

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

**FINANCIAL STATEMENTS
JUNE 30, 2018**

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

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REPORT OF INDEPENDENT AUDITORS

To the Audit Committee
Boys & Girls Clubs of Central Virginia
Charlottesville, Virginia

We have audited the accompanying financial statements of BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Audit Committee
Boys & Girls Clubs of Central Virginia

REPORT OF INDEPENDENT AUDITORS--(Cont'd)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Huntzmon Wibel LLP

Charlottesville, Virginia
January 18, 2019

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 621,987	\$ 1,394,057
Short-term investments.....	700,000	50,000
Accounts receivable	9,350	22,026
Sponsorships receivable, current	25,000	25,000
Pledges receivable, current	252,604	420,766
Grants receivable	101,858	77,045
Prepaid expenses and deposits	5,807	3,967
	<u>1,716,606</u>	<u>1,992,861</u>
PROPERTY AND EQUIPMENT, NET	<u>5,922,835</u>	<u>5,648,046</u>
OTHER ASSETS		
Cash and cash equivalents	217,102	4,901,139
Short-term investments.....	16,950,000	....
Investments	4,447,464	3,129,105
Sponsorships receivable, due after one year	50,000	75,000
Pledges receivable, due after one year	87,000	318,167
Construction in progress .....	....	203,184
	<u>21,751,566</u>	<u>8,626,595</u>
Total other assets	<u>21,751,566</u>	<u>8,626,595</u>
Total assets	<u>\$29,391,007</u>	<u>\$16,267,502</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 25,675	\$ 26,320
Accrued payroll, payroll taxes, and withholdings	152,249	120,078
Deferred revenue	133,541	121,915
	<u>311,465</u>	<u>268,313</u>
Total current liabilities	<u>311,465</u>	<u>268,313</u>
NET ASSETS		
Unrestricted	7,735,891	7,934,045
Temporarily restricted	21,343,651	8,065,144
	<u>29,079,542</u>	<u>15,999,189</u>
Total net assets	<u>29,079,542</u>	<u>15,999,189</u>
Total liabilities and net assets	<u>\$29,391,007</u>	<u>\$16,267,502</u>

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
OPERATING SUPPORT AND REVENUE						
Contributions	\$ 1,276,476	\$ 549,946	\$ 1,826,422	\$ 1,109,737	\$ 359,574	\$ 1,469,311
Grants	685,689	235,210	920,899	685,973	198,534	884,507
In-kind contributions	62,804	147,405	210,209	56,245	96,960	153,205
Program service revenue	69,142	75,498	144,640	73,294	78,783	152,077
Special events (net of expenses)	454,937	268,541	723,478	534,401	277,496	811,897
Miscellaneous	7,032	175	7,207	1,758	76	1,834
Net assets released from restrictions:						
Satisfaction of program restrictions	1,160,592	(1,160,592)	....	1,007,534	(1,007,534)	....
Total operating support and revenue	<u>3,716,672</u>	<u>116,183</u>	<u>3,832,855</u>	<u>3,468,942</u>	<u>3,889</u>	<u>3,472,831</u>
OPERATING EXPENSES						
Program services	3,354,109	....	3,354,109	3,096,546	....	3,096,546
Management and general	384,508	....	384,508	344,377	....	344,377
Fund-raising	450,275	....	450,275	348,273	....	348,273
Total operating expenses	<u>4,188,892</u>	<u>....</u>	<u>4,188,892</u>	<u>3,789,196</u>	<u>....</u>	<u>3,789,196</u>
Change in net assets from operations	<u>(472,220)</u>	<u>116,183</u>	<u>(356,037)</u>	<u>(320,254)</u>	<u>3,889</u>	<u>(316,365)</u>
INVESTING REVENUE						
Investment income	28,018	68,118	96,136	28,097	11,279	39,376
Net realized and unrealized gains	246,048	82,782	328,830	219,150	61,753	280,903
Total investing revenue	<u>274,066</u>	<u>150,900</u>	<u>424,966</u>	<u>247,247</u>	<u>73,032</u>	<u>320,279</u>
CAPITAL CAMPAIGN CONTRIBUTIONS	<u>....</u>	<u>13,011,424</u>	<u>13,011,424</u>	<u>....</u>	<u>6,076,815</u>	<u>6,076,815</u>
TOTAL CHANGE IN NET ASSETS	<u>(198,154)</u>	<u>13,278,507</u>	<u>13,080,353</u>	<u>(73,007)</u>	<u>6,153,736</u>	<u>6,080,729</u>
NET ASSETS, BEGINNING OF YEAR	<u>7,934,045</u>	<u>8,065,144</u>	<u>15,999,189</u>	<u>8,007,052</u>	<u>1,911,408</u>	<u>9,918,460</u>
NET ASSETS, END OF YEAR	<u>\$ 7,735,891</u>	<u>\$21,343,651</u>	<u>\$29,079,542</u>	<u>\$ 7,934,045</u>	<u>\$ 8,065,144</u>	<u>\$15,999,189</u>

(The accompanying notes are an integral part of these financial statements)

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$13,080,353	\$ 6,080,729
Adjustments to reconcile change in net assets to net cash provided operating activities:		
Depreciation	246,702	226,300
Loss on asset abandonments	1,379	153
Net realized and unrealized (gain) loss on investments	(328,830)	(280,903)
Changes in provision for uncollectible pledges and pledges written off	(21,500)	21,000
Contributions received for long-term purposes	(12,711,757)	(5,409,482)
(Increase) decrease in assets:		
Accounts receivable	12,676	22,774
Sponsorships receivable	25,000	16,500
Pledges receivable	420,829	(526,438)
Grants receivable	(24,813)	(37,053)
Prepaid expenses and deposits	(1,840)	4,110
Increase (decrease) in liabilities:		
Accounts payable	(645)	(16,487)
Accrued payroll, payroll taxes, and withholdings	32,171	4,545
Deferred revenue	11,626	(48,816)
Net cash provided by operating activities	<u>741,351</u>	<u>56,932</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in cash restricted for long-term purposes	4,684,037	(4,897,159)
Purchases of property and equipment	(49,411)	(110,055)
Construction costs (net of retainage)	(270,275)	(203,184)
Purchases of investments	(1,134,009)	(65,766)
Purchases of short-term investments	(17,600,000)	(50,000)
Sales of investments	144,480	82,000
Net cash used in investing activities	<u>(14,225,178)</u>	<u>(5,244,164)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for long-term purposes	<u>12,711,757</u>	<u>5,409,482</u>
Net cash provided by financing activities	<u>12,711,757</u>	<u>5,409,482</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(772,070)	222,250
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,394,057</u>	<u>1,171,807</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 621,987</u>	<u>\$ 1,394,057</u>

(The accompanying notes are an integral part of these financial statements)

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
OPERATING EXPENSES				
Benefits and payroll taxes	\$ 302,604	\$ 35,987	\$ 48,370	\$ 386,961
Compensation	1,865,613	221,869	298,212	2,385,694
Depreciation	201,984	22,359	22,359	246,702
Dues	18,152	6,340	....	24,492
Insurance	27,543	2,839	2,839	33,221
Marketing and cultivation .....	....	....	38,497	38,497
Miscellaneous costs	26,824	10,305	718	37,847
Occupancy	279,178	18,551	18,551	316,280
Office operating costs	79,728	18,030	8,913	106,671
Other staff costs	29,570	2,987	1,913	34,470
Printing and postage	2,756	1,148	4,439	8,343
Professional fees	14,629	34,247	499	49,375
Program costs	456,670	....	....	456,670
Staff training and education	14,294	5,871	....	20,165
Vehicle costs	34,564	3,975	4,965	43,504
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u><u>\$3,354,109</u></u>	<u><u>\$ 384,508</u></u>	<u><u>\$ 450,275</u></u>	<u><u>\$4,188,892</u></u>

(The accompanying notes are an integral part of these financial statements)

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
OPERATING EXPENSES				
Benefits and payroll taxes	\$ 294,878	\$ 31,819	\$ 43,288	\$ 369,985
Compensation	1,660,847	179,213	243,813	2,083,873
Depreciation	183,716	21,292	21,292	226,300
Dues	18,796	4,042	....	22,838
Insurance	22,410	2,371	2,371	27,152
Marketing and cultivation .....	....	....	5,476	5,476
Miscellaneous costs	7,505	12,594	427	20,526
Occupancy	272,453	18,167	18,167	308,787
Office operating costs	63,394	21,880	7,265	92,539
Other staff costs	22,830	2,723	....	25,553
Printing and postage	1,276	523	2,477	4,276
Professional fees	13,488	35,912	491	49,891
Program costs	467,486	....	....	467,486
Staff training and education	23,206	10,598	....	33,804
Vehicle costs	44,261	3,243	3,206	50,710
	<u>\$3,096,546</u>	<u>\$ 344,377</u>	<u>\$ 348,273</u>	<u>\$3,789,196</u>
Total				

(The accompanying notes are an integral part of these financial statements)

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES

The Boys & Girls Clubs of Central Virginia (the Club) was organized in 1992 as a Virginia non-stock corporation. Its mission is the promotion of healthy social, educational, vocational, and character development of boys and girls, bringing together on equal grounds, under good leadership, boys and girls from all economic and social classes. The Club offers youth from the ages of six to eighteen the opportunity for recreation away from the moral and physical dangers often encountered in everyday life, providing the opportunity for its members to achieve their goals and aspirations in life. The Club is an independent corporation, but is affiliated with and pays dues to the Boys & Girls Clubs of America.

2. SIGNIFICANT ACCOUNTING POLICIES

a. *Basis of Accounting*

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with U. S. generally accepted accounting principles (U. S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities. Support and revenue are recorded when earned or pledged and expenses are recorded as incurred.

b. *Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). Under this guidance, the Club is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Club, its accounts are maintained in accordance with donor restrictions placed on the donated assets. Separate accounts are maintained for each category of donor-restricted assets and unrestricted assets. The assets, liabilities, and net assets of the Club are reported in the following self-balancing net asset groups:

Unrestricted net assets represent the portion of net assets that can be utilized to support current and future Club operations.

Temporarily restricted net assets represent contributions to the Club that are expendable only for purposes specified by the donor or that have restrictions that expire with the passage of time.

Permanently restricted net assets represent contributions to the Club that are subject to restrictions of gift instruments requiring that the principal (and, in some cases, a portion of the investment income) be invested in perpetuity and the income only be used for current operating purposes. There were no permanently restricted net assets at June 30, 2018 and 2017.

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)

c. *Policy Disclosure*

The Club reports gifts of cash and other assets as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor temporary restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

d. *Cash and Cash Equivalents*

The Club considers all highly liquid investments acquired with an original maturity of three months or less at the date of purchase to be cash equivalents. The Club maintains its cash in bank deposit accounts that, at times may exceed federally-insured limits and are subject to credit risk. The Club has not experienced any losses in these accounts.

Cash and cash equivalents reported as part of other assets on the statement of financial position represent (i) cash received with donor-imposed restrictions limiting its use to expenditure for capital assets, (ii) funds designated by the Board for use in the future, or (iii) amounts reasonably expected to be held longer than one year from the date of the financial statements.

e. *Accounts Receivable*

Accounts receivable represent amounts owed to the Club, and are shown net of any specific bad debt write-offs. The Club does not accrue finance charges on past due accounts. All receivables are unsecured and subject to certain credit risks. Management writes off uncollectible accounts when specifically identified. Management determined that an allowance for uncollectible accounts was not necessary at June 30, 2018 and 2017.

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)

f. *Pledges Receivable*

Pledges receivable, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets or decreases of liabilities or expenses, depending on the form of the benefits received. Management reviews its collection experience in determining the need for an allowance for uncollectible pledges receivable. Management's estimate for the allowance for uncollectible pledges was \$0 and \$10,000 at June 30, 2018 and 2017, respectively. Amounts to be received beyond one year are discounted to net present values. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met. Conditional pledges were \$0 and \$30,000 at June 30, 2018 and 2017, respectively.

g. *Support and Revenue*

The Club receives contributions from three principal sources: annual individual philanthropic contributions, periodic special events, and grants. Each year, the Club must raise approximately 85% of its operating expenditures and seldom does the Club receive multi-year grants or does it have commitments for more than 15% of a fiscal year's operating expenditures prior to the start of the fiscal year.

The Club collects registration and other fees from its members to help offset the costs associated with the registration process and certain elective programs. These fees are reported as program fees and club fees in the statement of activities, or as offsets against program expenses for certain elective programs.

h. *Donated Materials and Services*

In accordance with FASB guidance, contributions of services are recognized for services received that require specialized skills. The Club recognized \$10,000 of contributed audit services support for each of the years ended June 30, 2018 and 2017. In addition, the Club recognized \$52,408 and \$6,778 of contributed contractor services support for the years ended June 30, 2018 and 2017, respectively.

No amounts have been recognized in the financial statements for donated services that are not specialized skills, since there is no objective basis to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the Club's fund-raising and program activities.

Significant donated materials and other items, exclusive of capital additions, are valued at cost or estimated fair market value on the date of the gift, as applicable. The Club also receives donated supplies or discounts on supplies that it uses in fund-raising and other activities.

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)

i. *Accounting Estimates*

The preparation of financial statements in conformity with U. S. GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Significant estimates that affect the Club's financial statements are the allowance for uncollectible pledges, the discounting of future pledges receivable to their estimated net present values, functionalization of expenses, fair value of investments, depreciable lives and residual value of property, and the valuation of contributed services and donated lease space.

j. *Advertising*

The Club expenses advertising costs as incurred. Advertising costs were insignificant in the years ended June 30, 2018 and 2017.

k. *Property and Equipment*

Property and equipment are stated at cost. The Club capitalizes all expenditures for items that exceed \$2,500 in value that have a useful life of two years or longer. Donated property is recorded at fair market value based on independent appraisals or comparisons to similar asset sales and are recognized as income when received.

Property and equipment are depreciated using straight-line and accelerated methods over the estimated useful lives of the assets. Management generally estimates useful lives of 3 to 7 years for vehicles and equipment, 7 to 10 years for furniture and fixtures, and 39 years for buildings and leasehold improvements. Depreciation expense amounted to \$246,702 and \$226,300 for the years ended June 30, 2018 and 2017, respectively. Expenditures for maintenance and repairs are expensed as incurred.

l. *Exempt Tax Status*

The Club is exempt from income taxes under Section (501)(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Club has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business taxable income during the years ended June 30, 2018 and 2017.

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)

m. *Uncertain Tax Positions*

The Club has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with guidance established by the FASB and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Club.

n. *Functional Allocation of Expenses*

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

o. *Fair Values of Financial Instruments*

The FASB established a framework for measuring fair value that expands disclosures about fair value measurements under U. S. GAAP.

The fair value framework requires the categorization of assets and liabilities into three levels based on the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3 Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The Club's pledges receivable are categorized as Level 3 assets.

p. *Subsequent Events*

Management has evaluated subsequent events through January 18, 2019, which is the date the financial statements were available to be issued.

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

3. SHORT-TERM INVESTMENTS

The Club’s short-term investments consist of certificates of deposit held with financial institutions through the Certificate of Deposit Account Registry Service (“CDARS”) program with maturity dates of four months to one year from the date of purchase. As of June 30th, 2018 and 2017, the carrying values approximate the market values of these investments. The CDARS program reduces or eliminates the Club’s risk related to concentrations of investments above Federal Deposit Insurance Corporations (FDIC) insurance levels.

Short-term investments reported as part of other assets on the statement of financial position represent (i) cash received with donor-imposed restrictions limiting its use to expenditure for capital assets, (ii) funds designated by the Board for use in the future, or (iii) amounts reasonably expected to be held longer than one year from the date of the financial statements.

4. INVESTMENTS

The Club invests funds with the goal of generating a total return that meets or exceeds the spending rate and the inflation rate as measured by the Consumer Price Index.

The Club holds investments managed by an outside third party that are part of a pooled investment fund. The Club does not hold individual investments in this fund, but rather holds a share of the pool and, as such, generally only unrealized gains and losses are reported by the investment manager to the Club based upon its respective share of the pool. Realized gains and losses will be reported upon redemption of the Club’s share of the pool. Investments can be liquidated subject to approval by the investment manager and the Club’s Board. The Club has no unfunded commitments. The fund invests primarily in equity securities, fixed income securities, and alternative investments. The alternative investments are not readily marketable and are carried at estimated fair values as provided by the investment manager. The Club believes the carrying amount of these investments is a reasonable estimate of fair value. The amounts the Club will ultimately realize could differ materially from the reported amounts, and significant fluctuations in fair values could occur from year to year.

The Club’s investments are carried at their fair market value based upon the values reported by the investment pool fund manager. At June 30, 2018, the fund was available to be redeemed, subject to approval, at the full net asset value (NAV). The cost basis includes the original purchase cost of the investments plus investment earnings reinvested.

A summary of the fair market value and cost of the Club’s investments at June 30, 2018, is as follows:

	FAIR MARKET VALUE	ORIGINAL COST	EARNINGS REINVESTED	TOTAL COST
Pooled investments	<u>\$4,447,464</u>	<u>\$3,855,000</u>	<u>\$ 255,674</u>	<u>\$4,110,674</u>

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

4. INVESTMENTS--(Cont'd)

A summary of the fair market value and cost of the Club's investments at June 30, 2017, is as follows:

	FAIR MARKET VALUE	ORIGINAL COST	EARNINGS REINVESTED	TOTAL COST
Pooled investments	<u>\$3,129,105</u>	<u>\$2,760,000</u>	<u>\$ 216,664</u>	<u>\$2,976,664</u>

For the years ended June 30, 2018 and 2017, the Club recognized net realized and unrealized gains (net of investment management fees) on the change in the value of its investments as follows:

	2018	2017
Net realized and unrealized gains	<u>\$ 328,830</u>	<u>\$ 280,903</u>

At June 30, 2018 and 2017, the Club's investments in the pool consisted of the following:

	2018	2017
Public and private equity funds	67.2%	64.3%
Alternative investments	18.2	19.0
Fixed income securities	10.9	13.5
Real estate investment trusts	2.5	2.1
Cash	<u>1.2</u>	<u>1.1</u>
	<u>100.0%</u>	<u>100.0%</u>

Expenses relating to investment revenues totaled \$34,952 and \$30,045 for the years ended June 30, 2018 and 2017, respectively. These expenses represent fees charged by the investment manager for investment management and advisory services. Investment fees have been netted against realized and unrealized gains (losses) in the accompanying statement of activities for the years ended June 30, 2018 and 2017.

5. PROPERTY AND EQUIPMENT

The Club's property and equipment consisted of the following at June 30, 2018 and 2017:

	2018	2017
Buildings, improvements, and equipment	\$7,136,968	\$6,673,984
Furniture and fixtures	265,505	268,695
Vehicles	<u>321,283</u>	<u>312,074</u>
Total property and equipment	7,723,756	7,254,753
Less: Accumulated depreciation	<u>1,800,921</u>	<u>1,606,707</u>
Property and equipment (net)	<u>\$5,922,835</u>	<u>\$5,648,046</u>

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

6. PLEDGES RECEIVABLE

The Club has adopted U. S. GAAP standards for the fair value option to value its multi-year pledges receivable using a discount rate that is determined annually. The election was made because management believes that the use of fair value reduces the cost of measuring its multi-year pledges receivable in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those pledges were measured using present value techniques and historical discount rates. The Club determines its discount rate based upon the approximate five-year Treasury yield outstanding at the end of each year and applies this rate to all multi-year pledges receivable. The Club's discount rate was 2.0% at June 30, 2018 and 2017.

Pledges receivable at June 30, 2018 and 2017, were as follows:

	2018	2017
Receivable in less than one year	\$ 252,604	\$ 420,766
Receivable in one to five years	<u>92,000</u>	<u>344,667</u>
Total pledges receivable	344,604	765,433
Less: Discounts on pledges receivable	(5,000)	(16,500)
Allowance for uncollectible pledges receivable	<u>(.....)</u>	<u>(10,000)</u>
Net pledges receivable	<u>\$ 339,604</u>	<u>\$ 738,933</u>

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Club's assets measured on a recurring basis at June 30, 2018, are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	INVESTMENTS MEASURED AT NAV	TOTAL
Pledges receivable	\$	\$	\$ 339,604	\$	\$ 339,604
Investments	<u>.....</u>	<u>.....</u>	<u>.....</u>	<u>4,447,464</u>	<u>4,447,464</u>
Total financial assets at fair value	<u>\$</u>	<u>\$</u>	<u>\$ 339,604</u>	<u>\$4,447,464</u>	<u>\$4,787,068</u>

The Club's policy is to treat transfers between levels as occurring at the beginning of the year. During the year ended June 30, 2018, there were no changes to the classification among categories.

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS--(Cont'd)

The fair values of the Club's assets measured on a recurring basis at June 30, 2017, are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	INVESTMENTS MEASURED AT NAV	TOTAL
Pledges receivable	\$	\$	\$ 738,933	\$	\$ 738,933
Investments	<u>3,129,105</u>	<u>3,129,105</u>
Total financial assets at fair value	<u>\$</u>	<u>\$</u>	<u>\$ 738,933</u>	<u>\$3,129,105</u>	<u>\$3,868,038</u>

During the year ended June 30, 2017, there were no changes to the classification among categories.

In accordance with FASB ASC Subtopic 820-10, investments that are measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following is a reconciliation of activity for the year ended June 30, 2018, for Level 3 assets measured at fair value and investments measured at NAV:

	PLEDGES RECEIVABLE	INVESTMENTS	TOTAL
Balance, beginning of year	\$ 738,933	\$3,129,105	\$3,868,038
Contributions	35,250	1,095,000	1,130,250
Pledges written off	(10,000)	....	( 10,000)
Collections of pledges	(446,079)	....	( 446,079)
Investment withdrawals .....	....	( 144,480)	(144,480)
Change in discount and allowance	21,500	....	21,500
Investment earnings reinvested .....	....	39,009	39,009
Investment income - unrealized .....	....	363,782	363,782
Funds expended for investment fees .....	.....	<u>( 34,952)</u>	<u>(34,952)</u>
	<u>\$ 339,604</u>	<u>\$4,447,464</u>	<u>\$4,787,068</u>

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS--(Cont'd)

The following is a reconciliation of activity for the year ended June 30, 2017, for Level 3 assets measured at fair value and investments measured at NAV:

	PLEDGES RECEIVABLE	INVESTMENTS	TOTAL
Balance, beginning of year	\$ 233,495	\$2,864,435	\$3,097,930
Contributions	929,625	30,000	959,625
Pledges written off	(743)	....	( 743)
Collections of pledges	(402,444)	....	( 402,444)
Investment withdrawals .....	....	( 82,000)	(82,000)
Change in discount and allowance	(21,000)	....	( 21,000)
Investment earnings reinvested .....	....	35,767	35,767
Investment income - unrealized .....	....	310,948	310,948
Funds expended for investment fees .....	.....	( 30,045)	(30,045)
	<u>\$ 738,933</u>	<u>\$3,129,105</u>	<u>\$3,868,038</u>

8. GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30, 2018 and 2017:

	2018	2017
Boys & Girls Clubs of America Programs	\$	\$ 11,000
Office of Justice Programs	17,174	21,884
Virginia Department of Health	23,949	19,838
Virginia Department of Social Services	25,876	18,212
Virginia Foundation for Healthy Youth	5,387	311
Department of Criminal Justice Services	21,072	....
Miscellaneous	<u>8,400</u>	<u>5,800</u>
	<u>\$ 101,858</u>	<u>\$ 77,045</u>

9. CONSTRUCTION IN PROGRESS

Costs related to renovation of Club facilities at the Southwood location totaled \$455,279. The renovation was completed and placed in service during the year ended June 30, 2018. All renovation costs were transferred from construction in progress to fixed assets during the year ended June 30, 2018.

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

10. DEFERRED REVENUE

Deferred revenue represents funds that have been received but not yet earned by the Club, such as grant proceeds received but not spent by year end, funds received for potential future clubs, and funds received for special events scheduled to take place after year end. Deferred revenue consisted of the following at June 30, 2018 and 2017:

	2018	2017
Unexpended grant funds	\$ 20,069	\$ 11,000
Fees and sponsorships for future special events	81,972	110,915
Cash received with unmet conditions	<u>31,500</u>	<u>.....</u>
Total deferred revenue	<u>\$ 133,541</u>	<u>\$ 121,915</u>

11. LINE OF CREDIT

Virginia National Bank extended a \$250,000 five-year unsecured line of credit to the Club with interest payable monthly at a rate of the higher of the Wall Street Journal Prime Rate or 3.75%. At June 30, 2018 and 2017, the interest rate was 5.25% and 4.50%, respectively. The line matures February 1, 2019, but comes up for review each year of the five-year period for the bank to examine the Club's financial information. As of June 30, 2018, no draws had been made on the line of credit and it was still available for use until the maturity date. An officer at Virginia National Bank is a member of the Club's Board of Directors, but the line of credit was obtained in the ordinary course of business.

For the years ended June 30, 2018 and 2017, the Club was in compliance with all terms and conditions related to the line of credit.

12. NET ASSETS

Temporarily restricted net assets were as follows at June 30, 2018 and 2017:

	2018	2017
Boys & Girls Clubs - Madison	\$ 396,927	\$ 332,434
Boys & Girls Clubs - Orange	505,229	428,765
Boys & Girls Clubs - Southwood	1,701,746	1,627,169
Boys & Girls Clubs - James River	1,154,444	1,137,317
Boys & Girls Clubs - Northern Urban Ring	17,534,775	4,502,267
Various (includes time restriction on pledges)	<u>50,530</u>	<u>37,192</u>
	<u>\$21,343,651</u>	<u>\$ 8,065,144</u>

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

13. EMPLOYEE BENEFIT PLAN

The Club adopted a 403(b) thrift plan on January 1, 2015. Employees are eligible to participate in the plan if they are at least 18 years old, complete one year of service, and have worked at least 1,000 hours during the current year. There were 22 participants in the plan during the years ended June 30, 2018 and 2017, at a total cost to the Club of \$30,026 and \$27,590, respectively.

14. LEASE COMMITMENTS

The Club rents space from Orange County Public Schools under the terms of a lease agreement that requires a monthly rental fee of \$1,208. The lease expired on June 30, 2018 and was renewed. The new lease is effective from July 1, 2018 through June 30, 2019. Escalation to cover increases in actual utility and/or maintenance costs, not to exceed 5%, may be applied annually at the discretion of the Schools.

Total rent expense was \$23,387 and \$21,690 for the years ended June 30, 2018 and 2017, respectively.

15. IN-KIND CONTRIBUTIONS

The Club conducts activities in facilities for which it pays no or below-market rents. The estimated market value of the use of these facilities is included in both support and expense in the statement of activities. The estimated market values for the years ended June 30, 2018 and 2017, are as follows:

	2018	2017
Southwood, Charlottesville	\$ 13,000	\$ 12,000
Jack Jouett Middle School, Charlottesville	25,000	23,000
Orange County Public School Building	38,000	36,000
Madison County Public School Building	21,000	21,000
Scottsville Community Center Building	<u>13,000</u>	<u>13,000</u>
	<u>\$ 110,000</u>	<u>\$ 105,000</u>

The Club also receives various donated supplies and other items that it uses in its program services and fund-raising activities. The Club's estimate of the fair value of the donated items was \$20,648 and \$31,427 during the years ended June 30, 2018 and 2017, respectively.

16. SPECIAL EVENTS

The Club conducts various special events that promote and support the Club's programs. Total gross proceeds and expenses from events for the years ended June 30, 2018 and 2017, were as follows:

	2018	2017
Special events fees and contributions	\$1,002,465	\$1,095,153
Special events in-kind donations	10,784	6,285
Special events expenses	<u>(289,771)</u>	<u>(289,541)</u>
Total special events (net of expenses)	<u>\$ 723,478</u>	<u>\$ 811,897</u>

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

17. CAPITAL CAMPAIGN CONTRIBUTIONS

Capital campaign contributions represent amounts received from donors for the purpose of acquiring, constructing or expanding, and operating new or existing club locations.

For the year ended June 30, 2018, the Club received approximately 88% of capital campaign contributions from two donors.

For the year ended June 30, 2017, the Club received approximately 91% of capital campaign contributions from two donors.

18. CONCENTRATIONS

For the year ended June 30, 2018, the Club earned approximately 67% of grant revenue from four grantors and approximately 11% of total revenue from one special event. As of June 30, 2018, approximately 67% of the gross outstanding balance of pledges receivable was due from two donors.

For the year ended June 30, 2017, the Club received approximately 10% of Operating Support and Revenue contribution revenue from one donor. The Club earned approximately 47% of grant revenue from three grantors and approximately 14% of total event revenue from one special event. As of June 30, 2017, approximately 74% of the gross outstanding balance of pledges receivable was due from three donors.

19. RECLASSIFICATIONS

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.