

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

Combined Financial Statements

June 30, 2020



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## **BOYS & GIRLS CLUBS OF METRO RICHMOND**

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

**OFFICERS**

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**BOARD OF DIRECTORS**

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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, 2020, 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, 2020, 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.

## **Report on Summarized Comparative Information**

We have previously audited the 2019 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 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 "Keita", with a stylized flourish at the end.

November 11, 2020  
Glen Allen, Virginia

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

Combined Statement of Financial Position  
June 30, 2020 with Comparative Totals as of June 30, 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 6,559,687	\$ 6,459,895
Cash held under agency agreement	83,851	83,230
Grants receivable - current	760,790	690,237
Pledges receivable - current	295,930	1,192,307
Beneficial interest in charitable lead trust - current	30,000	30,000
Other assets	<u>155,880</u>	<u>57,547</u>
Total current assets	7,886,138	8,513,216
Grants receivable - noncurrent, net	515,882	534,410
Pledges receivable - noncurrent, net	50,869	104,947
Beneficial interest in charitable lead trust - noncurrent	356,618	349,397
Beneficial interest in assets held by the Community Foundation for a Greater Richmond	1,054,223	991,297
Property and equipment, net	<u>2,990,332</u>	<u>1,453,724</u>
Total assets	<u>\$ 12,854,062</u>	<u>\$ 11,946,991</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, 2020 with Comparative Totals as of June 30, 2019

<u>Liabilities and Net Assets</u>	<u>2020</u>	<u>2019</u>
Current liabilities:		
Notes payable - current	\$ 478,717	\$ -
Accounts payable	161,377	9,216
Accrued expenses	88,036	125,739
Agency funds	83,851	83,230
Scholarships payable	47,393	67,464
Deferred revenue	-	4,925
	<hr/>	<hr/>
Total current liabilities	859,374	290,574
Long-term liabilities:		
Notes payable - long-term	<u>631,736</u>	<u>-</u>
Net assets:		
Net assets without donor restrictions:		
Undesignated, Club	5,064,244	4,417,512
Board designated endowment fund, Foundation	<u>711,640</u>	<u>622,869</u>
	<hr/>	<hr/>
Total net assets without donor restrictions	5,775,884	5,040,381
Net assets with donor restrictions, Club	5,244,485	6,247,608
Net assets with donor restrictions, Foundation	<u>342,583</u>	<u>368,428</u>
	<hr/>	<hr/>
Total net assets with donor restrictions	5,587,068	6,616,036
	<hr/>	<hr/>
Total net assets	11,362,952	11,656,417
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 12,854,062</u>	<u>\$ 11,946,991</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, 2020 with Comparative Totals for Year Ended June 30, 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions and grants	\$ 1,647,413	\$ 1,213,899	\$ 2,861,312	\$ 2,612,357
Contributions, in-kind	430,618	-	430,618	443,003
Special events	-	-	-	57,145
Program services fees	86,315	-	86,315	68,743
Change in value of beneficial interest in charitable lead trust	-	37,220	37,220	26,735
Change in value of beneficial interest in assets held by the Community Foundation for a Greater Richmond	(15,127)	(7,268)	(22,395)	35,666
Interest income	79,237	-	79,237	92,267
Gain (loss) on disposal of property and equipment	7,581	-	7,581	(123,205)
Miscellaneous income	29,680	-	29,680	7,816
	<u>2,265,717</u>	<u>1,243,851</u>	<u>3,509,568</u>	<u>3,220,527</u>
Net assets released from restrictions:				
Satisfaction of time or purpose restrictions	<u>2,262,819</u>	<u>(2,262,819)</u>	<u>-</u>	<u>-</u>
 Total support and revenue	 <u>4,528,536</u>	 <u>(1,018,968)</u>	 <u>3,509,568</u>	 <u>3,220,527</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, 2020 with Comparative Totals for Year Ended June 30, 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Expenses and losses:				
Program services, youth services	\$ 2,615,108	\$ -	\$ 2,615,108	\$ 2,775,463
Supporting services:				
Management and general	680,658	-	680,658	810,043
Fundraising	497,267	-	497,267	426,711
Total expenses	3,793,033	-	3,793,033	4,012,217
Loss allowance on pledges and grants receivable	-	10,000	10,000	65,000
Total expenses and losses	3,793,033	10,000	3,803,033	4,077,217
Change in net assets	735,503	(1,028,968)	(293,465)	(856,690)
Net assets at beginning of year	5,040,381	6,616,036	11,656,417	12,513,107
Net assets at end of year	\$ 5,775,884	\$ 5,587,068	\$ 11,362,952	\$ 11,656,417

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, 2020 with Comparative Totals for Year Ended June 30, 2019

	2020			2019	
	Programs			Total	
	Youth Services	Management & General	Fundraising	Total	Total
Salaries	\$ 1,084,762	\$ 397,042	\$ 349,754	\$1,831,558	\$ 1,924,247
Employee benefits	108,027	41,042	28,987	178,056	201,343
Payroll taxes	89,195	25,782	24,987	139,964	146,776
Total personnel expense	1,281,984	463,866	403,728	2,149,578	2,272,366
Professional fees	157,875	90,361	52,070	300,306	291,906
Office supplies	4,428	5,044	845	10,317	13,191
Program supplies	119,328	-	-	119,328	138,585
Telephone and internet	15,480	3,436	2,145	21,061	19,077
Postage and shipping	86	365	1,992	2,443	1,927
Occupancy	537,435	50,472	16,229	604,136	723,822
Equipment rental and repair	55,738	3,301	740	59,779	66,215
Printing and promotion	574	590	2,089	3,253	3,841
Advertising	750	593	-	1,343	627
Transportation	90,217	61	123	90,401	83,201
Training, conferences, and meetings	18,744	14,517	2,387	35,648	108,667
Event costs	19,264	288	3,653	23,205	28,711
Miscellaneous	11,534	26,667	6,145	44,346	59,003
Dues	7,861	12,738	2,229	22,828	24,010
Scholarships	86,426	-	-	86,426	6,364
Program clubs	5,116	-	-	5,116	5,681
Depreciation	202,268	8,359	2,892	213,519	165,023
Total expenses	<u>\$ 2,615,108</u>	<u>\$ 680,658</u>	<u>\$ 497,267</u>	<u>\$3,793,033</u>	<u>\$ 4,012,217</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, 2020 with Comparative Totals for Year Ended June 30, 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (293,465)	\$ (856,690)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	213,519	165,023
Loss allowance on pledges and grants receivable	10,000	65,000
Cash collections for capital campaign	(195,000)	(176,000)
Change in value of beneficial interest in charitable lead trust	(37,220)	(26,735)
Change in value of beneficial interest in assets held by the Community Foundation for a Greater Richmond	22,395	(35,666)
Gain on sale of investments	-	(91)
In-kind contribution of property and equipment	(134,322)	-
Loss (gain) on disposal of property and equipment	(7,581)	123,205
Changes in assets and liabilities:		
Grants receivable	(117,025)	(219,239)
Pledges receivable	1,005,455	1,449,932
Other assets	(98,333)	(10,919)
Accounts payable	152,161	(78,363)
Accrued expenses	(37,703)	(7,055)
Agency funds	621	24,283
Scholarships payable	(20,071)	(10,253)
Deferred revenue	(4,925)	(2,675)
	458,506	403,757
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(1,358,715)	(98,549)
Deposits from beneficial interest in assets held by the Community Foundation for a Greater Richmond	(85,321)	(174,064)
Proceeds from sale of investments	-	60,391
Proceeds from the disposal of property and equipment	7,500	-
	(1,436,536)	(212,222)
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, 2020 with Comparative Totals for Year Ended June 30, 2019

	<u>2020</u>	<u>2019</u>
Cash flows from financing activities:		
Payments received from charitable lead trust	\$ 29,999	\$ 30,001
Proceeds from notes payable, net	853,444	-
Cash collections for capital campaign	<u>195,000</u>	<u>176,000</u>
 Net cash provided by financing activities	 <u>1,078,443</u>	 <u>206,001</u>
 Net change in cash and cash equivalents	 100,413	 397,536
 Cash and cash equivalents, beginning of year	 6,459,895	 6,086,642
Cash held under agency agreement, beginning of year	<u>83,230</u>	<u>58,947</u>
Total cash and cash equivalents, beginning of year	<u>6,543,125</u>	<u>6,145,589</u>
 Cash and cash equivalents, end of year	 6,559,687	 6,459,895
Cash held under agency agreement, end of year	<u>83,851</u>	<u>83,230</u>
Cash and cash equivalents, end of year	<u>\$ 6,643,538</u>	<u>\$ 6,543,125</u>
 Supplemental disclosure of cash flow information:		
Acquisition of property and equipment through note payable	<u>\$ 257,009</u>	<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 historically marginalized communities, 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.

During March 2020, a novel strain of coronavirus (COVID-19) outbreak was declared a worldwide health pandemic by the World Health Organization. The situation is evolving with various cities and countries around the world responding in different ways to address the outbreak. There are direct and indirect economic effects developing for various industries and individual companies through the world. Management will continue to monitor the impact COVID-19 has on the Organization and will reflect the consequences as appropriate in the Organization’s financial records.

**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.

**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, 2019, from which the summarized information was derived.

**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, Continued:** 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 \$75,000 and \$65,000 was required at June 30, 2020 and June 30, 2019, 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.

**PPP Loans:** The Organization's policy is to account for the PPP loan (See Note 8) as debt. The Company will continue to record the loan as debt until either (1) the loan is partially or entirely forgiven and the debtor has been legally released, at which point the amount forgiven would be recorded into income or (2) the Company pays off the loan.

**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 2020, in-kind contributions of \$260,575 represent the estimated fair market value of facilities, \$106,000 represent the estimated fair market value of donated land, \$31,986 represent the estimated value of legal services provided to the Organization at no cost, and \$32,057 represent the estimated fair market value of miscellaneous supplies used for programming by the Organization at no cost. 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.

**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 combined 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.

**Newly Adopted Accounting Standards:**

**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. The ASU provides a framework for determining whether contribution is conditional or unconditional. Prior to the ASU, FASB's new revenue recognition standard eliminated exchange guidance and added additional disclosure requirements that are not relevant to these types of transactions. Specific to contributions or grants received by the Organization, the amendments in this ASU are effective for fiscal years beginning after December 15, 2018 with early adoption permitted. Specific to contributions or grants awarded by the Organization, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019 with early adoption permitted. The Organization adopted this guidance as of June 30, 2020 under the full retrospective transition method. The adoption of Topic 958 had no significant impact to the combined financial statements.

**Cash Flows - Restricted Cash and Restricted Cash Equivalents:** Effective June 30, 2020, the Company adopted ASU 2016-18, Statement of Cash Flows – Restricted Cash. The standard requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents are included with the cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the combined statement of cash flows.

**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:**

**Subsequent Events:** In October 2020, the Organization sponsored a financing of its Eastlawn project under the New Market Tax Credit (“NMTC”) program, creating a related non-profit entity, BGCMR QALICB, to own and operate the renovated facility. NMTC financing allows organizations such as BGCMR QALICB to receive low-interest loans or investment capital from certified community development entities (“CDEs”) providing third-party investors with the ability to receive Federal income tax credits based upon the amount of total investment in projects in certain “low income communities.” As part of the financing, the Organization contributed the existing Eastlawn land and building to BGCMR QALICB and agreed to lease the completed Eastlawn facility back from BGCMR QALICB for an initial period of approximately 20 years. The Organization also retained the obligation to repay a forgivable loan from the Virginia Community Development Fund, Inc. if the project does not continue to meet the requirements for forgiveness.

Management has evaluated subsequent events through November 11, 2020, the date the combined financial statements were available to be issued and has determined that there are no other subsequent events to be reported in the accompanying combined financial statements.

**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, 2020 and 2019, are expected to be received as follows:

	2020	2019
Receivable in less than one year	\$ 295,930	\$ 1,192,307
Receivable in two to five years	62,375	173,976
Total unconditional promises to give	358,305	1,366,283
Allowance for uncollectible pledges	(10,000)	(65,000)
Less discount of 2%	(1,506)	(4,029)
	\$ 346,799	\$ 1,297,254

**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, 2020 and 2019, are expected to be received as follows:

	2020	2019
Receivable in less than one year	\$ 760,790	\$ 690,237
Receivable in two to five years	592,500	550,000
Total grants receivable	1,353,290	1,240,237
Allowance for uncollectible grants receivable	(65,000)	-
Less discount of 2%	(11,618)	(15,590)
	<b>\$ 1,276,672</b>	<b>\$ 1,224,647</b>

**4. 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, 2020 and 2019:

	2020	2019
Balance, beginning of year	\$ 991,297	\$ 781,567
Contributions from the Club	127,449	211,035
Unrestricted support to TCF	(10,593)	(8,186)
Spendable income released	(42,128)	(36,971)
Net investment (loss) gain	(11,802)	43,852
Balance, end of year	<b>\$ 1,054,223</b>	<b>\$ 991,297</b>

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND  
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Notes to Combined Financial Statements, Continued

**5. 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 (1.18%).

**6. 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.

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, 2020 and previous years.

***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%.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND  
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Notes to Combined Financial Statements, Continued

**6. Fair Value Measurements, Continued:**

**Beneficial 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.

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, 2020 and 2019:

	Assets at Fair Value as of June 30, 2020:			
	Level 1	Level 2	Level 3	Total
Pledges receivable	\$ 295,930	\$ 50,869	\$ -	\$ 346,799
Grants receivable	760,790	515,882	-	1,276,672
Beneficial interest in assets held at TCF	-	-	1,054,223	1,054,223
Beneficial interest in charitable lead trust	-	386,618	-	386,618
	<u>\$ 1,056,720</u>	<u>\$ 953,369</u>	<u>\$ 1,054,223</u>	<u>\$ 3,064,312</u>
	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>

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND  
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Notes to Combined Financial Statements, Continued

**6. Fair Value Measurements, Continued:**

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 4.

**7. Property and Equipment:**

Property and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019
Land and land improvements	\$ 1,243,255	\$ 836,154
Buildings and building improvements	2,208,522	1,833,098
Furniture, fixtures, and equipment	803,929	709,443
Automotive equipment	255,970	299,619
Construction in progress	996,239	123,206
	5,507,915	3,801,520
Accumulated depreciation	(2,517,583)	(2,347,796)
	<b>\$ 2,990,332</b>	<b>\$ 1,453,724</b>

Total depreciation expense was \$213,519 for 2020 and \$165,023 for 2019.

**8. Notes Payable:**

In December 2019, the Club entered into a debt agreement in the amount of \$500,000. The note is secured by certain real estate owned by the Club. There is no interest rate set forth in the note agreement. Repayment of the note will be through the forgiveness of \$50,000 of principal on December 31<sup>st</sup> of each year over the term of the agreement, beginning on December 31<sup>st</sup> of the year in which construction of a specified property is completed. The note is expected to mature on December 31, 2029. The outstanding balance on the loan was \$500,000 as of June 30, 2020.

In April 2020, the Club entered into a debt agreement in the amount of \$378,000. The note was obtained through the Paycheck Protection Program established by the CARES Act passed in April 2020. The Club is eligible to apply to have the loan forgiven prior to December 31, 2020. The Club expects a portion of the loan will be forgiven during the following year. The outstanding balance on the loan was \$378,000 as of June 30, 2020.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND  
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Notes to Combined Financial Statements, Continued

**8. Notes Payable, Continued:**

In January 2020, the Club entered into a lease agreement that matures in January 2025. The lease agreement includes additions to the agreed upon rent based on leasehold improvements funded by the lessor. The Club has recorded the liability for this amount as a note payable in the amount of \$257,009. The note is payable in sixty monthly installments of principal and interest in the amount of \$4,892. The outstanding balance on the loan was \$232,453 as of June 30, 2020.

Total debt payments and scheduled debt forgiveness as of June 30, 2020 is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 478,717
2022	100,717
2023	100,717
2024	100,717
2025	79,585
Thereafter	<u>250,000</u>
	<u>\$ 1,110,453</u>

Interest expense incurred on notes payable was \$3,326 during 2020.

**9. Line of Credit:**

In June 2020, the Club entered into a line of credit in the amount of \$500,000. The line of credit is secured by certain real estate owned by the Club. Interest is paid monthly at the Wall Street Journal prime rate (currently 3.25% as of June 30, 2020), with a minimum floor of 4.50%. The line of credit is due on demand and is to be renewed on an annual basis. There was no balance outstanding at June 30, 2020.



**BOYS & GIRLS CLUBS OF METRO RICHMOND AND  
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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, 2020 and 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.

	2020	2019
Financial assets:		
Cash	\$6,559,687	\$6,459,895
Pledges and grants receivable	1,056,720	1,882,544
Total financial assets	7,616,407	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	5,587,068	6,616,036
Financial assets available to meet cash needs for general expenditure within one year	\$2,029,339	\$1,726,403

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  
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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, 2020 and 2019:

	2020	2019
Programming	\$ 1,646,975	\$ 2,488,551
Capital campaign	3,210,892	3,379,660
Beneficial interest in charitable lead trust	386,618	379,397
	\$ 5,244,485	\$ 6,247,608

Net assets with donor restrictions within the Foundation consist of the following at June 30, 2020 and 2019:

	2020	2019
Training endowment grant	\$ 271,768	\$ 292,270
Provide scholarship assistance	70,815	76,158
	\$ 342,583	\$ 368,428

During 2020 and 2019, net assets released from restriction resulted from spending for Club programs, construction in progress, and the expiration of the time restriction on pledges and grants receivable.

**12. Retirement Plan:**

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 \$44,544 for 2020 and \$40,812 for 2019.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND  
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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 December 2020. Rent under the lease is currently payable monthly at \$6,402. In June 2019, the Club signed a five year lease for a building to be used as a teen center. Rent began in January 2020 and is currently payable monthly at \$3,359. The Club also leases office equipment with rent payable monthly at \$428.

Total minimum future payments at June 30, 2020 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 85,279
2021	47,680
2022	46,772
2023	43,128
2024	25,449
	<u>\$ 248,308</u>

During 2020, rent expense totaled \$367,535, of which \$260,575 (Club site) represents non-cash rental expense. During 2019, rent expense totaled \$526,867, of which \$439,062 (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.

The Club is the fiscal agent for various nonprofit Boys & Girls Clubs related organizations including the VA/DC Area Council 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 \$83,851 at June 30, 2020 and \$83,230 at June 30, 2019.

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND  
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Notes to Combined Financial Statements, Continued

**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.

Endowment fund activity for the year ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Board designated endowment net assets, beginning of year	\$ 622,869	\$ 406,654
Contributions from the Club	127,449	211,035
Withdrawals	(30,412)	(22,991)
Net appreciation	<u>(8,266)</u>	<u>28,171</u>
Board designated endowment net assets, end of year	<u>\$ 711,640</u>	<u>\$ 622,869</u>

**BOYS & GIRLS CLUBS OF METRO RICHMOND AND  
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Notes to Combined Financial Statements, Continued

**16. Recent Accounting Pronouncements:**

**Contributed Services:** In September 2020, the FASB issued new guidance related to contributions of non-financial assets received (ASU 2020-07) which amends previous guidance concerning presentation and disclosure of non-financial assets received. Specifically, the amendments require (1) presentations as a separate line item of contributed non-financial assets and (2) disclosure of information about each category of non-financial assets. The new standard will be effective for periods beginning after June 15, 2021 and will require entities to use a retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.

**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, 2021 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.