

**BOYS AND GIRLS CLUBS OF
GREATER MEMPHIS**

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

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Independent Auditor's Report

Board of Directors
Boys and Girls Clubs of Greater Memphis
Memphis, Tennessee

We have audited the accompanying financial statements of Boys and Girls Clubs of Greater Memphis (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, changes in net assets, 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 of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of Greater Memphis as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frazee Ivy Davis PLC

Memphis, Tennessee
April 30, 2020

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 2,294,702	\$ 3,092,971
Pledges receivable, net	893,391	494,327
Grants receivable	325,311	826,198
Prepaid expenses	26,761	20,267
Receivables, long-term bargain leases	130,615	141,098
Investment securities	11,377,973	9,587,206
Cash surrender value of life insurance	146,107	143,767
Property and equipment, net of accumulated depreciation	5,846,831	6,446,937
 Total assets	 <u>\$ 21,041,691</u>	 <u>\$ 20,752,771</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 75,307	\$ 35,222
Accrued salaries and retirement	125,807	105,340
Accrued interest	13,795	14,271
Deferred revenue	546,849	1,817,242
Notes payable	5,490,565	5,679,895
 Total liabilities	 <u>6,252,323</u>	 <u>7,651,970</u>
Net assets		
Without donor restrictions	9,946,007	8,401,692
With donor restrictions	4,843,361	4,699,109
 Total net assets	 <u>14,789,368</u>	 <u>13,100,801</u>
 Total liabilities and net assets	 <u>\$ 21,041,691</u>	 <u>\$ 20,752,771</u>

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Activities

For the years ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenues						
Contribution income	\$ 1,967,095	\$ 6,713	\$ 1,973,808	\$ 1,888,036	\$ 79,838	\$ 1,967,874
Grant income	1,940,612	-	1,940,612	1,915,824	-	1,915,824
United Way of the Mid-South	462,815	-	462,815	457,439	-	457,439
The Phoenix, Inc.	38,124	-	38,124	32,931	-	32,931
Capital campaign	-	25,719	25,719	-	47,714	47,714
In-kind contributions	50,366	6,817	57,183	129,542	7,327	136,869
Membership fees	86,832	-	86,832	102,575	-	102,575
Other revenues	466,334	-	466,334	427,294	-	427,294
Gain (loss) on sale of property and equipment	(34,679)	-	(34,679)	4,000	-	4,000
Net investment income (loss)	1,320,627	474,253	1,794,880	(457,272)	(174,875)	(632,147)
Total support and other revenues	6,298,126	513,502	6,811,628	4,500,369	(39,996)	4,460,373
Reclassifications						
Net assets released from restrictions	369,250	(369,250)	-	590,229	(590,229)	-
Total revenue and reclassifications	6,667,376	144,252	6,811,628	5,090,598	(630,225)	4,460,373
Expenses						
Program services	4,405,015	-	4,405,015	4,299,376	-	4,299,376
Management and general	487,122	-	487,122	482,623	-	482,623
Fundraising	230,924	-	230,924	229,324	-	229,324
Total expenses	5,123,061	-	5,123,061	5,011,323	-	5,011,323
Change in net assets	\$ 1,544,315	\$ 144,252	\$ 1,688,567	\$ 79,275	\$ (630,225)	\$ (550,950)

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Functional Expenses

For the years ended December 31, 2019 and 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Compensatory expenses								
Salaries and wages	\$ 2,337,503	\$ 403,530	\$ 113,654	\$ 2,854,687	\$ 2,093,397	\$ 361,389	\$ 101,785	\$ 2,556,571
Retirement and health benefits	213,256	32,790	6,198	252,244	218,969	33,669	6,364	259,002
Payroll taxes	170,691	26,370	5,798	202,859	169,471	26,182	5,757	201,410
Subtotal compensatory	<u>2,721,450</u>	<u>462,690</u>	<u>125,650</u>	<u>3,309,790</u>	2,481,837	421,240	113,906	3,016,983
Other expenses								
Depreciation	438,819	-	-	438,819	438,735	-	-	438,735
Contract services	188,511	18,860	12,438	219,809	263,502	26,362	17,386	307,250
Program supplies	214,688	-	-	214,688	242,035	-	-	242,035
Interest	189,748	-	-	189,748	190,805	-	-	190,805
Work incentive	65,214	-	-	65,214	143,773	-	-	143,773
Insurance	169,529	7,212	3,607	180,348	166,341	7,076	3,539	176,956
Fundraising expenses	-	-	62,698	62,698	-	-	71,039	71,039
Utilities	145,319	10,449	5,222	160,990	149,729	10,766	5,381	165,876
Facility rent and maintenance	100,104	17,832	8,910	126,846	25,492	4,541	2,269	32,302
Vehicle expenses	41,705	4,365	2,424	48,494	46,776	4,896	2,719	54,391
Bank charges	18,555	2,318	2,319	23,192	15,783	1,972	1,973	19,728
Office supplies	17,906	7,067	3,029	28,002	33,172	13,091	5,611	51,874
Dues and subscriptions	21,669	-	-	21,669	20,428	-	-	20,428
Food	31,860	-	-	31,860	24,870	-	-	24,870
Telephone	21,461	2,681	2,681	26,823	22,818	2,851	2,851	28,520
Travel	11,910	3,407	1,705	17,022	15,240	4,359	2,181	21,780
Training	4,475	-	-	4,475	13,970	-	-	13,970
Miscellaneous	2,092	241	241	2,574	4,070	469	469	5,008
Provision for doubtful pledges	-	(50,000)	-	(50,000)	-	(15,000)	-	(15,000)
Total expenses	<u>\$ 4,405,015</u>	<u>\$ 487,122</u>	<u>\$ 230,924</u>	<u>\$ 5,123,061</u>	<u>\$ 4,299,376</u>	<u>\$ 482,623</u>	<u>\$ 229,324</u>	<u>\$ 5,011,323</u>

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Changes in Net Assets

For the years ended December 31, 2019 and 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, December 31, 2017	8,322,417	5,329,334	13,651,751
Change in net assets	<u>79,275</u>	<u>(630,225)</u>	<u>(550,950)</u>
Net assets, December 31, 2018	8,401,692	4,699,109	13,100,801
Change in net assets	<u>1,544,315</u>	<u>144,252</u>	<u>1,688,567</u>
Net assets, December 31, 2019	<u>\$ 9,946,007</u>	<u>\$ 4,843,361</u>	<u>\$ 14,789,368</u>

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 1,688,567	\$ (550,950)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	438,819	438,735
Unrealized (gain) loss on investments	(1,449,509)	987,244
Realized gain on investments	(111,499)	(77,921)
(Gain) loss on sale of property and equipment	34,679	(4,000)
Provision for doubtful pledges	(50,000)	(15,000)
Increase in cash surrender value of life insurance	(2,340)	(3,029)
In-kind contributions of property and equipment	-	(218,570)
Contributions restricted for long-term purposes	(345,572)	(144,016)
Change in operating assets and liabilities		
Pledges receivable	(349,064)	154,003
Grants receivable	500,887	493,847
Receivables, long-term bargain leases	10,483	9,973
Prepaid expenses	(6,494)	19,137
Accounts payable	40,085	(5,494)
Accrued salaries and retirement	20,467	(69,946)
Accrued interest	(476)	(2,114)
Deferred revenue	(1,270,393)	195,419
Net cash provided by (used in) operating activities	(851,360)	1,207,318
Cash flows from investing activities		
Proceeds from sale of investment securities	2,350,800	1,439,469
Purchases of investment securities	(2,557,935)	(1,647,718)
Proceeds from sale of property and equipment	179,225	4,000
Purchase of property and equipment	(52,617)	(45,191)
Net cash used in investing activities	(80,527)	(249,440)
Cash flows from financing activities		
Principal payments on notes payable	(189,330)	-
Proceeds from contributions restricted for long-term projects	345,572	144,016
Net cash provided by financing activities	156,242	144,016
Change in cash, cash equivalents, and restricted cash	(775,645)	1,101,894
Cash, cash equivalents, and restricted cash at beginning of year	3,364,607	2,262,713
Cash, cash equivalents, and restricted cash at end of year	\$ 2,588,962	\$ 3,364,607

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2019 and 2018

Note 1 – Organization and Business Activity

Boys and Girls Clubs of Greater Memphis (the “Organization”) is a non-profit corporation which maintains six club facilities, one technical training center, and a camp for the benefit of approximately 4,500 members. The Organization operates a comprehensive program which provides the boys and girls with professional and informal guidance integrated into a year-round program of group club, athletics, science, shops, learning centers, crafts, computer labs, playgrounds, gyms, and special events. The Organization is supported through donor contributions, grants, and special events.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Under this method of accounting, support and revenue are recognized in the period earned and expenses are recognized when incurred.

Financial Statement Presentation

Under accounting standards for non-profit organizations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash and cash equivalents consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,294,702	\$ 3,092,971
Money market funds, pledged as collateral	294,260	271,636
Cash, cash equivalents, and restricted cash	<u>\$ 2,588,962</u>	<u>\$ 3,364,607</u>

Pledges Receivable

Pledges receivable are recorded when they are determined to be an unconditional promise to give. The Organization uses the allowance method to account for doubtful pledges. The amount of the allowance for doubtful pledges is based upon management’s assessment of historical and expected collections, economic conditions, and other collection indicators. Pledges receivable due in more than one year are discounted to the present value of estimated future cash flows.

Property, Equipment, and Depreciation

Property and equipment is stated at estimated fair value at the date of the contribution, if contributed, or at acquisition cost, if purchased. Major renewals and betterments that extend the useful lives of assets are also recorded at cost. Expenditures for normal repair and maintenance are expensed as they occur. Construction in progress represents renovations that have not been put in service and, therefore, are not being depreciated. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, generally five to thirty-nine years for buildings and improvements and three to ten years for equipment, furniture, and vehicles.

Note 2 – Summary of Significant Accounting Policies (continued)*Revenue Recognition*

Contributions received are recorded as support with or without donor restrictions depending on the existence of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unrestricted. Contributions that are limited to specific uses by donor-imposed restriction are reported as being received without donor restrictions when the restrictions are met within the same reporting period. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the restriction expires or is satisfied. Investment income is available to support any activities of the Organization unless otherwise specified by the donor.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

<u>Type of Expense</u>	<u>Method of Allocation</u>
Other building occupancy	Full time equivalent
Supplies and services	Full time equivalent
Salaries and wages	Time and effort
Payroll taxes and benefits	Time and effort

In-Kind Contributions

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of property and equipment are recorded as unrestricted contributions at the date of donation unless the donor has temporarily or permanently restricted the donated asset to a specific purpose.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi). The Organization files tax returns in the United States federal jurisdiction and is not currently under tax examination. The Organization is no longer subject to examination by federal authorities for years prior to 2016.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would more likely than not be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2019 and 2018.

Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establish the framework for a fair value hierarchy. The fair value hierarchy gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data (Level 2), and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the financial statements for the year ended December 31, 2018 have been reclassified to conform to current year presentation with no effect on net assets or the change in net assets for the year.

Subsequent Events

Management has evaluated subsequent events through **April 30, 2020**, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact change in net assets. Other financial impact could occur though such potential impact is unknown at this time.

On April 21, 2020, the Organization received a Small Business Administration (“SBA”) loan in the amount of \$579,300 for the Payroll Protection Program (“PPP”) in order to keep staff employed during the coronavirus pandemic. PPP loans may qualify for forgiveness under some circumstances which include: the loan is only used to cover qualified expenses and the employer pays 100% of payroll dollars to employees during the eight weeks after the loan is funded. Any unforgiven portions are repayable over a 2-year period with payments of principal and interest at a rate of 1% per annum.

Note 3 – Pledges Receivable

At December 31, 2019 and 2018, unconditional promises to give were due as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 903,391	\$ 350,688
Receivable in one to five years	<u>-</u>	<u>229,358</u>
Total pledges receivable	903,391	580,046
Less discount to net present value	<u>-</u>	<u>25,719</u>
Pledges receivable, at present value	903,391	554,327
Less allowance for doubtful pledges	<u>10,000</u>	<u>60,000</u>
Pledges receivable, net	<u>\$ 893,391</u>	<u>\$ 494,327</u>

Unconditional promises to give due in more than one year are reflected at the net present value of estimated future cash flows using a discount rate of 4.42% at December 31, 2018.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2019 and 2018

Note 4 – Receivables, Long-Term Bargain Leases

As of December 31, 2019, the Organization holds long-term leasehold rights to real estate used in its programs at Camp Phoenix. The lease expires on June 30, 2029 and the annual rental per year for the lease is nil. The present value of the fair market rent over the lease term, determined using a five percent discount rate, was recognized support with donor restrictions at the effective date of the lease. Receivables, long-term bargain leases at December 31, 2019 of \$130,615 represents the future fair rental value of \$164,350 net of unamortized discount of \$33,735. The unamortized discount will be recognized as additional contributions as time restrictions expire.

Rent expense attributable to the lease to be recognized in the next five years is as follows:

Year ending December 31,	
2020	\$ 17,300
2021	17,300
2022	17,300
2023	17,300
2024	17,300
Thereafter	<u>77,850</u>
Total	<u><u>\$ 164,350</u></u>

Note 5 – Investment Securities

Investment securities at December 31, 2019 and 2018 were comprised of the following:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Money market funds	<u>\$ 294,260</u>	<u>\$ 294,260</u>	<u>\$ 271,636</u>	<u>\$ 271,636</u>
Fixed income funds	<u>2,888,252</u>	<u>2,887,361</u>	<u>2,787,481</u>	<u>2,903,499</u>
Domestic equity funds	3,337,363	2,538,217	2,633,329	2,362,574
International equity funds	1,070,151	827,721	1,164,778	1,172,301
Common equity securities	<u>2,527,986</u>	<u>2,055,436</u>	<u>1,593,143</u>	<u>1,553,992</u>
Total equity investments	<u>6,935,500</u>	<u>5,421,374</u>	<u>5,391,250</u>	<u>5,088,867</u>
Community Foundation of Greater Memphis	91,953	68,307	80,494	66,042
Hedge fund	<u>1,168,008</u>	<u>577,488</u>	<u>1,056,345</u>	<u>577,488</u>
Total investment securities	<u><u>\$ 11,377,973</u></u>	<u><u>\$ 9,248,790</u></u>	<u><u>\$ 9,587,206</u></u>	<u><u>\$ 8,907,532</u></u>

Investment securities held by the Community Foundation of Greater Memphis, Inc. consist of funds transferred from the Organization to the Boys and Girls Club Fund of the Community Foundation of Greater Memphis, Inc. (the "Fund"). The beneficiary of the Fund is the Organization. The investments are stated at fair value and are held in a diversified portfolio.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2019 and 2018

Note 5 – Investment Securities (continued)

At December 31, 2019, investments included \$10,118,012 in securities pledged as collateral under note payable to SunTrust Bank (see Note 7).

Net investment income (loss) for the years ended December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Net unrealized gain (loss)	\$ 1,449,509	\$ (987,244)
Net realized gain	<u>111,499</u>	<u>77,921</u>
Net gain (loss)	1,561,008	(909,323)
Interest and dividend income	307,202	348,079
Investment fees	<u>(73,330)</u>	<u>(70,903)</u>
Net investment income (loss)	<u>\$ 1,794,880</u>	<u>\$ (632,147)</u>

Note 6 – Property and Equipment

Property and equipment consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 275,123	\$ 275,123
Buildings	6,293,251	6,511,822
Building improvements	4,679,937	4,663,089
Leasehold improvements	240,458	240,458
Transportation equipment	309,375	309,375
Equipment, furniture, and fixtures	<u>1,666,409</u>	<u>1,630,640</u>
	13,464,553	13,630,507
Accumulated depreciation	<u>(7,617,722)</u>	<u>(7,183,570)</u>
Property and equipment, net	<u>\$ 5,846,831</u>	<u>\$ 6,446,937</u>
Depreciation expense for the year	<u>\$ 438,819</u>	<u>\$ 438,735</u>

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2019 and 2018

Note 7 – Notes Payable

SunTrust Bank

On October 4, 2017, the Organization entered into a promissory note with SunTrust Bank in the amount of \$5,679,895. The note requires semi-annual installments of \$189,330, including interest at 3.35% per annum, beginning July 5, 2019 through July 5, 2027. The note is secured by the Organization’s investment securities (see Note 5).

Principal is scheduled to mature as follows:

Year ending December 31,	
2020	\$ 378,660
2021	378,660
2022	378,660
2023	378,660
2024	378,660
Thereafter	<u>3,597,265</u>
Total	<u><u>\$ 5,490,565</u></u>

Note 8 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2019 and 2018:

	2019	2018
Time restrictions	\$ 130,615	\$ 141,098
Purpose restrictions		
Capital & Endowment Campaign	3,510,297	3,286,134
Club operations	-	250,000
Buckman Club	374,892	204,639
Endowment campaign	15,697	8,826
Irby Cooper Scholarship Fund	6,096	2,468
In perpetuity		
Endowment corpus	805,944	<u>805,944</u>
Total	<u>\$ 4,843,541</u>	<u>\$ 4,699,109</u>

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2019 and 2018

Note 8 – Net Assets with Donor Restrictions (continued)

For the years ended December 31, 2019 and 2018, net assets were released from restrictions by the passage of time or incurring expenses satisfying the purpose restriction imposed by donors as follows:

	2019	2018
Time restrictions	\$ 17,300	\$ 25,214
Purpose restrictions		
Club operations	250,000	250,000
Capital & Endowment Campaign	84,882	102,286
Tech Training Center, Logistics Track	-	80,000
Tech Training Center	-	45,000
Planned Giving Salary	-	38,500
Cabins at Club Phoenix	6,713	34,838
Buckman	10,232	14,190
Irby Cooper Scholarship Fund	123	201
	\$ 369,250	\$ 590,229
Total		

Note 9 – Endowment Funds

The Organization’s endowment consists of several funds established for the purpose of raising and investing funds for capital improvements and scholarships. The endowment includes both donor-restricted endowment funds and funds designated by the Organization’s Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Tennessee 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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of the investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

Annual spending from the endowment fund shall be the lesser of (a) 5% of the endowment fund’s fair market value (as valued annually at the beginning of each fiscal year of the organization), or (b) the net income earned by the endowment fund during the Organization’s previous fiscal year. In establishing this policy, the Organization considered liquidity and the long-term expected investment return of its endowment fund.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2019 and 2018

Note 9 – Endowment Funds (continued)

The Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions in accordance with the Organization’s annual spending policy while growing the fund. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net asset composition by fund type as of December 31, 2019 and 2018 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time	In Perpetuity	
As of December 31, 2019				
Donor-restricted endowment funds	\$ 510,907	\$ 2,114,445	\$ 805,944	\$ 3,431,296
Board-designated endowment funds	160,816	-	-	160,816
Total endowment funds	\$ 671,723	\$ 2,114,445	\$ 805,944	\$ 3,592,112
As of December 31, 2018				
Donor-restricted endowment funds	\$ 344,977	\$ 1,726,519	\$ 805,944	\$ 2,877,440
Board-designated endowment funds	148,084	-	-	148,084
Total endowment funds	\$ 493,061	\$ 1,726,519	\$ 805,944	\$ 3,025,524

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2019 and 2018

Note 9 – Endowment Funds (continued)

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time	In Perpetuity	
Endowment net assets, December 31, 2018	<u>\$ 493,060</u>	<u>\$ 1,726,519</u>	<u>\$ 805,944</u>	<u>\$ 3,025,523</u>
Investment return:				
Interest and dividends	15,721	80,748	-	96,469
Net appreciation (realized and unrealized)	80,380	412,849	-	493,229
Investment fees	<u>(3,766)</u>	<u>(19,344)</u>	-	<u>(23,110)</u>
Total investment return	<u>92,335</u>	<u>474,253</u>	-	<u>566,588</u>
Contributions	-	-	-	-
Appropriations for expenditure	<u>86,326</u>	<u>(86,326)</u>	-	-
Endowment net assets, December 31, 2019	<u><u>\$ 671,721</u></u>	<u><u>\$ 2,114,446</u></u>	<u><u>\$ 805,944</u></u>	<u><u>\$ 3,592,111</u></u>

Changes in endowment net assets for the year ended December 31, 2018 were as follows:

	Donor Restrictions	With Donor Restrictions		Total
		Time	In Perpetuity	
Endowment net assets, December 31, 2017	<u>\$ 419,094</u>	<u>\$ 2,001,468</u>	<u>\$ 805,944</u>	<u>\$ 3,226,506</u>
Investment return:				
Interest and dividends	14,091	94,391	-	108,482
Net depreciation (realized and unrealized)	(37,296)	(249,827)	-	(287,123)
Investment fees	<u>(2,902)</u>	<u>(19,440)</u>	-	<u>(22,342)</u>
Total investment return	<u>(26,107)</u>	<u>(174,876)</u>	-	<u>(200,983)</u>
Contributions	-	-	-	-
Appropriations for expenditure	<u>100,073</u>	<u>(100,073)</u>	-	-
Endowment net assets, December 31, 2018	<u><u>\$ 493,060</u></u>	<u><u>\$ 1,726,519</u></u>	<u><u>\$ 805,944</u></u>	<u><u>\$ 3,025,523</u></u>

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2019 and 2018

Note 10 – Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis as of December 31, 2019 and 2018 include the following:

	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2019				
Assets				
Common equity securities	\$ 2,527,986	\$ 2,527,986	\$ -	\$ -
As of December 31, 2018				
Assets				
Common equity securities	1,593,143	1,593,143	-	-

Common Equity Securities

Fair values for common equity securities are determined by reference to quoted prices in active markets.

The following table provides information related to investments that are valued based primarily on net asset value (“NAV”):

	2019	2018	Redemption Frequency	Redemption Notice Period
Domestic equity funds	\$ 3,337,363	\$ 2,633,329	Daily	Not applicable
International equity funds	1,070,151	1,164,778	Daily	Not applicable
Hedge funds	1,168,008	1,056,345	Annually	90 days

Domestic Equity Funds

This class includes investments in mutual funds that hold common stocks in U.S. companies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

International Equity Funds

This class includes investments in mutual funds that hold common stocks of companies in developed countries outside the United States. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Hedge Funds

The hedge fund’s overall objective is to achieve capital appreciation through direct and indirect investments in securities, derivative instruments and commodities. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Note 11 – Retirement Plans

Pension Plan

The Organization maintains a non-contributory defined contribution pension plan covering employees over 20 years of age with at least one thousand hours of annual service. The employer contributes to the plan 3% of participants’ annual compensation. Pension expense for the years ended December 31, 2019 and 2018 was \$59,560 and \$22,550, respectively.

Salary Deferral Plan

The Organization sponsors a defined contribution retirement plan for the benefit of its employees under Section 403(b) of the Internal Revenue Code. All employees may elect to defer a portion of their compensation and contribute it to the plan in an amount not to exceed annual statutory limits. The employer does not contribute to this plan.

Note 12 – Supplemental Disclosure of Cash Flow Information

For the years ended December 31, 2019 and 2018, the Organization’s cash payments for interest totaled \$190,224 and \$192,919, respectively.

Noncash investing and financing activities for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
In-kind contribution of property and equipment	\$ -	\$ 218,570

Note 13 – Concentrations of Risk

Although the Organization has a policy to maintain a diversified portfolio, investment securities are subject to market and credit risk, including the issuers’ ability to meet their obligations, which may be affected by general economic conditions or economic developments in a specific geographic region or industry.

During the years ended December 31, 2019 and 2018, one donor and organizations under his control accounted for approximately seven percent (7%) and fourteen percent (14%) of total support and other revenues, respectively.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2019 and 2018

Note 14 – Availability of Resources and Liquidity

As part of its ongoing liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2019 and 2018, the Organization’s current unrestricted financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 2,294,702	\$ 3,092,971
Pledges receivable, net	893,391	494,327
Grants receivable	325,311	826,198
Investment securities	11,377,973	9,587,206
Cash surrender value of life insurance	146,107	143,767
Total financial assets	15,037,484	14,144,469
Amounts not available to be used within one year:		
Restricted pledges receivable and pledges receivable expected to be collected in greater than one year net of allowance	-	(319,823)
Investments pledged as collateral	(10,118,012)	(8,450,367)
Donor-restricted endowment funds	(2,920,391)	(2,532,463)
Board-designated endowment funds	(160,816)	(148,084)
Other net assets with donor restrictions	(1,792,355)	(2,025,548)
Excluding net assets with purpose restrictions to be met in less than a year	120,000	-
Financial assets not available to be used within one year	(14,871,574)	(13,476,285)
Financial assets available to meet general expenditures within one year	\$ 165,910	\$ 668,184

As of December 31, 2019, investments pledged as collateral totaling \$10,118,012 represents collateral under a note payable to SunTrust Bank for \$5,490,565.