# Boys & Girls Clubs of Greater Washington, Inc. and Affiliate

Consolidated Financial Report
December 31, 2018

**Contents**

RSM US LLP

## Independent Auditor's Report

Board of Directors
Boys & Girls Clubs of Greater Washington

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of Greater Washington, Inc. and Affiliate (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Greater Washington, Inc. and Affiliate as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**
As disclosed in Note 1 to the financial statements, the Organization retrospectively adopted the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in the inclusion of a statement of functional expenses, additional disclosures over liquidity, and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

RSM US LLP

Washington, D.C.
June 18, 2020

**Boys & Girls Clubs of Greater Washington, Inc. and Affiliate**

**Consolidated Statement of Financial Position**
**December 31, 2018**

| | | |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 2,608,496 |
| Restricted cash | | 270,000 |
| Investments | | 1,022,638 |
| Receivables, net | | 646,850 |
| Deposits and other assets | | 107,983 |
| Prepaid rent | | 2,481,557 |
| Property and equipment, net | | 11,421,246 |
| **Total assets** | $ | 18,558,770 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ | 1,078,072 |
| Notes payable | | 1,715,512 |
| **Total liabilities** | | 2,793,584 |
| Net assets: | | |
| Without donor restrictions | | 14,024,332 |
| With donor restrictions | | 1,740,854 |
| **Total net assets** | | 15,765,186 |
| **Total liabilities and net assets** | $ | 18,558,770 |

**Boys & Girls Clubs of Greater Washington, Inc. and Affiliate**

**Consolidated Statement of Activities**
**Year Ended December 31, 2018**

| | |
|---|---|
| Activities without donor restrictions: | |
| Revenue and support: | |
| Special events | $ 1,718,344 |
| Costs of direct benefits to donors | (405,016) |
| Special events, net | 1,313,328 |
| Contributions | 3,709,337 |
| Program service fees | 1,797,512 |
| Government grants | 1,580,022 |
| Rental and other income | 170,088 |
| Membership dues | 163,921 |
| Investment income (loss), net | (28,406) |
| Net assets released from restrictions | 2,492,758 |
| **Total revenue and support** | 11,198,560 |
| | |
| Expense: | |
| Program services: | |
| Camps | 2,953,009 |
| Child care | 3,374,014 |
| After school | 1,366,075 |
| Program support | - |
| | |
| Supporting services: | |
| Management and general | 1,973,008 |
| Fundraising | 659,156 |
| **Total expense** | 10,325,262 |
| | |
| **Change in net assets without donor restrictions** | 873,298 |
| | |
| Activities with donor restrictions: | |
| Contributions | 2,527,981 |
| Investment income (loss), net | (23,629) |
| Net assets released from restrictions | (2,492,758) |
| **Change in net assets with donor restrictions** | 11,594 |
| | |
| **Change in net assets** | 884,892 |
| | |
| Net assets: | |
| Beginning | 14,880,294 |
| | |
| Ending | $ 15,765,186 |

See notes to consolidated financial statements.

**Boys & Girls Clubs of Greater Washington, Inc. and Affiliate**

**Consolidated Statement of Functional Expenses**
**Year Ended December 31, 2018**

| | Program Services | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|
| | BGCGW | | | | | Management | | | |
| | Camps | Child Care | After School | Foundation | Total | and General | Fundraising | Total | Total |
| Salaries | $ 1,448,762 | $ 1,656,326 | $ 670,358 | $ - | $ 3,775,446 | $ 909,408 | $ 398,177 | $ 1,307,585 | $ 5,083,031 |
| Employee benefits | 172,239 | 196,915 | 79,697 | - | 448,851 | 108,117 | 47,337 | 155,454 | 604,305 |
| Payroll taxes | 109,523 | 125,214 | 50,677 | - | 285,414 | 55,816 | 27,525 | 83,341 | 368,755 |
| **Total salaries and related** | 1,730,524 | 1,978,455 | 800,732 | - | 4,509,711 | 1,073,341 | 473,039 | 1,546,380 | 6,056,091 |
| Professional fees | 82,459 | 94,273 | 38,155 | - | 214,887 | 484,575 | 123,312 | 607,887 | 822,774 |
| Occupancy | 442,355 | 504,436 | 204,683 | - | 1,151,474 | 198,253 | 16,739 | 214,992 | 1,366,466 |
| Travel | 158,554 | 181,270 | 73,365 | - | 413,189 | 18,517 | 6,076 | 24,593 | 437,782 |
| Supplies | 153,502 | 175,494 | 71,027 | - | 400,023 | 6,935 | 4,210 | 11,145 | 411,168 |
| Interest | 44,514 | 50,892 | 20,597 | - | 116,003 | 7,883 | - | 7,883 | 123,886 |
| Telephone | 15,360 | 17,561 | 7,107 | - | 40,028 | 59,305 | 1,284 | 60,589 | 100,617 |
| Bank and other related fees | 13,503 | 15,437 | 6,248 | - | 35,188 | 43,315 | 17,741 | 61,056 | 96,244 |
| Training, conferences and meetings | 39,847 | 45,556 | 18,436 | - | 103,839 | 17,470 | 2,766 | 20,236 | 124,075 |
| Miscellaneous | 14,090 | 16,109 | 6,520 | - | 36,719 | 4,086 | 3,626 | 7,712 | 44,431 |
| Registration fees and trophies/awards | 4,714 | 4,612 | 1,867 | - | 11,193 | - | - | - | 11,193 |
| Printing and publications | 2,804 | 3,206 | 1,298 | - | 7,308 | 849 | 4,554 | 5,403 | 12,711 |
| Clothing | 10,611 | 12,131 | 4,910 | - | 27,652 | - | - | - | 27,652 |
| Postage and shipping | 215 | 246 | 100 | - | 561 | 1,363 | 612 | 1,975 | 2,536 |
| Scholarships | 1,336 | 1,528 | 618 | - | 3,482 | - | - | - | 3,482 |
| Fines and penalties | 42 | 48 | 19 | - | 109 | 833 | - | 833 | 942 |
| Depreciation | 238,579 | 272,760 | 110,393 | - | 621,732 | 56,283 | 5,197 | 61,480 | 683,212 |
| **Total expense** | $ 2,953,009 | $ 3,374,014 | $ 1,366,075 | $ - | $ 7,693,098 | $ 1,973,008 | $ 659,156 | $ 2,632,164 | $ 10,325,262 |

See notes to consolidated financial statements.

**Boys & Girls Clubs of Greater Washington, Inc. and Affiliate**

**Consolidated Statement of Cash Flows**
**Year Ended December 31, 2018**

| | |
|---|---|
| Cash flows from operating activities: | |
| Change in net assets | $ 884,892 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Realized and unrealized losses on investments | 63,220 |
| Amortization of prepaid rent | 30,432 |
| Depreciation | 683,212 |
| Donated securities not immediately liquidated | (122,816) |
| Changes in assets and liabilities: | |
| (Increase) decrease in: | |
| Receivables | (459,411) |
| Deposits and other assets | 28,728 |
| Increase (decrease) in: | |
| Accounts payable and accrued expenses | (426,909) |
| Deferred revenue | - |
| **Net cash provided by operating activities** | 681,348 |
| | |
| Cash flows from investing activities: | |
| Purchases of investments | (13,707) |
| Sales of investments | 16,430 |
| Purchases of property and equipment | (528,174) |
| **Net cash used in investing activities** | (525,451) |
| | |
| Cash flows from financing activities: | |
| Principal payments on notes payable | (147,615) |
| **Net cash used in financing activities** | (147,615) |
| | |
| **Net increase in cash and cash equivalents** | 8,282 |
| | |
| Cash and cash equivalents | |
| Beginning | 2,600,214 |
| | |
| Ending | $ 2,608,496 |
| | |
| Supplemental disclosure of cash flow information: | |
| Cash paid during the year for interest | $ 123,886 |

See notes to consolidated financial statements.

## Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** Boys & Girls Clubs of Greater Washington, Inc. and Affiliate (collectively, the Organization) is comprised of two entities: Boys & Girls Clubs of Greater Washington, Inc. (BGCGW) and Boys & Girls Clubs of Greater Washington Foundation (Foundation). BGCGW is a District of Columbia nonprofit organization, incorporated in 1886, which is committed to helping youth of all backgrounds, with emphasis on at-risk youth, to develop the qualities needed to become productive, civic-minded, and responsible citizens and leaders.

The Foundation is a District of Columbia nonprofit organization, incorporated in 1945, which is devoted to the promotion and support of BGCGW and its various individual clubs.

**Clubs:** BGCGW provides services at various sites in the following Washington, DC metropolitan areas.

| District of Columbia | Maryland | Virginia | Total |
|---|---|---|---|
| 4 | 4 | 7 | 15 |

**Program services:** The Organization provides programming to youth in three settings: child care, camps, and after school. The following five core developmental areas are included in each of the three program service area settings.

*Education & Career Development:* A top priority in all clubs, programs in this core area help members succeed in school and apply their knowledge and skills to daily challenges. Through activities that are educational and engaging, club members gain the strength they need to achieve their goals.

*Character & Leadership Development:* Empowering youth to become leaders, the Organization provides opportunities for members to sustain meaningful relationships, develop a positive self- image, participate in the democratic process, and respect their own and others' cultural identities.

*The Arts:* Youth who are engaged in arts programs do better in school and in their personal lives. Participation in the Arts promotes self-expression and young people gain the confidence, self-esteem, and motivation needed to reach their full potential.

*Health & Life Skills:* Today's youth face overwhelming obstacles that affect their health and well-being. The Organization gives them the tools—and the strength—to engage in positive behaviors and good decision-making. Programs focus on building self-esteem, and deal with drug and violence prevention, teen pregnancy and disease prevention, fitness, and wellness. The Organization helps club members set personal goals and establish a foundation to live as self-sufficient, healthy, and wise adults.

**Sports, Fitness & Recreation**: The Organization sports programming gives members a way to channel their energy and enjoy opportunities to play in a safe environment. Through sports, children learn teamwork, leadership, and responsibility. They experience the rewards of hard work, develop a love for sports and exercise, and learn the benefits of friendly competition. Through recreational games, youth elevate their self-esteem and learn the importance of balancing serious and fun activities. Field trips and specialty programs provide members with opportunities to try something entirely new or different, or to gain more experiences in a specific area.

## Note 1. Nature of Organization and Significant Accounting Policies (Continued)

A summary of the Organization's significant accounting policies follows:

**Basis of accounting:** The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

**Principles of consolidation**: The accompanying consolidated financial statements include the accounts of BGCGW and the Foundation. All significant intercompany balances and transactions have been eliminated in the consolidation.

**Basis of presentation:** The consolidated financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-profit Entities Topic of the FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes to net assets, as follows:

**Net assets without donor restrictions**: Net assets without donor restrictions include undesignated funds that are available for the support of the Organization's activities and not subject to donor-imposed restrictions.

**Net assets with donor restrictions:** Net assets with donor restrictions represent the portion of net assets whose use by the Organization has been restricted by donors with specified time or purpose limitations

**Cash and cash equivalents:** The Organization considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash and cash equivalents. Cash and cash equivalents held in investment portfolios are classified as investments.

**Restricted cash:** Restricted cash relates to the lending bank's requirement related to the notes payable, which are discussed in Note 6, that BGCGW maintain a segregated cash account in the amount of $270,000 in accordance with the terms of the notes payable agreements.

**Financial risk:** The Organization maintains cash in bank deposit accounts which, at times, may exceed federally-insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash.

The Organization invests in a professionally managed portfolio that contains money market funds, common stocks and mutual funds. Such investments are exposed to various risk, such as market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term could materially affect investment balances and the amounts reported in the consolidated financial statements.

**Investments:** Investments in marketable equity and debt securities are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is recorded as a component of investment income or loss in the consolidated statements of activities.

## Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Receivables:** Receivables are carried at original invoice or claim amounts, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management believes receivables at December 31, 2018 are fully collectible and thus has not recorded an allowance for doubtful receivables.

**Promises to give:** Contributions are recognized when the donor makes a gift or written promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. The Organization had no unconditional promises to give at December 31, 2018.

**Property and equipment:** Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the related asset, ranging from 3 to 50 years. Normal repairs and maintenance are expensed as incurred. The Organization capitalizes all property and equipment purchased with a cost of $3,000 or more.

**Valuation of long-lived assets:** The Organization accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB ASC Topic Property, Plant and Equipment that address Impairment or Disposal of Long-Lived Assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

**Contributions:** Contributions are recognized when unconditionally promised to or received by the Organization. Contributions are recorded as without donor restrictions or with donor restrictions depending upon the existence and/or nature of any donor restrictions. Within net assets with donor restrictions, amounts are reclassified to without donor restrictions net assets when the time restriction expires or when the purpose restriction is met. Net assets with donor restrictions contributions whose restrictions are released within the same period are recorded as without donor restricted contributions. Generally, it’s BGCGW’s policy to liquidate donated securities immediately.

**Grants:** The Organization receives grants from various types of grantors for various purposes. Grants received without conditions are treated consistent as unconditional contributions. Conditional grants are grants that contain a right of return or release by the resource provider and a barrier (performance obligations, control elements and/or the overall nature of the agreement). Receivables related to conditional grant awards are recorded to the extent unreimbursed expenditures have been incurred for the purposes specified by an approved grant or award. The Organization defers grant collections under approved awards from grantors deemed conditional to the extent amounts received exceed expenditures incurred for the purposes specified under the grant restrictions. These deferred grants, if any, are recorded as refundable advances/deferred revenue.

## Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Special events:** Revenue and support from special events are typically comprised of two parts: an exchange component (for valued received) and a non-exchange component (contribution). The exchange component is recognized at the time goods and/or services are provided. The contribution component is recognized consistent with the Organization's revenue policy for contribution income. Typically, the non-exchange component is determined to be conditional support and recognized as conditions are met associated with the special event.

**Costs of direct benefits to donors:** Costs of direct benefits to donors include: (1) the venue, entertainment, and refreshments provided to participants at major fund-raising dinners, and (2) the refreshments or other items provided to participants at other fund-raising events.

**Program service revenue:** Revenue from fee for service programs are recognized as services are performed. Cash received prior to services being performed are recorded as deferred revenue.

**Functional allocation of expense:** The costs of providing program and supporting services activities have been summarized on a functional basis in the accompanying consolidated financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Tax status:** BGCGW and the Foundation are both tax-exempt organizations under Section 501(c)(3) of the IRC and are not considered to be a private foundations. Both entities are exempt from federal taxes on income other than unrelated business income. The Organization did not have any net unrelated business income for the year ended December 31, 2018.

The Organization follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

The Organization files income tax returns in the U.S. federal jurisdiction. As of December 31, 2018, there were no material unrecognized/derecognized tax benefits or tax penalties or interest. Generally, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2016.

**Use of estimates:** The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Adopted accounting pronouncements:** In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of nonprofit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a nonprofit entity's liquidity, financial performance and cash flows. The Organization retrospectively adopted this ASU during the year ended December 31, 2018.

## Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Pending accounting pronouncements:** In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Organization for the year ending on December 31, 2019. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The purpose of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in the ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The amendments in the ASU likely will result in more grants and contracts being accounted for as either contributions or conditional contributions than observed in practice under current guidance. The amendments in the ASU should be applied on a modified prospective basis although retrospective application is permitted. ASU 2018-08 will be effective for the Organization for the year ending on December 31, 2019. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaced most existing revenue recognition guidance in generally accepted accounting principles in the United States of America when it became effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. ASU 2014-09 will be effective for the Organization for the year ending on December 31, 2020. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the consolidated statements of activities. The new standard is effective for the Organization for the year ending December 31, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

## Note 2. Receivables

Receivables consisted of the following at December 31, 2018:

| | |
|---|---|
| Grants receivable | $ 646,850 |
| | $ 646,850 |

## Note 3. Investments

In accordance with accounting principles generally accepted in the United States of America, the Organization uses the following prioritized input levels to measure fair value of investments recorded at fair value. The input levels used for valuing investments are not necessarily an indication of risk.

**Level 1:** Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

**Level 2:** Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

**Level 3:** Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments valued using Level 1 inputs include mutual funds and common stocks, the values for which were based on quoted prices for identical assets in active markets.

Investments recorded at cost include cash and cash equivalents. Investments recorded at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investments at December 31, 2018 consist of the following:

| | |
|---|---|
| Investments, at fair value (Level 1): | |
| Mutual funds – equities | $ 591,310 |
| Mutual funds – fixed income | 245,055 |
| Common stocks | 121,990 |
| | 958,355 |
| Investments, at cost: | |
| Cash and cash equivalents | 64,283 |
| | $ 1,022,638 |

Investment income consisted of the following for the year ended December 31, 2018:

| | |
|---|---|
| Realized and unrealized losses | $ (63,220) |
| Interest and dividends | 17,616 |
| Investment fees | (6,431) |
| | $ (52,035) |

## Note 4. Related Party Transactions

**Board support:** During the year ended December 31, 2018, members of the Board of Directors collectively supported the Organization in the approximate amount of $630,000.

## Note 5. Property and Equipment

Property and equipment consisted of the following at December 31, 2018:

| | |
|---|---|
| Land | $ 416,851 |
| Buildings and improvements | 18,918,756 |
| Furniture, fixtures and equipment | 1,394,879 |
| Automotive equipment | 607,232 |
| | 21,337,718 |
| Less accumulated depreciation | (9,916,472) |
| | $ 11,421,246 |

## Note 6. Notes Payable

Hylton: BGCGW has a loan secured by a deed of trust on the improvements made at the Hylton club facility located in Woodbridge, Virginia. The maturity date of the note was to be June 2019. The loan called for monthly payments of principal and interest, at a rate of 4.99%. In addition, the agreement required that BGCGW establish a Payment Reserve Account totaling $270,000 and stipulated that BGCGW may not access the cash in the account during the term of the note payable. The loan had a balance of $765,436 at December 31, 2018. On April 22, 2019, the loan was modified which extended the due date to April 17, 2021. The loan had a principal balance of $747,589 on the modification date. The loan modification maintained the interest rate at 4.99% and calls for 24 monthly fixed payments of $10,446 and one final payment for the balance of the obligation.

Martin K. Alloy Club of Manassas: BGCGW has a loan which is secured by a deed of trust on the improvements made at the Martin K. Alloy Club of Manassas facility located in Manassas, Virginia. The maturity date of the note was to be March 2019. Payments of principal and interest, at a rate of 5.04%, were due monthly. The loan had a balance of $950,076 at December 31, 2018. On March 6, 2019, the loan was modified which extended the due date to June 2, 2019. On April 22, 2019, the loan was modified which extended the due date to April 17, 2021. The loan had a principal balance of $934,168 on the modification date. The loan modification maintained the interest rate at 5.04% and calls for 24 monthly fixed payments of $11,669 and one final payment for the balance of the obligation.

Both modified loans added a prepayment fee of 2% of the principal prepayment if made between April 22, 2019 and April 22, 2020 and a 1% fee if paid off between April 22, 2020 and April 17, 2021.

Guarantee of notes payable: As a part of previous loan modifications, the Foundation signed an agreement with the lending bank to guarantee the notes payable.

Covenants: The terms of both notes originally required compliance with certain financial and non-financial covenants, as stipulated in the loan documents. The April 2019 loan modifications suspended compliance with the financial covenants through the new maturity date but still requires the Organization to provide such information to the bank as scheduled.

### Note 6. Notes Payable (Continued)

Future maturities of principal on the notes payable were as follows at December 31, 2018:

| | Hylton | Manassas | Total |
|---|---|---|---|
| Year ending December 31: | | | |
| 2019 | $ 765,436 | $ 950,076 | $ 1,715,512 |
| | $ 765,436 | $ 950,076 | $ 1,715,512 |

### Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2018:

| | |
|---|---|
| BGCGW: | |
| Purpose | $ 1,196,695 |
| Time | - |
| **Subtotal BGCGW** | 1,196,695 |
| Foundation: | |
| Endowment funds | 438,325 |
| Purpose (non-endowment) | 105,834 |
| **Subtotal Foundation** | 544,159 |
| | $ 1,740,854 |

Net assets with donor restrictions are released from restriction when specified purposes have been fulfilled or when time restrictions expire. Net assets released from restriction consisted of the following for the year ended December 31, 2018:

| | |
|---|---|
| BGCGW: | |
| Purpose | $ 2,482,758 |
| Time | - |
| **Subtotal BGCGW** | 2,482,758 |
| Foundation: | |
| Endowment funds | - |
| Purpose (non-endowment) | 10,000 |
| **Subtotal Foundation** | 10,000 |
| | $ 2,492,758 |

## Note 8. Endowments

The Foundation's endowments include several traditional donor-restricted endowment funds, which are classified within net assets with donor restrictions. Donor-restricted net assets are required by donor stipulation to be maintained in perpetuity by the Foundation and, in some instances, the donors of these funds have restricted the income for specific uses and these are considered purpose restricted. Certain other endowment contributions were received from various sources without restrictions as to the use of income and these are considered time restricted until appropriated for use by the Board of Directors.

### *Interpretation of Relevant Law*

The Board of Directors has interpreted the District of Columbia Uniform Prudent Management of Institutional Funds Act of 2007 (DCUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Earnings on endowment funds are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by DCUPMIFA.

### *Return Objectives and Risk Parameters*

The Foundation's Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Directors, endowment assets are invested in a manner that is intended to produce returns higher than specified market indices while assuming a moderate level of risk.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation has a policy of appropriating for distribution each year certain amounts as approved by its Board of Directors in the budget. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the Foundation. The Foundation had no funds with deficiencies at December 31, 2018.

### Note 8. Endowments (Continued)

Endowment net assets by donor-restricted fund consisted of the following at December 31, 2018:

| | Corpus | Appreciation | Total |
|---|---|---|---|
| Purpose restricted: | | | |
| Harry F. Duncan Foundation, Inc. | $ 50,000 | $ 81,344 | $ 131,344 |
| Charles E. Smith Trust* | 27,974 | 24,234 | 52,208 |
| Henry Parsons Erwin Scholarship Fund | 11,000 | 13,265 | 24,265 |
| Sidney L. Hechinger Scholarship Fund | 2,885 | 3,723 | 6,608 |
| | 91,859 | 122,566 | 214,425 |
| Time restricted: | | | |
| F. Elwood Davis Fund | 89,406 | 20,791 | 110,197 |
| Harry F. Duncan Foundation, Inc. | 50,000 | 26,421 | 76,421 |
| William R. Winslow Trust | 22,000 | 11,626 | 33,626 |
| Franklin Marsh Fund | 1,744 | 921 | 2,665 |
| Ernest E. Norris Fund | 648 | 343 | 991 |
| | 163,798 | 60,102 | 223,900 |
| | $ 255,657 | $ 182,668 | $ 438,325 |

* The Charles E. Smith Trust established an endowment fund to support Camp Brown, which was sold in February 2016. Subsequent to December 31, 2018, the donor has released all restrictions on this gift and it will be transferred from net assets with donor restrictions to net assets without donor restrictions during the year ended December 31, 2019.

Changes in endowment net assets consisted of the following for the year ended December 31, 2018:

| | Corpus | Appreciation | Total |
|---|---|---|---|
| Endowments, January 1, 2018 | $ 255,657 | $ 201,258 | $ 456,915 |
| Investment return (loss) | - | (18,590) | (18,590) |
| Appropriations | - | - | - |
| December 31, 2018 | $ 255,657 | $ 182,668 | $ 438,325 |

### Note 9. In-Kind Contributions

Recorded amounts: Donated services are recognized as contributions and expensed in accordance with generally accepted accounting principles, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated goods are recorded at the estimated fair value of the goods provided to the Organization. Donated long-lived assets are recognized as contributions and capitalized within property and equipment.

## Note 9. In-Kind Contributions (Continued)

However, the Organization had no recorded in-kind contributions for the year ended December 31, 2018.

Unrecorded amounts: The Organization uses certain club facilities on a rent-free basis. Management has determined that no objective basis is available to measure the fair value of the rental of such facilities. Thus, an amount for donated facilities has not been recorded.

The Organization receives donated services from the District of Columbia Metropolitan Police Department in the form of police officers acting as program staff at a number of the Organization’s DC club facilities. Although such services are important to the mission of the Organization, the services donated by the police officers do not require specialized skills as defined by generally accepted accounting principles and are, therefore, not recorded in the consolidated financial statements.

The Organization relies on contributions of both time and expertise from its pool of adult volunteers. In particular, volunteers work on the Organization's programs and fund-raising activities. The Organization's volunteers donate many hours of service, the total value of which cannot be easily calculated or estimated, yet these volunteers contribute significantly to the work, impact, and success of the Organization. These volunteer services have not been reflected in the accompanying consolidated financial statements because the volunteer services provided do not meet the criteria necessary for recognition.

## Note 10. Retirement Plans

Defined contribution savings plan: BGCGW has adopted the Boys & Girls Club of America Master Pension Plan and Trust Standardized Plan (the Plan). The Plan is a defined contribution savings plan for employees who meet age and length of service requirements. BGCGW contributes 5% of eligible employees' salaries to the Plan. BGCGW's contributions to the Plan totaled $154,973 for the year ended December 31, 2018. The assets of the Plan are held in a trust for the benefit of participants and are not included in the consolidated financial statements.

403(b) elective deferral only retirement plan: BGCGW also maintains a 403(b) elective deferral only retirement plan, which covers all eligible employees. The plan is entirely employee funded through elective deferrals. The assets of the plan are held in a trust for the benefit of participants and are not included in the consolidated financial statements.

## Note 11. Commitments and Contingencies

Operating leases: BGCGW leases club space within the Town Hall Entertainment Arts Recreation Center (THE ARC) in Washington, D.C. The lease expires in 2101 and the lease agreement stipulates that the landlord will maintain and care for the property over the term of the lease. At the beginning of the lease, BGCGW prepaid the total rent due in accordance with the term of the lease. As a result, no future minimum lease payments are required under the terms of the lease. Prepaid rent of $2,481,557 at December 31, 2018 has been recorded to reflect the future benefit over the term of the lease. BGCGW also leases other facilities on short-term lease agreements. Rent expense for all operating leases totaled $285,221 for the year ended December 31, 2018.

## Note 11. Commitments and Contingencies (Continued)

**Government grants:** Amounts received or receivable from government agencies under various grants are subject to audit and adjustment by the government agencies. The amount of expenditures which may be potentially disallowed cannot be determined at this time, and management expects such amounts, if any, to be immaterial. Since total federal expenditures were less than $750,000, the single audit requirement in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) was not applicable for the year ended December 31, 2018.

**Litigation:** On occasion, BGCGW may be named as a defendant in a lawsuit resulting from activities related to its normal operations. In the opinion of management, resolution of such matters will not have a material adverse effect on the consolidated financial statements of the Organization.

**Geographic diversity:** BGCGW operates programs and facilities in the District of Columbia, Maryland, and Virginia. The geographic diversity of BGCGW's operations is impacted by certain localized events, such as economic hardship or changes in population demographics that may occur faster than BGCGW can adapt to such conditions.

## Note 12. Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | |
|---|---|
| Cash and cash equivalents | $ 2,608,496 |
| Investments | 1,022,638 |
| Restricted cash | 270,000 |
| Accounts receivable | 646,850 |
| Total financial assets available | 4,547,984 |
| | |
| Donor restricted net assets not available within one year: | |
| Restricted cash | 270,000 |
| Net assets with donor restrictions | 1,740,854 |
| | 2,010,854 |
| Total financial assets available to meet cash needs for general expenditures within one year | $ 2,537,130 |

## Note 13. Subsequent Events

Subsequent events have been evaluated through June 18, 2020, which is the date the consolidated financial statements were available to be issued.

## Note 13. Subsequent Events (Continued)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization. The continued spread of COVID-19 could adversely impact the Organization's operations and may have a material adverse effect on the financial condition of the Organization.

On April 17, 2020, the Organization received a loan in the amount of $1,320,600 from a financial institution under the Paycheck Protection Program (PPP). On the face, the note bears interest at 1% per annum and payments deferred until month seven. For months eight through 24, payments of principal and interest are due monthly until maturity of April 17, 2022. Under PPP, amounts may be forgiven if the Organization utilizes the funds in a certain manner or a specified period of time. The Organization expects to take advantage of the forgiveness option to the fullest extent allowed under PPP.

Due to the economic uncertainty created by the COVID -19 Pandemic, the organization also secured an Economic Injury Disaster Loan April 19, 2020, administered by the Small Business Administration. The full value of the loan is $500,000 and accrues interest at the rate of 2.75% per annum. Monthly installment payments will begin twelve months from initial date of the promissory note and will continue until maturity of the note April 19, 2050.

RSM

RSM US LLP

**Independent Auditor's Report on the Supplementary Information**

Board of Directors
Boys & Girls Clubs of Greater Washington

We have audited the consolidated financial statements of Boys & Girls Clubs of Greater Washington and Affiliate (the Organization) as of and for the year ended December 31, 2018, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information is presented for purposes of additional analysis rather than to present the financial position and results of activities of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Washington, D.C.
June 18, 2020

**Boys & Girls Clubs of Greater Washington, Inc. and Affiliate**

**Consolidating Statement of Financial Position**
**December 31, 2018**

| | BGCGW | Foundation | Eliminations | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 2,608,496 | $ - | $ - | $ 2,608,496 |
| Restricted cash | 270,000 | - | - | 270,000 |
| Investments | 124,998 | 897,640 | - | 1,022,638 |
| Receivables, net | 646,850 | - | - | 646,850 |
| Deposits and other assets | 107,983 | - | - | 107,983 |
| Prepaid rent | 2,481,557 | - | - | 2,481,557 |
| Property and equipment, net | 11,421,246 | - | - | 11,421,246 |
| **Total assets** | $ 17,661,130 | $ 897,640 | $ - | $ 18,558,770 |
| **Liabilities and Net Assets** | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | $ 1,069,072 | $ 9,000 | $ - | $ 1,078,072 |
| Deferred revenue | - | - | - | - |
| Notes payable | 1,715,512 | - | - | 1,715,512 |
| **Total liabilities** | 2,784,584 | 9,000 | - | 2,793,584 |
| Net assets: | | | | |
| Without donor restrictions: | 13,679,851 | 344,481 | - | 14,024,332 |
| With donor restrictions | 1,196,695 | 544,159 | - | 1,740,854 |
| **Total net assets** | 14,876,546 | 888,640 | - | 15,765,186 |
| **Total liabilities and net assets** | $ 17,661,130 | $ 897,640 | $ - | $ 18,558,770 |

**Boys & Girls Clubs of Greater Washington, Inc. and Affiliate**

**Consolidating Statement of Activities**
**Year Ended December 31, 2018**

| | BGCGW | Foundation | Eliminations | Total |
|---|---|---|---|---|
| Activities without donor restrictions: | | | | |
| Revenue and support: | | | | |
| Special events | $ 1,718,344 | $ - | $ - | $ 1,718,344 |
| Costs of direct benefits to donors | (405,016) | - | - | (405,016) |
| Special events, net | 1,313,328 | - | - | 1,313,328 |
| Contributions | 3,709,337 | - | - | 3,709,337 |
| Contributions (inter-company) | 489,935 | (489,935) | | - |
| Program service fees | 1,797,512 | - | - | 1,797,512 |
| Government grants | 1,580,022 | - | - | 1,580,022 |
| Rental and other income | 170,088 | - | - | 170,088 |
| Membership dues | 163,921 | - | - | 163,921 |
| Investment income (loss), net | (13,540) | (14,866) | - | (28,406) |
| Net assets released from restrictions | 2,482,758 | 10,000 | - | 2,492,758 |
| **Total revenue and support** | 11,693,361 | (494,801) | - | 11,198,560 |
| Expense: | | | | |
| Program services: | | | | |
| Camps | 2,953,009 | - | - | 2,953,009 |
| Child care | 3,374,014 | - | - | 3,374,014 |
| After school | 1,366,075 | - | - | 1,366,075 |
| Program support | - | - | - | - |
| Supporting services: | | | | |
| Management and general | 1,973,008 | - | - | 1,973,008 |
| Fundraising | 659,156 | - | - | 659,156 |
| **Total expense** | 10,325,262 | - | - | 10,325,262 |
| **Change in net assets without donor restrictions** | 1,368,099 | (494,801) | - | 873,298 |
| Activities with donor restrictions: | | | | |
| Contributions | 2,527,981 | - | - | 2,527,981 |
| Investment income (loss), net | - | (23,629) | | (23,629) |
| Net assets released from restrictions | (2,482,758) | (10,000) | - | (2,492,758) |
| **Change in net assets with donor restrictions** | 45,223 | (33,629) | - | 11,594 |
| **Change in net assets** | 1,413,322 | (528,430) | - | 884,892 |
| Net assets: | | | | |
| Beginning | 13,463,224 | 1,417,070 | - | 14,880,294 |
| Ending | $ 14,876,546 | $ 888,640 | $ - | $ 15,765,186 |