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

Combined Financial Statements

June 30, 2018

Keiter
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BOYS & GIRLS CLUBS OF METRO RICHMOND

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, which comprise the combined statement of financial position as of June 30, 2018, 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.

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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, 2018, 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 2017 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 December 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Keiter

November 13, 2018
Glen Allen, Virginia

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

Combined Statement of Financial Position
June 30, 2018 with Summarized Totals as of June 30, 2017

Assets	2018	2017
Current assets:		
Cash and cash equivalents	$ 6,086,642	$ 4,588,188
Cash held under agency agreement	58,947	53,565
Grants receivable	1,073,824	935,728
Pledges receivable - current	1,385,485	937,142
Note receivable - current	-	168,562
Beneficial interest in charitable lead trust - current	30,000	30,000
Other assets	43,212	43,682
Total current assets	8,678,110	6,756,867
Pledges receivable - noncurrent, net	1,361,701	2,310,618
Investments	60,300	62,266
Beneficial interest in charitable lead trust - noncurrent	352,663	380,824
Beneficial interest in assets held by The Community Foundation	781,567	730,857
Property and equipment, net	1,643,403	1,572,448
Total assets	$ 12,877,744	$ 11,813,880

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, 2018 with Summarized Totals as of June 30, 2017

Liabilities and Net Assets	2018	2017
Current liabilities:		
Accounts payable	$ 87,579	$ 64,855
Accrued pension expense	169	19,475
Other accrued expenses	132,625	28,740
Agency funds	58,947	53,565
Scholarships payable	77,717	95,722
Deferred revenue	7,600	5,430
Total current liabilities	364,637	267,787
Net assets:		
Unrestricted:		
Undesignated, Club	4,288,694	4,460,324
Undesignated, Foundation	137,676	137,908
Board designated endowment net assets, Foundation	406,654	364,871
Total unrestricted net assets	4,833,024	4,963,103
Temporarily restricted, Club	7,305,170	6,217,004
Temporarily restricted, Foundation	374,913	365,986
Total temporarily restricted net assets	7,680,083	6,582,990
Total net assets	12,513,107	11,546,093
Total liabilities and net assets	$ 12,877,744	$ 11,813,880

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, 2018 with Comparative Totals for Year Ended June 30, 2017

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Contributions and grants	$ 1,676,253	$ 3,012,099	$ 4,688,352	$ 6,216,267
Contributions, in-kind	454,795	-	454,795	453,808
Membership dues	9,038	-	9,038	8,386
Program services fees	48,197	-	48,197	68,906
Change in value of beneficial interest in charitable lead trust	-	1,839	1,839	(17,181)
Change in value of beneficial interest in assets held by The Community Foundation	53,389	-	53,389	68,670
Investment return	28,394	-	28,394	10,677
Gain on sale of property and equipment	3,884	-	3,884	-
Miscellaneous income	74,876	-	74,876	101,082
	2,348,826	3,013,938	5,362,764	6,910,615
Net assets released from restrictions:				
Satisfaction of time or purpose restrictions	1,212,845	(1,212,845)	-	-
Total support and revenue	3,561,671	1,801,093	5,362,764	6,910,615

See accompanying notes to combined financial statements.

BOYS & GIRLS CLUBS OF METRO RICHMOND AND
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Combined Statement of Activities, Continued
Year Ended June 30, 2018 with Comparative Totals for Year Ended June 30, 2017

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Expenses and losses:				
Program services, youth services	$ 2,453,974	$ -	$ 2,453,974	$ 2,588,139
Supporting services:				
Management and general	872,055	-	872,055	700,153
Fundraising	365,721	-	365,721	364,860
Total expenses	3,691,750	-	3,691,750	3,653,151
Loss allowance on grants receivable	-	704,000	704,000	-
Total expenses and losses	3,691,750	704,000	4,395,750	3,653,151
Change in net assets	(130,079)	1,097,093	967,014	3,257,464
Net assets at beginning of year	4,963,103	6,582,990	11,546,093	8,288,629
Net assets at end of year	$ 4,833,024	$ 7,680,083	$ 12,513,107	$ 11,546,093

See accompanying notes to combined financial statements.

BOYS & GIRLS CLUBS OF METRO RICHMOND AND
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Combined Statement of Functional Expenses
Year Ended June 30, 2018 with Comparative Totals for Year Ended June 30, 2017

	2018				2017
	Programs Youth Services	Management & General	Fundraising	Total	Total
Salaries	$ 922,525	$ 583,925	$ 181,222	$ 1,687,672	$ 1,780,810
Employee benefits	77,637	68,266	12,079	157,982	196,522
Payroll taxes	79,422	39,396	14,886	133,704	137,248
Total personnel expense	1,079,584	691,587	208,187	1,979,358	2,114,580
Professional fees	75,143	71,494	67,156	213,793	244,600
Office supplies	9,643	4,743	1,646	16,032	9,681
Program supplies	104,140	-	-	104,140	136,915
Telephone and internet	13,216	2,286	2,858	18,360	17,328
Postage and shipping	8	513	792	1,313	1,506
Occupancy	652,694	34,743	30,032	717,469	665,558
Equipment rental and repair	66,622	10,403	825	77,850	40,025
Printing and promotion	726	669	770	2,165	4,042
Advertising	25,000	-	-	25,000	25,000
Transportation	87,302	308	-	87,610	52,461
Training, conferences, and meetings	136,260	37,829	18,267	192,356	92,644
Event costs	12,679	283	31,064	44,026	28,764
Miscellaneous	22,747	1,952	-	24,699	14,960
Dues	8,572	12,065	3,762	24,399	22,331
Scholarships	11,000	-	-	11,000	28,476
Program clubs	11,988	-	-	11,988	14,610
Depreciation	136,650	3,180	362	140,192	139,669
Total expenses	$ 2,453,974	$ 872,055	$ 365,721	$ 3,691,750	$ 3,653,151

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, 2018 with Comparative Totals for Year Ended June 30, 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 967,014	$ 3,257,464
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	140,192	139,669
Loss allowance on grants receivable	(704,000)	-
Cash collections for capital campaign	(976,792)	(1,192,500)
Change in value of beneficial interest in charitable lead trust	(1,839)	17,181
Change in value of beneficial interest in assets held by The Community Foundation	(55,355)	(44,238)
Unrealized (gain) loss on investments	1,966	1,850
Gain on sale of property and equipment	(3,884)	-
Changes in assets and liabilities:		
Grants receivable	565,904	82,060
Pledges receivable	170,574	(1,445,555)
Other assets	470	(2,502)
Accounts payable	22,724	29,948
Accrued pension expense	(19,306)	(11,754)
Other accrued expenses	103,885	(7,513)
Scholarships payable	(18,005)	(5,380)
Deferred revenue	2,170	(3,072)
Net cash provided by operating activities	195,718	815,658
Cash flows from investing activities:		
Purchase of property and equipment	(211,147)	(145,032)
Withdrawals (deposits) from beneficial interest in assets held by The Community Foundation	4,645	(15,548)
Payments received on note receivable	168,562	118,102
Proceeds from the sale of property and equipment	3,884	-
Net cash used in investing activities	(34,056)	(42,478)

See accompanying notes to combined financial statements.

BOYS & GIRLS CLUBS OF METRO RICHMOND AND
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Combined Statement of Cash Flows, Continued
Year Ended June 30, 2018 with Comparative Totals for Year Ended June 30, 2017

	2018	2017
Cash flows from financing activities:		
Payments received from charitable lead trust	$ 30,000	$ 30,000
Cash collections for capital campaign	1,306,792	1,502,500
Net cash provided by financing activities	1,336,792	1,532,500
Net change in cash and cash equivalents	1,498,454	2,305,680
Cash and cash equivalents, beginning of year	4,588,188	2,282,508
Cash and cash equivalents, end of year	$ 6,086,642	$ 4,588,188

See accompanying 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 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.

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, 2017, from which the summarized information was derived.

The Organization classifies its net assets into three categories: unrestricted, temporarily restricted, and permanently restricted.

> *Unrestricted net assets* include unrestricted and board designated funds. The unrestricted and board designated funds include revenue and expenses used currently for the general operations and programs of the Organization.

2. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

Temporarily restricted net assets include contributions restricted by donor designation and interest earned on restricted assets and are reported as increases in temporarily restricted net assets. When a restriction expires either with passage of time or by actions of the Organization, temporarily restricted net assets are released and reclassified to unrestricted net assets.

Permanently restricted net assets include contributions restricted by donor-imposed stipulations that must be maintained permanently by the Organization. The Organization did not have any permanently restricted net assets at June 30, 2018 and 2017.

Cash and Cash Equivalents: The Organization includes all cash accounts, which are subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Unconditional Promises to Give: Unconditional promises to give, which include grants receivable, pledges receivable, and contributions receivable, are recorded when the unconditional promise is made. An allowance is provided for amounts estimated to be uncollectible. Management determined that an allowance of $700,000 was required at June 30, 2018. Management determined that no allowance was required at June 30, 2017.

Unconditional promises to give, that are due in the next year, are recorded at their net realizable value. When required, unconditional promises to give, that are due in subsequent years, are reported at the estimated present value.

Investments: Investments consist of marketable equity and fixed income securities and are 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.

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: The Foundation carries its beneficial interest in the assets held by The Community Foundation Serving Richmond and Central Virginia at fair value.

2. Summary of Significant Accounting Policies, Continued:

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 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. In 2017, in-kind contributions of $439,062 represent the estimated fair market value of facilities and $14,746 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.

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 costs of providing the various programs and other activities have been summarized on a functional basis in the combined statement of activities and in the combined statement of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited.

2. Summary of Significant Accounting Policies, Continued:

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, unconditional promises to give, 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.

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

The Organization invests in one investment security, which is exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would affect the investment balance and the amount reported in the accompanying combined financial statements.

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 13, 2018, the date the combined financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying combined financial statements.

3. Pledges 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, 2018 and 2017, are expected to be received as follows:

	2018	2017
Receivable in less than one year	$ 1,385,485	$ 937,142
Receivable in two to five years	1,398,207	2,360,832
Receivable in more than five years	-	23,144
Total unconditional promises to give	2,783,692	3,321,118
Less discount of 2%	(36,506)	(73,358)
	$ 2,747,186	$ 3,247,760

4. Investments in Marketable Securities:

As of June 30, 2018 and 2017, the costs of investments and their related fair values were as follows:

	2018		2017	
	Cost	Market Value	Cost	Market Value
Mutual fund	$ 63,644	$ 60,300	$ 63,644	$ 62,266

The Organization invests in an intermediate bond fund. The fund is 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).

5. Beneficial Interest in Assets Held at The Community Foundation:

During fiscal year 2012, the Foundation established an agency endowment fund (the "Fund") at The Community Foundation Serving Richmond and Central Virginia ("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 temporarily restricted donor funds. 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.

5. Beneficial Interest in Assets Held at The Community Foundation, Continued:

Activity in the Fund was as follows for the years ended June 30, 2018 and 2017:

	2018	2017
Balance, beginning of year	$ 730,857	$ 671,071
Contributions from the Club	30,000	22,500
Unrestricted support to TCF	(7,667)	(6,952)
Spendable income released	(34,645)	(33,234)
Net investment gain	63,022	77,472
Balance, end of year	$ 781,567	$ 730,857

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 (2.91%).

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.

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.

7. Fair Value Measurements, Continued:

- 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, 2018 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.

Pledges 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.

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, 2018 and 2017:

	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
Beneficial interest in assets held at TCF	-	-	781,567	781,567
Beneficial interest in charitable lead trust	-	382,663	-	382,663
	$ 1,445,785	$ 1,744,364	$ 781,567	$ 3,971,716

	Assets at Fair Value as of June 30, 2017:			
	Level 1	Level 2	Level 3	Total
Mutual fund	$ 62,266	$ -	$ -	$ 62,266
Pledges receivable	937,142	2,310,618	-	3,247,760
Beneficial interest in assets held at TCF	-	-	730,857	730,857
Beneficial interest in charitable lead trust	-	410,824	-	410,824
	$ 999,408	$ 2,721,442	$ 730,857	$ 4,451,707

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.

8. Property and Equipment:

Property and equipment consisted of the following at June 30, 2018 and 2017:

	2018	2017
Land and land improvements	$ 836,154	$ 836,154
Buildings and building improvements	1,918,026	1,895,226
Furniture, fixtures, and equipment	649,171	622,105
Automotive equipment	299,619	162,364
Construction in progress	123,206	123,206
	3,826,176	3,639,055
Accumulated depreciation	(2,182,773)	(2,066,607)
	$ 1,643,403	$ 1,572,448

Total depreciation expense was $140,192 for 2018 and $139,669 for 2017.

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%), with a minimum floor of 4.50%. There was no balance outstanding at June 30, 2018 or June 30, 2017.

10. Temporary Restricted Net Assets:

Temporarily restricted net assets of the Club consist of the following at June 30, 2018 and 2017:

	2018	2017
Programming	$ 4,501,832	$ 2,770,640
Capital campaign	2,420,675	3,035,540
Beneficial interest in charitable lead trust	382,663	410,824
	$ 7,305,170	$ 6,217,004

10. Temporary Restricted Net Assets, Continued:

Temporarily restricted net assets of the Foundation consist of the following at June 30, 2018 and 2017:

	2018	2017
Training endowment grant	$ 297,415	$ 290,333
Provide scholarship assistance	77,498	75,653
	$ 374,913	$ 365,986

During 2018 and 2017, net assets released from restriction resulted from spending for Club programs, construction in progress, and the expiration of the time restriction on pledges receivable.

11. 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 and $53,886 for 2017.

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 $12,270 for 2018.

12. 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 renewed a lease for administrative office effective December 1, 2016, for two years with option to renew for additional three consecutive years. Rent is currently payable monthly at $6,034. The Club also leases office equipment with rent payable monthly at $1,197.

Total minimum future payments at June 30, 2018 are as follows:

Fiscal Year	Amount
2019	$ 34,688

For 2018, rent expense totaled $521,665, of which $440,562 (Club site) represents non-cash rental expense. For 2017, rent expense totaled $523,827, of which $439,062 (Club site) represents non-cash rental expense.

13. 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 the VA State Alliance. 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 $58,947 at June 30, 2018 and $53,565 at June 30, 2017.

14. 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 unrestricted net assets.

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, 2018 and 2017 is as follows:

	2018	2017
Board designated endowment net assets, beginning of year	$ 364,871	$ 322,746
Contributions from the Club	30,000	22,500
Withdrawals	(20,099)	(14,560)
Net appreciation	31,882	34,185
Board designated endowment net assets, end of year	$ 406,654	$ 364,871

15. 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, 2019, 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.

Financial Reporting: In August 2016, FASB issued ASU No. 2016-14, “Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities”, which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Significant changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions

- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of *net assets with donor restrictions* and requires additional disclosures for underwater endowment funds

- Requires all not-for-profits to provide expenses by nature and function

- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization has elected not to early adopt this ASU and intends to adopt it prior to the required transition date.