

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

**FINANCIAL STATEMENTS
JUNE 30, 2019**



**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

CONTENTS

| | PAGE |
|---|-------------|
| Report of independent auditors | 1 |
| Statements of financial position | 3 |
| Statements of activities | 4 |
| Statements of cash flows | 5 |
| Statement of functional expenses - 2019 | 6 |
| Statement of functional expenses - 2018 | 7 |
| Notes to financial statements | 8 |



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, 2019 and 2018, 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

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, 2019 and 2018, 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.

Hantymon Wiebel LLP

Charlottesville, Virginia
March 19, 2020

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

ASSETS

| | 2019 | 2018 |
|---|----------------------|----------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 720,948 | \$ 621,987 |
| Short-term investments | 1,675,000 | 1,300,000 |
| Accounts receivable | 23,463 | 9,350 |
| Sponsorships receivable, current ..... | .... | 25,000 |
| Pledges receivable, current | 178,250 | 252,604 |
| Grants receivable | 83,520 | 101,858 |
| Prepaid expenses and deposits | 3,556 | 3,556 |
| | <u>2,684,737</u> | <u>2,314,355</u> |
| PROPERTY AND EQUIPMENT, NET | <u>5,734,613</u> | <u>5,922,835</u> |
| OTHER ASSETS | | |
| Cash and cash equivalents held for long term purposes | 66,571 | 117,102 |
| Short-term investments held for long term purposes | 16,525,000 | 16,450,000 |
| Investments | 6,013,984 | 4,447,464 |
| Sponsorships receivable, due after one year ..... | .... | 50,000 |
| Pledges receivable, due after one year | 249,250 | 87,000 |
| Construction in progress | 4,750 | 2,251 |
| | <u>22,859,555</u> | <u>21,153,817</u> |
| Total other assets | <u>22,859,555</u> | <u>21,153,817</u> |
| Total assets | <u>\$ 31,278,905</u> | <u>\$ 29,391,007</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|----------------------|----------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 24,980 | \$ 25,675 |
| Accrued payroll, payroll taxes, and withholdings | 140,629 | 152,249 |
| Deferred revenue | 50,000 | 133,541 |
| | <u>215,609</u> | <u>311,465</u> |
| NET ASSETS | | |
| Without donor restrictions | 8,292,305 | 7,735,891 |
| With donor restrictions | 22,770,991 | 21,343,651 |
| | <u>31,063,296</u> | <u>29,079,542</u> |
| Total net assets | <u>31,063,296</u> | <u>29,079,542</u> |
| Total liabilities and net assets | <u>\$ 31,278,905</u> | <u>\$ 29,391,007</u> |

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

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | | | 2018 | | |
|---|----------------------------------|-------------------------------|----------------------|----------------------------------|-------------------------------|----------------------|
| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
| OPERATING SUPPORT AND REVENUE | | | | | | |
| Contributions | \$ 1,204,097 | \$ 538,806 | \$ 1,742,903 | \$ 1,276,476 | \$ 549,946 | \$ 1,826,422 |
| Grants | 773,958 | 234,738 | 1,008,696 | 685,689 | 235,210 | 920,899 |
| In-kind contributions | 57,375 | 74,766 | 132,141 | 62,804 | 147,405 | 210,209 |
| Program service revenue | 62,625 | 62,739 | 125,364 | 69,142 | 75,498 | 144,640 |
| Special events (net of expenses) | 437,585 | 296,010 | 733,595 | 454,937 | 268,541 | 723,478 |
| Miscellaneous | 5,369 | 33 | 5,402 | 7,032 | 175 | 7,207 |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of program restrictions | 2,205,894 | (2,205,894) | .... | 1,160,592 | (1,160,592) | .... |
| Total operating support and revenue | 4,746,903 | (998,802) | 3,748,101 | 3,716,672 | 116,183 | 3,832,855 |
| OPERATING EXPENSES | | | | | | |
| Program services | 3,372,978 | .... | 3,372,978 | 3,354,109 | .... | 3,354,109 |
| Management and general | 534,452 | .... | 534,452 | 384,508 | .... | 384,508 |
| Fund-raising | 451,296 | .... | 451,296 | 450,275 | .... | 450,275 |
| Total operating expenses | 4,358,726 | .... | 4,358,726 | 4,188,892 | .... | 4,188,892 |
| Change in net assets from operations | 388,177 | (998,802) | (610,625) | (472,220) | 116,183 | (356,037) |
| INVESTING REVENUE | | | | | | |
| Investment income | 26,057 | 319,931 | 345,988 | 28,018 | 68,118 | 96,136 |
| Net realized and unrealized gains | 142,180 | 147,373 | 289,553 | 246,048 | 82,782 | 328,830 |
| Total investing revenue | 168,237 | 467,304 | 635,541 | 274,066 | 150,900 | 424,966 |
| CAPITAL CAMPAIGN CONTRIBUTIONS ..... | .... | 1,958,838 | 1,958,838 | .... | 13,011,424 | 13,011,424 |
| TOTAL CHANGE IN NET ASSETS | 556,414 | 1,427,340 | 1,983,754 | (198,154) | 13,278,507 | 13,080,353 |
| NET ASSETS, BEGINNING OF YEAR | 7,735,891 | 21,343,651 | 29,079,542 | 7,934,045 | 8,065,144 | 15,999,189 |
| NET ASSETS, END OF YEAR | <u>\$ 8,292,305</u> | <u>\$ 22,770,991</u> | <u>\$ 31,063,296</u> | <u>\$ 7,735,891</u> | <u>\$ 21,343,651</u> | <u>\$ 29,079,542</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, 2019 AND 2018

| | 2019 | 2018 |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,983,754 | \$ 13,080,353 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 248,123 | 246,702 |
| Loss on asset abandonments | 2,119 | 1,379 |
| Net realized and unrealized (gain) loss on investments | (289,553) | (328,830) |
| Changes in provision for uncollectible pledges | 10,000 | (21,500) |
| Contributions received for long-term purposes | (1,517,338) | (12,711,757) |
| (Increase) decrease in assets: | | |
| Accounts receivable | (14,113) | 12,676 |
| Sponsorships receivable | 75,000 | 25,000 |
| Pledges receivable | (97,896) | 420,829 |
| Grants receivable | 18,338 | (24,813) |
| Prepaid expenses and deposits ..... | .... | ( 1,840) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (695) | (645) |
| Accrued payroll, payroll taxes, and withholdings | (11,620) | 32,171 |
| Deferred revenue | (83,541) | 11,626 |
| Net cash provided by operating activities | <u>322,578</u> | <u>741,351</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (Increase) decrease in cash restricted for long-term purposes | 50,531 | 4,684,037 |
| Purchases of property and equipment | (65,020) | (49,411) |
| Proceeds from the sale of property and equipment | 3,000 | .... |
| Construction costs (net of retainage) | (2,499) | (270,275) |
| Purchases of investments | (1,966,995) | (1,134,009) |
| Purchases of short-term investments | (450,000) | (17,600,000) |
| Sales of investments | 690,028 | 144,480 |
| Net cash used in investing activities | <u>(1,740,955)</u> | <u>(14,225,178)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Contributions received for long-term purposes | <u>1,517,338</u> | <u>12,711,757</u> |
| Net cash provided by financing activities | <u>1,517,338</u> | <u>12,711,757</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 98,961 | (772,070) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>621,987</u> | <u>1,394,057</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 720,948</u></u> | <u><u>\$ 621,987</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, 2019**

| | PROGRAM SERVICES | MANAGEMENT AND GENERAL | FUND- RAISING | TOTAL |
|------------------------------------|-----------------------------|-----------------------------------|--------------------------|---------------------|
| OPERATING EXPENSES | | | | |
| Benefits and payroll taxes | \$ 302,597 | \$ 48,113 | \$ 46,920 | \$ 397,630 |
| Compensation | 1,878,258 | 298,645 | 291,241 | 2,468,144 |
| Depreciation | 202,713 | 22,705 | 22,705 | 248,123 |
| Dues | 19,153 | 3,029 | .... | 22,182 |
| Insurance | 30,115 | 3,247 | 3,247 | 36,609 |
| Marketing and cultivation ..... | .... | 991 | 43,013 | 44,004 |
| Miscellaneous costs | 16,142 | 53,705 | 517 | 70,364 |
| Occupancy | 309,061 | 22,789 | 22,789 | 354,639 |
| Office operating costs | 61,526 | 15,353 | 7,849 | 84,728 |
| Other staff costs | 29,066 | 2,792 | 1,863 | 33,721 |
| Printing and postage | 3,226 | 1,441 | 4,500 | 9,167 |
| Professional fees | 8,643 | 47,778 | 497 | 56,918 |
| Program costs | 459,213 | .... | .... | 459,213 |
| Staff training and education | 14,824 | 8,616 | .... | 23,440 |
| Vehicle costs | 38,441 | 5,248 | 6,155 | 49,844 |
| | <u>\$ 3,372,978</u> | <u>\$ 534,452</u> | <u>\$ 451,296</u> | <u>\$ 4,358,726</u> |

(The accompanying notes are an integral part of this financial statement)

**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>\$ 3,354,109</u> | <u>\$ 384,508</u> | <u>\$ 450,275</u> | <u>\$ 4,188,892</u> |
| Total | | | | |

(The accompanying notes are an integral part of this financial statement)

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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 assets with donor restrictions and assets without donor restrictions. The assets, liabilities, and net assets of the Club are reported in the following self-balancing net asset groups:

Net assets without donor restrictions represent the portion of net assets that can be utilized to support current and future Club operations.

Net assets with donor restrictions represent contributions to the Club that are expendable only for purposes specified by the donor, have restrictions that expire with the passage of time, or are required to be invested in perpetuity. There were no net assets with donor restrictions required to be held in perpetuity at June 30, 2019 and 2018.

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS

c. *Policy Disclosure*

The Club reports gifts of cash and other assets as support without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Club reports gifts of land, buildings, and equipment as support without donor restrictions, 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 support with donor restrictions. 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. *Recent Accounting Pronouncement*

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The statement aims to improve nonprofit financial statements in an effort to provide more useful information to donors, grantors, creditors, and other users. Major components of this standard include changes to net asset classifications, disclosures regarding liquidity and availability of resources, and improved expense reporting. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted, and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements have been presented regarding liquidity and availability of resources for short-term use. Expenses have been reported by both their natural and functional classification to aid in the usefulness of financial statements. This standard is effective for years beginning after December 15, 2017. There was no impact on total net assets as a result of the adoption of ASU 2016-14.

e. *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 specifically designated by the Board for use in the future, or (iii) amounts reasonably expected to be held for uses more than one year from the date of the financial statements.

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS

f. ***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, 2019 and 2018.

g. ***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 determined that an allowance for uncollectible pledges was not necessary at June 30, 2019 and 2018. 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. There were no conditional pledges at June 30, 2019 and 2018.

h. ***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 service revenue in the statement of activities, or as offsets against program expenses for certain elective programs.

i. ***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, 2019 and 2018. In addition, the Club recognized \$0 and \$52,408 of contributed contractor services support for the years ended June 30, 2019 and 2018, 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.

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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.

j. ***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.

k. ***Advertising***

The Club expenses advertising costs as incurred. Advertising costs were insignificant in the years ended June 30, 2019 and 2018.

l. ***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. Expenditures for maintenance and repairs are expensed as incurred.

m. ***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, 2019 and 2018.

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS

n. ***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.

o. ***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. The statements of functional expenses present the natural classification detail of expenses by function. Expenses require allocation on a reasonable basis that is consistently applied. Payroll expenses are allocated on the basis of staff time and effort spent on program services, management and general, and fund-raising. Examples of other allocated expenses include office operating costs, other staff costs, and dues, which are allocated based on the underlying nature of the transactions.

p. ***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.

q. ***Subsequent Events***

Management has evaluated subsequent events through March 19, 2020, which is the date the financial statements were available to be issued.

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS

3. SHORT-TERM INSURED INVESTMENTS

The Club’s short-term investments consist of federally insured 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 30, 2019 and 2018, the carrying values approximate the market values of these investments. The CDARS program eliminates the Club’s risk related to concentrations of short-term investments above Federal Deposit Insurance Corporation (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, 2019, 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, 2019 is as follows:

| | FAIR MARKET VALUE | ORIGINAL COST | EARNINGS REINVESTED | TOTAL COST |
|--------------------------|------------------------------|--------------------------|--------------------------------|-----------------------|
| Pooled investments | <u>\$6,013,984</u> | <u>\$5,414,323</u> | <u>\$ 302,715</u> | <u>\$5,717,038</u> |

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS

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> |

For the years ended June 30, 2019 and 2018, the Club recognized net realized and unrealized gains (net of investment management fees) on the change in the value of its investments as follows:

| | 2019 | 2018 |
|---|-------------------|-------------------|
| Net realized and unrealized gains | <u>\$ 289,553</u> | <u>\$ 328,830</u> |

At June 30, 2019 and 2018, the Club's investments in the pool consisted of the following:

| | 2019 | 2018 |
|---------------------------------------|---------------|---------------|
| Public and private equity funds | 64.8% | 67.2% |
| Alternative investments | 18.2 | 18.2 |
| Fixed income securities | 13.0 | 10.9 |
| Real estate investment trusts ..... | .... | 2.5 |
| Cash | <u>4.0</u> | <u>1.2</u> |
| | <u>100.0%</u> | <u>100.0%</u> |

Expenses relating to investment revenues totaled \$44,439 and \$34,952 for the years ended June 30, 2019 and 2018, respectively. These expenses represent fees charged by the investment manager for investment management and advisory services. Currently, the investment fee rate decreases at several break points with increased assets under management. Investment fees have been netted against realized and unrealized gains (losses) in the accompanying statement of activities for the years ended June 30, 2019 and 2018.

5. PROPERTY AND EQUIPMENT

The Club's property and equipment consisted of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|--|--------------------|--------------------|
| Buildings, improvements, and equipment | \$7,194,557 | \$7,136,968 |
| Furniture and fixtures | 263,232 | 265,505 |
| Vehicles | <u>260,736</u> | <u>321,283</u> |
| Total property and equipment | 7,718,525 | 7,723,756 |
| Less: Accumulated depreciation | <u>1,983,912</u> | <u>1,800,921</u> |
| Property and equipment (net) | <u>\$5,734,613</u> | <u>\$5,922,835</u> |

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018.

Pledges receivable at June 30, 2019 and 2018 were as follows:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Receivable in less than one year | \$ 178,250 | \$ 252,604 |
| Receivable in one to five years | <u>264,250</u> | <u>92,000</u> |
| Total pledges receivable | 442,500 | 344,604 |
| Less: Discounts on pledges receivable | (15,000) | (5,000) |
| Allowance for uncollectible pledges receivable | (.....) | (.....) |
| Net pledges receivable | <u>\$ 427,500</u> | <u>\$ 339,604</u> |

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Club's assets measured on a recurring basis at June 30, 2019, are as follows:

| | LEVEL 1 | LEVEL 2 | LEVEL 3 | INVESTMENTS MEASURED AT NAV | TOTAL |
|---|-----------------|-----------------|-------------------|--|--------------------|
| Pledges receivable | \$ | \$ | \$ 427,500 | \$ | \$ 427,500 |
| Investments | <u>.....</u> | <u>.....</u> | <u>.....</u> | <u>6,013,984</u> | <u>6,013,984</u> |
| Total financial assets at fair value | <u>\$</u> | <u>\$</u> | <u>\$ 427,500</u> | <u>\$6,013,984</u> | <u>\$6,441,484</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, 2019, there were no changes to the classification among categories.

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS

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> |

During the year ended June 30, 2018, there were no changes to the classification among categories.

In accordance with FASB Accounting Standards Codification (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, 2019 for Level 3 assets measured at fair value and investments measured at NAV:

| | PLEDGES RECEIVABLE | INVESTMENTS | TOTAL |
|--|-------------------------------|--------------------|--------------------|
| Balance, beginning of year | \$ 339,604 | \$4,447,464 | \$4,787,068 |
| Contributions | 351,000 | 1,919,954 | 2,270,954 |
| Pledges written off | (174) | .... | ( 174) |
| Collections of pledges | (252,930) | .... | ( 252,930) |
| Investment withdrawals ..... | .... | ( 690,028) | (690,028) |
| Change in discount and allowance | (10,000) | .... | ( 10,000) |
| Investment earnings reinvested ..... | .... | 47,040 | 47,040 |
| Investment income - unrealized ..... | .... | 333,993 | 333,993 |
| Funds expended for investment fees | <u>....</u> | <u>(44,439)</u> | <u>(44,439)</u> |
| Balance, end of year | <u>\$ 427,500</u> | <u>\$6,013,984</u> | <u>\$6,441,484</u> |

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS

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>....</u> | <u>(34,952)</u> | <u>(34,952)</u> |
| Balance, end of year | <u>\$ 339,604</u> | <u>\$4,447,464</u> | <u>\$4,787,068</u> |

8. GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|------------------|-------------------|
| Boys & Girls Clubs of America Programs | \$ 26,700 | \$ |
| Office of Justice Programs ..... | .... | 17,174 |
| Virginia Department of Health ..... | .... | 23,949 |
| Virginia Department of Social Services | 39,681 | 25,876 |
| Virginia Foundation for Healthy Youth | 7,020 | 5,387 |
| Department of Criminal Justice Services ..... | .... | 21,072 |
| Miscellaneous | <u>10,119</u> | <u>8,400</u> |
| | <u>\$ 83,520</u> | <u>\$ 101,858</u> |

9. CONSTRUCTION IN PROGRESS

Costs related to renovation of Club facilities at the Northern Urban Ring location totaled \$4,750 at June 30, 2019. The renovation is expected to be completed in 2021. The estimated cost to complete is approximately \$15 million.

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018:

| | 2019 | 2018 |
|---|------------------|-------------------|
| Unexpended grant funds | \$ 43,916 | \$ 20,069 |
| Fees and sponsorships for future special events ..... | .... | 81,972 |
| Cash received with unmet conditions | <u>6,084</u> | <u>31,500</u> |
| Total deferred revenue | <u>\$ 50,000</u> | <u>\$ 133,541</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, 2019 and 2018, the interest rate was 5.75% and 5.25%, respectively. The line matures February 1, 2020, 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, 2019, 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, 2019 and 2018, the Club was in compliance with all terms and conditions related to the line of credit.

12. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Undesignated assets | \$2,932,861 | \$2,047,124 |
| Investment in property and equipment, net | 5,513,315 | 5,922,835 |
| Undesignated liabilities | <u>(153,871)</u> | <u>(234,068)</u> |
| Total net assets without donor restrictions | <u>\$8,292,305</u> | <u>\$7,735,891</u> |

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Subject to appropriation and expenditure when a specified event occurs: | | |
| Boys & Girls Clubs - Madison..... | \$ 558,553 | \$ 396,927 |
| Boys & Girls Clubs - Orange..... | 648,275 | 505,229 |
| Boys & Girls Clubs - Southwood..... | 810,910 | 1,701,746 |
| Boys & Girls Clubs - James River..... | 1,241,037 | 1,154,444 |
| Boys & Girls Clubs - Northern Urban Ring..... | 17,134,652 | 17,534,775 |
| Boys & Girls Clubs - Building Great Futures | 2,334,674 | .... |
| Various | <u>42,890</u> | <u>50,530</u> |
| Total subject to appropriation and expenditure... | <u>\$22,770,991</u> | <u>\$21,343,651</u> |

14. EMPLOYEE BENEFIT PLAN

The Club adopted a 403(b) thrift plan on January 1, 2015. All employees are eligible to participate in the plan; however, only those employees who are at least 18 years old, complete one year of service, and have worked at least 1,000 hours during the current year are eligible to receive employer matching funds. During the years ended June 30, 2019 and 2018, participants in the plan numbered 32 and 22, respectively, at a total cost to the Club of \$43,480 and \$30,026, respectively.

15. 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, 2019 and was renewed. The new lease is effective from July 1, 2019 through June 30, 2020. 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.

The Club also rents space from the Albemarle County School Board under the terms of a lease agreement that requires a monthly rental free of \$475. The lease expired on June 30, 2019 and was renewed. The new lease is effective from July 1, 2019 through June 30, 2020.

Total rent expense was \$27,918 and \$23,387 for the years ended June 30, 2019 and 2018, respectively.

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS

16. 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, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Southwood, Charlottesville | \$ 13,000 | \$ 13,000 |
| Jack Jouett Middle School, Charlottesville | 27,000 | 25,000 |
| Orange County Public School Building | 38,000 | 38,000 |
| Madison County Public School Building | 22,000 | 22,000 |
| Scottsville Community Center Building | <u>13,000</u> | <u>13,000</u> |
| | <u>\$ 113,000</u> | <u>\$ 111,000</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 \$29,141 and \$20,648 during the years ended June 30, 2019 and 2018, respectively.

17. 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, 2019 and 2018 were as follows:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Special events fees and contributions | \$1,014,422 | \$1,002,465 |
| Special events in-kind donations | 28,482 | 10,784 |
| Special events expenses | <u>(309,309)</u> | <u>(289,771)</u> |
| Total special events (net of expenses) | <u>\$ 733,595</u> | <u>\$ 723,478</u> |

18. 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, 2019, the Club received approximately 39% of capital campaign contributions from two donors.

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

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS

19. CONCENTRATIONS

For the year ended June 30, 2019, the Club received approximately 57% of contributions from one donor. For the year ended June 30, 2018, the Club earned approximately 51% of grant revenue from three grantors and approximately 12% of total revenue from one special event. As of June 30, 2019, approximately 68% of the gross outstanding balance of pledges receivable was due from two donors.

For the year ended June 30, 2018, the Club earned approximately 67% of grant revenue from four grantors and approximately 11% of total event 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.

20. LIQUIDITY AND AVAILABILITY

The Club regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

The Club considers investment income without donor restrictions, contribution revenue without donor restrictions, and contribution revenue with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include program services, management and general expenses, and fund-raising expenses expected to be paid in the subsequent year.

The Club manages its cash available to meet general expenditures under the following guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met.

The following financial assets are available for general expenditure within one year of June 30, 2019:

| | |
|---|--------------------|
| Cash and cash equivalents..... | \$ 785,419 |
| Pledges receivable, net..... | 178,250 |
| Short term investments | 1,675,000 |
| Accounts receivable | 23,463 |
| Grants receivable..... | 83,520 |
| Investments | <u>5,460,670</u> |
| Total available for general expenditure | <u>\$8,206,322</u> |

The Club also has a \$250,000 line of credit available.

21. 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.