on the distribution of the funds for any specified charitable purpose or to specified organizations, if in their sole judgment, such restriction or condition becomes incapable of fulfillment. In the event the Organization no longer exists, the TCF Board of Governors will identify one or more nonprofit organizations with missions similar to that of the Organization to receive the annual distribution.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND
BOYS & GIRLS CLUBS OF METRO RICHMOND FOUNDATION**

Notes to Combined Financial Statements, Continued

15. Board Designated Endowment Fund, Continued:

Endowment fund activity for the year ended June 30, 2019 and 2018 is as follows:

	2019	2018
Board designated endowment net assets, beginning of year	\$ 406,654	\$ 364,871
Contributions from the Club	211,035	30,000
Withdrawals	(22,991)	(20,099)
Net appreciation	28,171	31,882
Board designated endowment net assets, end of year	\$ 622,869	\$ 406,654

16. Recent Accounting Pronouncements:

Leases: In February 2016, the FASB issued new guidance over leases which requires that all leasing activity with initial terms in excess of twelve months be recognized on the balance sheet with a right of use asset and a lease liability. The standard will require entities to classify leases as either a finance, or operating lease based upon the contractual terms. For finance leases, the right to use asset and lease liability will be calculated based upon the present value of the lease payments. The asset will then be amortized and the interest on the obligation will be recognized separately within the statement of operations. On the statement of cash flows, the principal portion of the finance lease payments will be classified as a financing activity. For operating leases, the right to use asset and lease liability will also be calculated based upon the present value of the lease payments. However, the cost of the lease will generally be allocated over the lease term on a straight-line basis and presented as a single expense on the statement of operations. On the statement of cash flows, all cash payments for operating leases will be classified as an operating activity. The new standard will be effective for periods beginning after December 15, 2020, and will require entities to use a modified retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.

Contributions Received and Contributions Made: In June 2018, the FASB issued ASU 2018-08, "Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which presents a new methodology for determining whether a grant contribution or contribution received or made by a not-for-profit entity should be accounted for as an exchange transaction or as a contribution. This new standard is effective for fiscal years beginning after December 31, 2018, for entities receiving contributions and fiscal years beginning after December 31, 2019, for entities providing contributions, with early adoption permitted. The Organization is currently evaluating the reporting and economic implications of the new standard.