2018

Financial Statements

1889 General George Patton Drive Suite 200 · Franklin, TN 37067 · Phone 615-750-5537· Fax 615-750-5543 · www.phbcpas.com

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Independent Auditor's Report Thereon)

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
FINANCIAL STATEMENTS
DECEMBER 31, 2018

CONTENTS

	PAGE
Independent Auditor's Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 18

PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys & Girls Clubs of Middle Tennessee

We have audited the accompanying financial statements of the Boys & Girls Clubs of Middle Tennessee (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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.

Opinion

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

Patterson Hardee & Ballentine

May 1, 2019

1889 General George Patton Drive, Suite 200 Franklin, TN 37067 phone: 615-750-5537 fax: 615-750-5543

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

	2018
Current Assets:	
Cash and cash equivalents	$ 1,185,690
Grants and contracts receivable	294,996
Prepaid expenses and deposits	51,716
Investments	400,229
Total current assets	1,932,631
Property and Equipment, net	1,294,523
Membership rights, net	17,333
	1,311,856
Assets Held for Sale, net	21,965
Assets Whose Use is Limited:	
Cash	99,570
Grants receivable	57,257
Restricted pledges, net	65,557
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	31,139
Investments	938,498
Total assets whose use is limited	1,192,021
	$ 4,458,473

LIABILITIES AND NET ASSETS

Current Liabilities:	
Note payable - current portion	$ 47,050
Accounts payable	73,450
Accrued expenses	99,670
Total current liabilities	220,170
Note payable - long-term portion	173,583
Total liabilities	393,753
Net Assets:	
Without donor restrictions	2,872,699
With donor restrictions	1,192,021
Total Net Assets	4,064,720
	$ 4,458,473

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restriction	Total
Public Support and Revenue:			
Gross special events revenue	$ 673,998	$ -	$ 673,998
Less direct cost of special events	(276,745)	-	(276,745)
Net special events revenue	397,253	-	397,253
Individual gifts and contributions	708,137	3,384	711,521
Grants and contracts	1,322,961	9,000	1,331,961
United Way grants, allocations, and designations	60,982	48,257	109,239
Program service fees	659,549	-	659,549
Gain on sale of asset	1,500	-	1,500
Donated rent	138,646	-	138,646
Net investment loss	(7,718)	(65,618)	(73,336)
Miscellaneous revenue	26,760	-	26,760
Net assets released from restrictions	28,390	(28,390)	-
Total public support	2,939,207	(33,367)	2,905,840
Total public support and revenue	3,336,460	(33,367)	3,303,093
Expenses:			
Program Services:			
Comprehensive Youth Development	2,817,868	-	2,817,868
Supporting Services:			
Management and General	415,662	-	415,662
Fundraising	231,497	-	231,497
Total supporting services	647,159	-	647,159
Total expenses	3,465,027	-	3,465,027
Decrease in net assets	(128,567)	(33,367)	(161,934)
Net assets at beginning of year	3,001,266	1,225,388	4,226,654
Net assets at end of year	$ 2,872,699	$ 1,192,021	$ 4,064,720

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		
	Comprehensive Youth Development	Management and General	Fundraising	Total
Salaries	$ 1,459,793	$ 259,497	$ 109,831	$ 1,829,121
Employee taxes & benefits	218,551	47,310	20,194	286,055
Total payroll & related expenses	1,678,344	306,807	130,025	2,115,176
Awards and grants	6,125	-	-	6,125
Communications	20,824	1,956	-	22,780
Depreciation & amortization	121,819	2,486	26,000	150,305
Equipment rental and maintenance	21,919	6,922	-	28,841
Field trips & other youth events	59,791	-	-	59,791
In-kind expense	76,790	-	61,856	138,646
Interest expense	11,399	-	-	11,399
Marketing	11,719	-	5,023	16,742
Membership dues	28,300	4,426	-	32,726
Miscellaneous	16,908	10,230	3,726	30,864
Postage	668	1,791	597	3,056
Professional fees	126,741	28,692	2,785	158,218
Special events	97,754	-	178,991	276,745
Supplies	281,623	17,026	153	298,802
Training and conferences	21,848	16,939	-	38,787
Transportation	99,403	-	-	99,403
Travel and mileage	10,534	1,693	1,269	13,496
Utilities and occupancy costs	223,113	16,694	63	239,870
Total expenses by function	2,915,622	415,662	410,488	3,741,772
Less expenses included with revenues on the statement of activities:				
Direct cost of special events	(97,754)	-	(178,991)	(276,745)
Total expenses included in the expense section on the statement of activities	$ 2,817,868	$ 415,662	$ 231,497	$ 3,465,027

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows From Operating Activities:	
Decrease in net assets	$ (161,934)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation and amortization	150,305
Realized gain on investments	(52,624)
Unrealized losses on investments	145,953
Change in value of beneficial interest in agency endowment fund	1,825
Changes in:	
Grants and contracts receivable	120,318
Contributions receivable	2,615
Prepaid expenses and deposits	(35,142)
Assets whose use is limited	31,542
Accounts payable	26,683
Accrued expenses	19,994
Total adjustments	411,469
Net cash provided by operating activities	249,535
Cash Flows From Investing Activities:	
Proceeds from sale of investments	252,357
Purchase of investments	(329,571)
Purchase of property and equipment	(45,376)
Purchase of intangible asset	(26,000)
Net cash used in investing activities	(148,590)
Cash Flows From Financing Activities:	
Payments on long-term debt	(44,917)
Net cash used in financing activities	(44,917)
Net increase in cash	56,028
Cash and cash equivalents - beginning of year	1,129,662
Cash and cash equivalents - end of year	$ 1,185,690

Supplemental Cash Flow Information

Interest paid during the year ended December 31, 2018 was $11,399.

See accompanying notes to financial statements.

NOTE 1 – Summary of Significant Accounting Policies

Nature of Activities

In these notes, the terms "Organization", "we", "us" or "our" mean Boys & Girls Clubs of Middle Tennessee. We have chosen to present our name how it is recognized nationally as "Boys & Girls Clubs of Middle Tennessee," rather than our official name of "Boys and Girls Clubs of Middle Tennessee" in accordance with the Secretary of State. We are a nonprofit organization affiliated with the Boys & Girls Clubs of America. Founded in 1903, the Boys & Girls Clubs of Middle Tennessee consist of nine Club facilities throughout the region. The goal of the organization is to enable all young people, especially those who need us most, to reach their full potential as productive, caring, and responsible citizens. We strive to improve each child's life by instilling in them a sense of competence, usefulness, belonging, and power/influence. We focus on three priority outcomes: academic success, healthy lifestyles, good character and citizenship.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.
>
> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Revenue

We recognize revenue as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organizations.

Cash Equivalents

For the purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance to be a cash equivalent. At December 31, 2018, we had cash equivalents in the amount of $90,112.

NOTE 1 – Summary of Significant Accounting Policies (continued)

Contributions Receivable

Unconditional promises to give (pledges) are recognized as contribution revenue when the donor's commitment is received. Pledges with payments due to us in future periods are recorded as increases in temporarily restricted or permanently restricted net assets at the estimated present value of future cash flows, net of an allowance for estimated uncollectible promises. Allowance is made for uncollectible contributions receivable based upon our analysis of past collection experience and other judgmental factors. At December 31, 2018, no allowance was considered necessary.

In contrast to unconditional promises as described above, conditional promises are not recorded until donor contingencies are substantially met.

Grant Receivable

We recognize grant revenue when the grant is awarded. At December 31, 2018, no allowance was considered necessary for uncollectible grant receivables based upon our analysis of past collection experience with grantors.

Prepaid expenses

Prepaid expenses consist of insurance premiums paid by us in advance.

Property and Equipment

Property and equipment is recorded at cost, or, if donated, at the estimated fair market value at the date of donation. Our capitalization policy is to capitalize any expenditure over $5,000 for property and equipment, and any expenditure over $500 for leasehold improvements. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2018, no assets were considered to be impaired.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses and support services that can be identified specifically with the Comprehensive Youth Development program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs or supporting functions are allocated based on various relationships. Multiple expenses have been allocated on the basis of estimates of time and effort.

Marketing

Marketing is expensed as incurred. Total marketing expense for the year ended December 31, 2018, was $16,742.

NOTE 1 – Summary of Significant Accounting Policies (continued)

Donated Services and Goods

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by us if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

We received donated rent for the year ended December 31, 2018, of $76,790. See NOTE 13.

Income Taxes

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to short maturities of these instruments. The fair value of the note payable approximates the carrying amount and is estimated based on current rates offered to us. All of our financial instruments are categorized as level 1 in the fair value hierarchy.

New Accounting Pronouncement

On August 8, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively and has not affected the beginning balance of net assets.

NOTE 2 – Contributions Receivable

Contributions receivable consisted of the following at December 31, 2018:

Due in less than one year	$	6,952
Due in one or more years		58,605
		80,000
Less: discounts to net present value		(14,443)
Less: allowance for doubtful accounts		-
Net contributions receivable	$	65,557

Contributions receivable as shown on the Statement of Financial Position as follows at December 31, 2018:

Restricted pledges, net		65,557
Net contributions receivable	$	65,557

Gross restricted pledges receivable of $100,000 for golf membership renewal rights in 2018 have been discounted for the time value of money using a discount rate of 4.65%. The rate was determined using the interest method after an allowance had been established. The net restricted pledges for the golf membership rights at December 31, 2018 was $65,557.

NOTE 3 – Investments

Investments consisted of the following at December 31, 2018:

	Market Value	Cost
LLC Ownership	$ 129,978	$ 133,506
Equity	792,016	706,071
Fixed Income Taxable	309,991	319,831
Real Estate	94,092	86,763
Commodities	12,650	13,323
	1,338,727	$ 1,259,494
Less: restricted investments	(938,498)	
	$ 400,229	

NOTE 3 – Investments (continued)

The net Investment loss included the following for the year ended December 31, 2018:

Interest and dividend income	$	39,773
Realized gain (loss) - net		53,601
Unrealized gain - net		(149,070)
Investment fees		(15,043)
Miscellaneous fees		(2,597)
Net investment loss	$	(73,336)

At December 31, 2018, our investments were held in a trust, we are the sole beneficiary of this trust.

At December 31, 2018, we owned units of ownership in a limited liability company (LLC). Our ownership is a result of a contribution made in 2010.

We have elected to report other investments that do not have a readily determinable value, at carrying value, except those for which the fair value option has been elected.

We have recognized our LLC ownership interest at fair market value in accordance with generally accepted accounting principles under the fair value option. The fair value of the ownership interest is measured annually based on the values of the underlying investment held in the LLC. As of December 31, 2018, the fair value of this ownership interest was $129,978.

NOTE 4 – Fair Value Measurements

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs not corroborated by market data.

NOTE 4 – Fair Value Measurements (continued)

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31, 2018:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Common Stocks-Public	$ 792,016	$ 792,016	$ 792,016	$ -	$ -
LLC Ownership	129,978	129,978	-	129,978	-
Fixed Income Taxable	309,991	309,991	309,991	-	-
Real Estate	94,092	94,092	94,092	-	-
Commodities	12,650	12,650	12,650	-	-
Beneficial interest in agency endowment fund	31,139	31,139	-	-	31,139
	$ 1,369,866	$ 1,369,866	$ 1,208,749	$ 129,978	$ 31,140

As shown on the financial statements as follows at December 31, 2018:

Unrestricted investments	$ 400,229
Restricted investments	938,498
	1,338,727
Beneficial interest in agency endowment fund	31,139
	$ 1,369,866

There were no transfers between Level 1, Level 2, and Level 3 investments during the year ended December 31, 2018.

A reconciliation of changes in the amounts reported for the asset valued using Level 3 inputs is included in NOTE 9.

NOTE 5 – Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended	
Cash and cash equivalents	$ 1,168,357
Grants and contracts receivable	294,996
	1,463,353

The Organization has certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded in the qualitative information above.

NOTE 5 – Availability and Liquidity (continued)

In the next fiscal year, we plan to receive the same level of contributions, and consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in four bank accounts. This cash is readily available.

We manage our liquidity and reserves following three 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 discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

NOTE 6 – Property and Equipment

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

Land	$ 26,530
Buildings and improvements	2,007,719
Vehicles	687,871
Furniture, equipment and software	504,890
	3,227,010
Less accumulated depreciation	(1,932,487)
Net property and equipment	$ 1,294,523

Total depreciation expense for the year ended December 31, 2018, was $124,305.

The Thompson Lane facility is not currently in use and has a net book value of $21,965 as of December 31, 2018. This fixed asset is segregated on the face of the financials. See NOTE 18.

NOTE 7 – Membership Rights

In 2017, we renewed a membership purchase agreement with the Golf Club of Tennessee for $260,000 for an additional 10 years. In the agreement, the Club allowed for 10 $26,000 annual payments to cover the cost. See NOTE 2 for the pledge receivable and NOTE 7 for the inclusion of membership rights, net of amortization. The amortization expense for December 31, 2018 is $26,000.

NOTE 8 – Net Assets With Restrictions

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

Scholarship - Youth of the Year	$ 30,174
United Way of Williamson County	48,257
City of Franklin grant	9,000
Ray White Fund	20,388
Golf Membership Renewal	48,000
Restricted pledges	65,557
Beneficial interest in agency endowment fund	31,139
Endowment fund	938,498
Scholarships	1,008
	$ 1,192,021

NOTE 9 – Beneficial Interest in Agency Endowment Fund

In the year ended December 31, 2018, the Community Foundation of Middle Tennessee, (the Foundation) a non-profit organization, is in control of an endowment fund for us. The endowment has been recorded as permanently restricted. The Foundation has ultimate authority and control over all property of the fund and the income derived therefrom. The endowment is considered a reciprocal transfer and is therefore recorded as an asset on our Statement of Financial Position.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Since the Foundation has control over the fund and the earnings, we have not established an investment policy for the fund nor have we established policies for expenditures from the fund. We are not aware of any deficiencies in the fair value of assets in the fund as compared to the required amounts by the donors. We recognize contribution income when the Foundation makes a distribution to us. We recognize investment earnings and fees in the Statement of Activities, as they are reported to us by the Foundation.

NOTE 9 – Beneficial Interest in Agency Endowment Fund (continued)

The following is the balance and activity reported in our financial statements for the year ended December 31, 2018:

Balance - beginning of period	$ 32,964
Change in value of beneficial interest in agency endowment fund:	
Contributions	-
Investment income	(1,607)
Administrative expenses	(218)
Total change in value of beneficial interest in agency endowment fund	(1,825)
Balance - end of period	$ 31,139

NOTE 10 – Endowment Funds

Our endowment consists of funds established by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. Our permanently restricted endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about our endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not we are subject to UPMIFA.

Interpretation of applicable law - The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) 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 us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy - we have a policy of appropriating for distribution each year a payout equal to the total earnings from the funds. Funds released from restriction as of December 31, 2018, were $(28,390).

Investment return objective, risk parameters and strategies - The objective of our endowment portfolio is a balanced approach between equities and fixed income securities. The investment horizon is long-term and balances the need for income and growth. The portfolio allows for a 30% to 70% investment in equities and a 30% to 70% investment in fixed income.

NOTE 10 – Endowment Funds (continued)

At December 31, 2018, our investments were held in a trust, We are the sole beneficiary of this trust.

A schedule of endowment net asset composition (including both the cash and investments) by type of fund as of December 31, 2018, is as follows:

	Without Restriction	With Restriction	Total
Endowment funds	$ 360,363	$ 938,498	$ 1,298,861

NOTE 11 – Changes in Endowment Fund Net Assets

The following is a schedule of changes in endowment net assets for the year ended December 31, 2018:

	Without Restriction	With Restriction	Total
Endowment net assets, December 31, 2017	$ 424,157	$ 938,498	$ 1,362,655
Investment income	-	39,240	39,240
Administrative expenses	-	(14,825)	(14,825)
Net depreciation (realized and unrealized)	-	(88,209)	(88,209)
Amounts released from restriction	(63,794)	63,794	-
Endowment net assets, December 31, 2018	$ 360,363	$ 938,498	$ 1,298,861

NOTE 12 – Joint Costs

During the year ended December 31, 2018, we had certain joint costs pertaining to special events that have been allocated between fundraising and program expense as follows:

	Program	Fundraising	Total
Special events	$ 97,754	$ 178,991	$ 276,745

All criteria required to allocate joint costs were met during the year ended December 31, 2018.

NOTE 13 – Leases

We have an agreement with another organization to lease administrative office space and reimburse certain operating costs through June 2018. The agreement calls for a reimbursement of actual costs to operate the facility including association fees, utilities, janitorial costs, insurance, maintenance and other items. Operating costs reimbursable under the agreement include a prorata share of an office services associate, telephone and internet service, consumable supplies and other items. An accounting of the actual costs is prepared on a semi-annual basis and any adjustment from the projected cost to the actual cost is reimbursed at that time. For the year ended December 31, 2018, expenses under this agreement totaled $24,408.

On December 1, 2007, we entered into a lease agreement for a club facility that has been extended and expires October 31, 2019. Expenses under this agreement totaled $13,200 for the year ended December 31, 2018.

We currently have a variable lease for 3 of our locations. The rent expense as of December 31, 2018, totaled $13,663. The monthly rent charged is calculated as follows: $2.80 per week per child based on the average number of children in attendance each week.

We also lease various office equipment under operating lease agreements. Equipment rental expense for the year ended December 31, 2018, was $8,025, which is included in equipment rental and maintenance on the Statement of Functional Expenses.

Expenses incurred under operating leases for the year ended December 31, 2018, were $61,007, not including donated rent of $76,790 from four club locations that we do not have a lease agreement with and one with whom we do. As of the date of this report, the lease for one of the office spaces has not been renewed but has been properly accrued for since it is expected to be renewed.

The following is a schedule of future minimum lease payments:

Year Ending December 31,	
2019	$ 9,035
2020	3,138
2021	2,040
2022	1,530
	$ 15,743

NOTE 14 – Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, and various grant, contract and contributions receivables. Grant, contract and contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

Three donors represent 73% of total receivables at December 31, 2018. Two vendors represent 43% of total accounts payable at December 31, 2018.

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe this exposes us to any significant credit risk on our cash. At December 31, 2018, we had $895,580 of uninsured cash and cash equivalents.

NOTE 14 – Concentrations of Credit Risk (continued)

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of the Organization's securities is covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to $500,000, including up to $250,000 in cash. The SIPC does not insure against market risk.

NOTE 15 – Employee Benefit Plan

Substantially all of our employees are covered by a defined contribution money purchase plan known as the Boys & Girls Clubs of America Master Pension Plan and Trust (the "Plan"). We fund our share of pension expense for the year in quarterly contributions to the Plan.

The plan provides for elective employer contributions. We contribute five percent of eligible employees' annual compensation to the Plan. Employees become eligible to participate on the plan anniversary date if they are at least 21 years of age and have worked at least 1,000 hours in the immediately preceding twelve months. Employee benefits are fully vested after six years of service as a plan participant.

For the year ended December 31, 2018, we contributed $62,627 to the plan, which is included in employee taxes and benefits on the Statement of Functional Expenses.

We have an HRA plan that is administered by a third party. Various times we have been underfunded and overfunded by an amount immaterial to the financial statements as a whole. Due to the amounts being immaterial, we expense the amounts as bills are due.

NOTE 16 – Related Parties

We are a locally governed affiliate that is required to pay membership dues to the national organization. In return, we receive support from the national organization which helps fund our programs. During the year ended December 31, 2018, we remitted a total of $10,485 respectively, in membership dues and received $361,330 in funding. As of December 31, 2018, we were due $19,022 from our national affiliate, which is grouped with grants and contract receivable.

We are also part of the Tennessee Alliance which is a collective of all Boys & Girls Clubs of Tennessee which raises money to distribute to the Tennessee clubs. During the year ended December 31, 2018, we remitted $22,241 in membership dues and received funding of $196,708. As of December 31, 2018, we were due $28,759 from Tennessee Alliance, which is grouped with grants and contracts receivable.

NOTE 17 – Contingencies

From time to time, we may be and have been named as a defendant in lawsuit. At December 31, 2018, we do not believe that any claims have merit and intend to vigorously defend our position. At December 31, 2018, we have not accrued any legal fees.

NOTE 18 – Assets Held for Sale

At December 31, 2017, we included assets in property, plant, and equipment on the statement of financial position that are held for sale. As of December 31, 2018 the assets were not sold. Accounting principles generally accepted in the United States of America require that assets that are held for sale be recorded as a separate line item on the statement of financial position. The net book value of these assets at December 31, 2018, was $21,965.

NOTE 19 – Note Payable

In April 2016, we entered into an agreement to purchase four vehicles for $335,930. The vehicles are secured by a loan which bears interest annually at 4.650% annually. Until maturity, the loan requires a minimum monthly payment of $4,693, which will be applied to the monthly interest calculation with any excess applied to principal. The note matures in April 2023, with any unpaid principal due at that time.

Year ending December 31,	
2019	$ 47,050
2020	49,285
2021	51,627
2022	54,079
2023	18,592
Thereafter	0
Total	220,633
Less: current maturities	(47,050)
	$ 173,583

NOTE 20 – New Pronouncements

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 21 – Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2018. As of May 1, 2019, the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.