

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

**FINANCIAL STATEMENTS
JUNE 30, 2020**



**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, 2020 and 2019, 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, 2020 and 2019, 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.

Hanlymon Wiebel LLP

Charlottesville, Virginia
February 10, 2021

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,001,008	\$ 720,948
Short-term investments .....	....	1,675,000
Accounts receivable .....	....	23,463
Pledges receivable, current	491,387	178,250
Grants receivable	3,500	83,520
Prepaid expenses and deposits	16,301	3,556
	<u>1,512,196</u>	<u>2,684,737</u>
PROPERTY AND EQUIPMENT, NET	<u>5,500,527</u>	<u>5,734,613</u>
OTHER ASSETS		
Cash and cash equivalents held for long term purposes	15,817,295	66,571
Short-term investments held for long term purposes .....	....	16,525,000
Investments	11,651,156	6,013,984
Pledges receivable, due after one year	914,834	249,250
Construction in progress	72,069	4,750
	<u>28,455,354</u>	<u>22,859,555</u>
Total other assets	<u>28,455,354</u>	<u>22,859,555</u>
Total assets	<u>\$ 35,468,077</u>	<u>\$ 31,278,905</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 61,361	\$ 24,980
Accrued payroll, payroll taxes, and withholdings	167,491	140,629
Deferred revenue	6,971	50,000
	<u>235,823</u>	<u>215,609</u>
Total current liabilities	<u>235,823</u>	<u>215,609</u>
LONG-TERM LIABILITIES		
Paycheck Protection Program loan	548,200	....
	<u>548,200</u>	<u>....</u>
Total long-term liabilities	<u>548,200</u>	<u>....</u>
Total liabilities	<u>784,023</u>	<u>215,609</u>
NET ASSETS		
Without donor restrictions	7,979,560	8,292,305
With donor restrictions	26,704,494	22,770,991
	<u>34,684,054</u>	<u>31,063,296</u>
Total net assets	<u>34,684,054</u>	<u>31,063,296</u>
Total liabilities and net assets	<u>\$ 35,468,077</u>	<u>\$ 31,278,905</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, 2020 AND 2019

	2020			2019		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING SUPPORT AND REVENUE						
Contributions	\$ 1,487,000	\$ 558,361	\$ 2,045,361	\$ 1,204,097	\$ 538,806	\$ 1,742,903
Grants	685,843	165,537	851,380	773,958	234,738	1,008,696
In-kind contributions	57,018	74,031	131,049	57,375	74,766	132,141
Program service revenue	37,633	25,488	63,121	62,625	62,739	125,364
Special events (net of expenses)	163,970	146,253	310,223	437,585	296,010	733,595
Miscellaneous	5,662	....	5,662	5,369	33	5,402
Net assets released from restrictions:						
Satisfaction of program restrictions	1,918,724	(1,918,724)	....	2,205,894	(2,205,894)	....
Total operating support and revenue	<u>4,355,850</u>	<u>(949,054)</u>	<u>3,406,796</u>	<u>4,746,903</u>	<u>(998,802)</u>	<u>3,748,101</u>
OPERATING EXPENSES						
Program services	3,770,853	....	3,770,853	3,372,978	....	3,372,978
Management and general	536,514	....	536,514	534,452	....	534,452
Fund-raising	506,763	....	506,763	451,296	....	451,296
Total operating expenses	<u>4,814,130</u>	<u>....</u>	<u>4,814,130</u>	<u>4,358,726</u>	<u>....</u>	<u>4,358,726</u>
Change in net assets from operations	<u>(458,280)</u>	<u>(949,054)</u>	<u>(1,407,334)</u>	<u>388,177</u>	<u>(998,802)</u>	<u>(610,625)</u>
INVESTING REVENUE						
Investment income	28,668	391,699	420,367	26,057	319,931	345,988
Net realized and unrealized gains	116,867	368,205	485,072	142,180	147,373	289,553
Total investing revenue	<u>145,535</u>	<u>759,904</u>	<u>905,439</u>	<u>168,237</u>	<u>467,304</u>	<u>635,541</u>
CAPITAL CAMPAIGN CONTRIBUTIONS .....	....	4,122,653	4,122,653	....	1,958,838	1,958,838
TOTAL CHANGE IN NET ASSETS	<u>(312,745)</u>	<u>3,933,503</u>	<u>3,620,758</u>	<u>556,414</u>	<u>1,427,340</u>	<u>1,983,754</u>
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$ 7,979,560</u>	<u>\$ 26,704,494</u>	<u>\$ 34,684,054</u>	<u>\$ 8,292,305</u>	<u>\$ 22,770,991</u>	<u>\$ 31,063,296</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, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,620,758	\$ 1,983,754
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	236,986	248,123
Loss on asset abandonments .....	....	2,119
Relocation of construction costs	314,671	....
Net realized and unrealized (gain) on investments	(485,072)	(289,553)
Change in discounts on pledges receivable	23,000	10,000
Contributions received for long-term purposes	(2,683,910)	(1,517,338)
(Increase) decrease in assets:		
Accounts receivable	23,463	(14,113)
Sponsorships receivable .....	....	75,000
Pledges receivable	(1,001,721)	(97,896)
Grants receivable	80,020	18,338
Prepaid expenses and deposits	(12,745)	....
Increase (decrease) in liabilities:		
Accounts payable	36,381	(695)
Accrued payroll, payroll taxes, and withholdings	26,862	(11,620)
Deferred revenue	(43,029)	(83,541)
Net cash provided by operating activities	<u>135,664</u>	<u>322,578</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,900)	(65,020)
Proceeds from the sale of property and equipment .....	....	3,000
Construction costs (net of retainage)	(381,990)	(2,499)
Purchases of investments	(5,507,422)	(1,966,995)
Liquidation (purchases) of short-term investments	18,200,000	(450,000)
Sales of investments	355,322	690,028
Net cash provided by (used in) investing activities	<u>12,663,010</u>	<u>(1,791,486)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received for long-term purposes	2,683,910	1,517,338
Net proceeds from Paycheck Protection Program loan	548,200	....
Net cash provided by financing activities	<u>3,232,110</u>	<u>1,517,338</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	16,030,784	48,430
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>787,519</u>	<u>739,089</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 16,818,303</u>	<u>\$ 787,519</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Amounts reported within the statement of financial position that sum to the total above:		
Cash and cash equivalents	\$ 1,001,008	\$ 720,948
Cash and cash equivalents held for long-term purposes	15,817,295	66,571
Total cash, cash equivalents, and restricted cash	<u>\$ 16,818,303</u>	<u>\$ 787,519</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, 2020**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
OPERATING EXPENSES				
Benefits and payroll taxes	\$ 321,419	\$ 35,532	\$ 51,460	\$ 408,411
Compensation	2,134,630	235,976	341,758	2,712,364
Depreciation	193,816	21,585	21,585	236,986
Dues	21,155	905	....	22,060
Insurance	40,994	4,798	4,798	50,590
Marketing and cultivation .....	....	9,202	16,806	26,008
Miscellaneous costs	21,600	20,274	1,525	43,399
Occupancy	279,895	16,710	16,710	313,315
Office operating costs	74,639	20,314	9,742	104,695
Other staff costs	24,274	1,715	....	25,989
Printing and postage	4,163	1,306	6,241	11,710
Professional fees	21,734	128,827	1,203	151,764
Program costs	343,319	....	....	343,319
Relocation of construction costs.....	251,737	31,467	31,467	314,671
Staff training and education	9,562	4,432	....	13,994
Vehicle costs	27,916	3,471	3,468	34,855
	<u>\$ 3,770,853</u>	<u>\$ 536,514</u>	<u>\$ 506,763</u>	<u>\$ 4,814,130</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, 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>
Total	<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

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 and 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, 2020 and 2019.

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*

The Club adopted the following FASB Accounting Standards Updates (ASUs) for the fiscal year ended June 30, 2020:

ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*: This ASU clarifies guidance about whether a transfer of assets is a contribution or an exchange transaction. There was no impact on total net assets as a result of the standard being adopted.

ASU 2016-18, *Statement of Cash Flows: Restricted Cash*: This ASU provides specific guidance on the cash flow classification and presentation of changes in restricted cash and restricted cash equivalents. There was no impact on total net assets as a result of the standard being adopted.

As provided by the FASB ASU 2020-05, the Club has elected to adopt FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, for the annual period beginning after December 15, 2019.

e. *COVID-19*

On March 11, 2020, the World Health Organization officially declared the coronavirus (COVID-19) outbreak a pandemic, resulting in federal, state, and local governments mandating various restrictions, including travel restrictions, restrictions on public gatherings, and stay-at-home orders. The extent of the pandemic's impact on the Club's financial condition and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at this time.

**BOYS & GIRLS CLUBS
OF CENTRAL VIRGINIA**

NOTES TO FINANCIAL STATEMENTS

f. ***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.

g. ***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, 2020 and 2019.

h. ***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, 2020 and 2019. 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. At June 30, 2020, there was one conditional pledge received by the Club totaling \$5,000,000. The pledge will be earned as the Club reaches certain construction milestones on the Northern Urban Ring construction project. There were no conditional pledges at June 30, 2019.

i. ***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.

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS

j. *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, 2020 and 2019.

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.

k. *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.

l. *Advertising*

The Club expenses advertising costs as incurred. Advertising costs were insignificant in the years ended June 30, 2020 and 2019.

m. *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 three to seven years for vehicles and equipment, seven to ten years for furniture and fixtures, and 39 years for buildings and leasehold improvements. Expenditures for maintenance and repairs are expensed as incurred.

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS

n. ***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, 2020 and 2019.

o. ***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.

p. ***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.

q. ***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.

BOYS & GIRLS CLUBS OF CENTRAL VIRGINIA

NOTES TO FINANCIAL STATEMENTS

r. *Subsequent Events*

Management has evaluated subsequent events through February 10, 2021, which is the date the financial statements were available to be issued.

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, the carrying values approximated 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. During the year ended June 30, 2020, all CDAR amounts were transferred into a sweep cash account and are therefore recognized as cash and cash equivalents.

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, 2020, 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.

**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, 2020 is as follows:

	FAIR MARKET VALUE	ORIGINAL COST	EARNINGS REINVESTED	TOTAL COST
Pooled investments	<u>\$11,651,156</u>	<u>\$10,708,690</u>	<u>\$ 407,083</u>	<u>\$11,115,773</u>

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>

For the years ended June 30, 2020 and 2019, the Club recognized net realized and unrealized gains (net of investment management fees) on the change in the value of its investments as follows:

	2020	2019
Net realized and unrealized gains	<u>\$485,072</u>	<u>\$289,553</u>

At June 30, 2020 and 2019, the Club's investments in the pool consisted of the following:

	2020	2019
Public and private equity funds	65.3%	64.8%
Alternative investments	16.7	18.2
Fixed income securities	13.6	13.0
Cash	<u>4.4</u>	<u>4.0</u>
	<u>100.0%</u>	<u>100.0%</u>

Expenses relating to investment revenues totaled \$67,512 and \$44,439 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019.

**BOYS & GIRLS CLUBS
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NOTES TO FINANCIAL STATEMENTS

5. PROPERTY AND EQUIPMENT

The Club's property and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019
Buildings, improvements, and equipment	\$7,193,986	\$7,194,557
Furniture and fixtures	242,278	263,232
Vehicles	<u>260,736</u>	<u>260,736</u>
Total property and equipment	7,697,000	7,718,525
Less: Accumulated depreciation	<u>2,196,473</u>	<u>1,983,912</u>
Property and equipment (net)	<u>\$5,500,527</u>	<u>\$5,734,613</u>

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 1.0% and 2.0% at June 30, 2020 and 2019, respectively.

Pledges receivable at June 30, 2020 and 2019 were as follows:

	2020	2019
Receivable in less than one year	\$ 491,387	\$ 178,250
Receivable in one to five years	<u>952,834</u>	<u>264,250</u>
Total pledges receivable	1,444,221	442,500
Less: Discounts on pledges receivable	(38,000)	(15,000)
Allowance for uncollectible pledges receivable	(.....)	(.....)
Net pledges receivable	<u>\$ 1,406,221</u>	<u>\$ 427,500</u>

**BOYS & GIRLS CLUBS
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NOTES TO FINANCIAL STATEMENTS

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Club’s assets measured on a recurring basis at June 30, 2020 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	INVESTMENTS MEASURED AT NAV	TOTAL
Pledges receivable	\$	\$	\$ 1,406,221	\$	\$ 1,406,221
Investments	<u>11,651,156</u>	<u>11,651,156</u>
Total financial assets at fair value	<u>\$</u>	<u>\$</u>	<u>\$ 1,406,221</u>	<u>\$11,651,156</u>	<u>\$13,057,377</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, 2020, there were no changes to the classification among categories.

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>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>

During the year ended June 30, 2019, 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.

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NOTES TO FINANCIAL STATEMENTS

The following is a reconciliation of activity for the year ended June 30, 2020 for Level 3 assets measured at fair value and investments measured at NAV:

	PLEDGES		
	RECEIVABLE	INVESTMENTS	TOTAL
Balance, beginning of year	\$ 427,500	\$ 6,013,984	\$ 6,441,484
Contributions	1,515,000	5,403,053	6,918,053
Pledges written off	(11,396)	....	( 11,396)
Collections of pledges	(501,883)	....	( 501,883)
Investment withdrawals .....	....	( 355,322)	(355,322)
Change in discount and allowance	(23,000)	....	( 23,000)
Investment earnings reinvested .....	....	104,369	104,369
Investment income - unrealized .....	....	552,584	552,584
Funds expended for investment fees ....	.....	( 67,512)	(67,512)
Balance, end of year	<u>\$ 1,406,221</u>	<u>\$11,651,156</u>	<u>\$13,057,377</u>

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.....	(44,439)	(44,439)
Balance, end of year	<u>\$ 427,500</u>	<u>\$ 6,013,984</u>	<u>\$ 6,441,484</u>

**BOYS & GIRLS CLUBS
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NOTES TO FINANCIAL STATEMENTS

8. GRANTS RECEIVABLE

Grants receivable consisted of the following at June 30, 2020 and 2019:

	2020	2019
Boys & Girls Clubs of America Programs	\$ 3,500	\$ 26,700
Virginia Department of Social Services .....	....	39,681
Virginia Foundation for Healthy Youth .....	....	7,020
Miscellaneous	<u>....</u>	<u>10,119</u>
	<u>\$ 3,500</u>	<u>\$ 83,520</u>

9. CONSTRUCTION IN PROGRESS

Costs related to the construction of new Club facilities at the Northern Urban Ring location totaled \$72,069 and \$4,750 at June 30, 2020 and 2019, respectively. The new construction is expected to be completed in the fall of 2022. The estimated cost to complete is approximately \$19.5 million.

During the year ended June 30, 2020, construction was moved from the original building site to the Club’s preferred location, reducing construction costs and increasing access to the nearby school. The move is saving the Club an estimated \$2 million in construction costs. Due to expenses associated with site preparation and design work on the original site, \$314,671 was written off as “sunk” costs for the project. These “sunk” costs are recognized as relocation of construction costs on the statement of functional expenses.

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, 2020 and 2019:

	2020	2019
Unexpended grant funds	\$ 6,971	\$ 43,916
Cash received with unmet conditions	<u>....</u>	<u>6,084</u>
Total deferred revenue	<u>\$ 6,971</u>	<u>\$ 50,000</u>

11. PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Club received \$548,200 from the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) of 2020.

The PPP provides for unsecured loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels.

The Club used the proceeds for purposes consistent with the PPP and the loan was fully forgiven subsequent to year end, on December 11, 2020.

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NOTES TO FINANCIAL STATEMENTS

The PPP loan and forgiveness of that loan are subject to audit by the Small Business Administration (SBA) for six years after the date the loan is forgiven or repaid in full. The possible disallowance by the SBA of any item charged to the program cannot be determined until such time when an audit occurs. Therefore, no provision for any potential disallowances that may result from such audit has been made in the accompanying financial statements.

Management is of the opinion that disallowances, if any, will not be material to the accompanying financial statements.

12. LINE OF CREDIT

Virginia National Bank has 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, 2020 and 2019, the interest rate was 3.75% and 5.75%, respectively. The line matures April 1, 2021, 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, 2020, 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, 2020 and 2019, the Club was in compliance with all terms and conditions related to the line of credit.

13. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at June 30, 2020 and 2019:

	2020	2019
Undesignated assets	\$3,423,226	\$2,932,861
Investment in property and equipment, net	5,300,365	5,513,315
Undesignated liabilities	(744,031)	(153,871)
Total net assets without donor restrictions	<u>\$7,979,560</u>	<u>\$8,292,305</u>

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at June 30, 2020 and 2019:

	2020	2019
Subject to appropriation and expenditure when a specified event occurs:		
Boys & Girls Clubs - Madison	\$ 521,888	\$ 558,553
Boys & Girls Clubs - Orange	697,521	648,275
Boys & Girls Clubs - Southwood	652,034	810,910
Boys & Girls Clubs - James River	1,261,909	1,241,037
Boys & Girls Clubs - Northern Urban Ring	14,918,821	17,134,652
Boys & Girls Clubs - Building Great Futures	8,608,736	2,334,674
Various	<u>43,585</u>	<u>42,890</u>
Total subject to appropriation and expenditure	<u>\$26,704,494</u>	<u>\$22,770,991</u>

**BOYS & GIRLS CLUBS
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NOTES TO FINANCIAL STATEMENTS

15. 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. The Plan was amended effective June 1, 2020 to change eligibility provisions. A service hour requirement has been added instead of allowing all employees to participate on date of hire. During the years ended June 30, 2020 and 2019, participants in the plan numbered 45 and 32, respectively, at a total cost to the Club of \$47,138 and \$43,480, respectively.

16. 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, 2020 and was renewed. The new lease is effective from July 1, 2020 through June 30, 2021. 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 \$22,598 and \$27,918 for the years ended June 30, 2020 and 2019, respectively.

17. 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, 2020 and 2019 are as follows:

	2020	2019
Southwood, Charlottesville	\$ 13,000	\$ 13,000
Jack Jouett Middle School, Charlottesville	31,000	27,000
Orange County Public School Building	39,000	38,000
Madison County Public School Building	22,000	22,000
Scottsville Community Center Building	<u>13,000</u>	<u>13,000</u>
	<u>\$118,000</u>	<u>\$113,000</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 \$13,049 and \$19,141 during the years ended June 30, 2020 and 2019, respectively.

**BOYS & GIRLS CLUBS
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NOTES TO FINANCIAL STATEMENTS

18. SPECIAL EVENTS

The Club conducts various special events that promote and support the Club’s programs. During the year ended June 30, 2020, three of the Club’s largest special events were canceled due to COVID-19. Total gross proceeds and expenses from events for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Special events fees and contributions	\$ 349,260	\$1,014,422
Special events in-kind donations	2,301	28,482
Special events expenses	<u>(41,338)</u>	<u>(309,309)</u>
Total special events (net of expenses)	<u>\$ 310,223</u>	<u>\$ 733,595</u>

19. 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, 2020, the Club received approximately 61% of capital campaign contributions from three donors.

For the year ended June 30, 2019, the Club received approximately 39% of capital campaign contributions from two donors.

20. CONCENTRATIONS

For the year ended June 30, 2020, the Club received approximately 52% of contributions from one donor. For the year ended June 30, 2020, the Club earned approximately 66% of grant revenue from four grantors. As of June 30, 2020, approximately 69% of the gross outstanding balance of pledges receivable was due from one donor.

For the year ended June 30, 2019, the Club received approximately 57% of contributions from one donor. For the year ended June 30, 2019, 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.

21. 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.

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NOTES TO FINANCIAL STATEMENTS

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.

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure were as follows:

	2020	2019
Cash and cash equivalents.....	\$ 3,026,687	\$ 785,419
Pledges receivable, net.....	491,387	178,250
Short term investments.....	....	1,675,000
Accounts receivable.....	....	23,463
Grants receivable.....	3,500	83,520
Investments.....	<u>10,564,794</u>	<u>5,460,670</u>
Total available for general expenditure.....	<u>\$14,086,368</u>	<u>\$ 8,206,322</u>

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

22. 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.