

Kips Bay Boys and Girls Club, Inc.

Independent Auditor's Report and Financial Statements

September 30, 2019 and 2018



Kips Bay Boys and Girls Club, Inc.
September 30, 2019 and 2018

Contents

Independent Auditor’s Report 1

Financial Statements

Statements of Financial Position 3
Statements of Activities..... 4
Statements of Functional Expenses 8
Statements of Cash Flows 10
Notes to Financial Statements 11

Independent Auditor's Report

Board of Trustees
Kips Bay Boys and Girls Club, Inc.
Bronx, New York

We have audited the accompanying financial statements of Kips Bay Boys and Girls Club, Inc., which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kips Bay Boys and Girls Club, Inc. as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 18* to the financial statements, in 2019, Kips Bay Boys and Girls Club, Inc. has adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

New York, New York
December 9, 2020

Kips Bay Boys and Girls Club, Inc.
Statements of Financial Position
September 30, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 24,682	\$ 44,844
Investments	7,645,693	7,857,179
Grants receivable	974,148	1,182,820
Contributions receivable	182,303	531,354
Other receivables	227,023	367,997
Prepaid expenses and other assets	175,928	172,624
Property and equipment	17,434,844	17,273,675
Total assets	\$ 26,664,621	\$ 27,430,493
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,440,321	\$ 1,229,639
Refundable advances	443,495	421,435
Deferred revenue	122,082	209,079
Line of credit	160,000	-
Loan payable	15,668	23,816
Total liabilities	2,181,566	1,883,969
 Net Assets		
Without donor restrictions		
Undesignated	904,202	679,446
Board designated	5,139,090	6,267,479
Plant fund	17,419,176	17,249,859
Total net assets without donor restrictions	23,462,468	24,196,784
 With donor restrictions		
	1,020,587	1,349,740
Total net assets	24,483,055	25,546,524
Total liabilities and net assets	\$ 26,664,621	\$ 27,430,493

Kips Bay Boys and Girls Club, Inc.
Statements of Activities
Years Ended September 30, 2019 and 2018

	2019					
	Without Donor Restrictions			Total	With Donor Restrictions	Total
	Undesignated	Board Designated	Plant Fund			
Operating Revenues and Other Support						
Contributions						
Corporate support	\$ 88,127	\$ -	\$ -	\$ 88,127	\$ 8,000	\$ 96,127
Foundations	394,994	-	-	394,994	761,000	1,155,994
Individuals	266,296	-	-	266,296	6,065	272,361
Special events	3,550,442	-	-	3,550,442	-	3,550,442
Direct costs of special events	(767,523)	-	-	(767,523)	-	(767,523)
Government support	5,352,087	-	-	5,352,087	-	5,352,087
Camp fees and other activities						
Camp fees and other support	522,279	-	-	522,279	-	522,279
Camp contributions	34,525	-	-	34,525	-	34,525
Membership dues	1,875	-	-	1,875	-	1,875
Rental income	85,879	-	-	85,879	-	85,879
Miscellaneous	141,923	-	-	141,923	-	141,923
Net assets released from restrictions	760,065	-	-	760,065	(760,065)	-
Total operating revenues and other support	<u>10,430,969</u>	<u>-</u>	<u>-</u>	<u>10,430,969</u>	<u>15,000</u>	<u>10,445,969</u>
Operating Expenses and Losses						
Program services						
Social recreation	457,466	-	216,411	673,877	-	673,877
Cultural arts	212,601	-	21,960	234,561	-	234,561
Educational and club services	5,616,388	-	304,672	5,921,060	-	5,921,060
Camp	386,317	-	8,121	394,438	-	394,438
Fitness and health	729,759	-	260,078	989,837	-	989,837
Senior center	469,358	-	208	469,566	-	469,566
Total program services	<u>7,871,889</u>	<u>-</u>	<u>811,450</u>	<u>8,683,339</u>	<u>-</u>	<u>8,683,339</u>
Supporting services						
Administration	1,177,710	-	17,608	1,195,318	-	1,195,318
Fundraising	1,556,677	-	21,562	1,578,239	-	1,578,239
Total supporting services	<u>2,734,387</u>	<u>-</u>	<u>39,170</u>	<u>2,773,557</u>	<u>-</u>	<u>2,773,557</u>
Total operating expenses	<u>10,606,276</u>	<u>-</u>	<u>850,620</u>	<u>11,456,896</u>	<u>-</u>	<u>11,456,896</u>
Loss on uncollectible contributions	-	-	-	-	136,740	136,740
Total expenses and losses	<u>10,606,276</u>	<u>-</u>	<u>850,620</u>	<u>11,456,896</u>	<u>136,740</u>	<u>11,593,636</u>
Change in Net Assets from Operations	<u>(175,307)</u>	<u>-</u>	<u>(850,620)</u>	<u>(1,025,927)</u>	<u>(121,740)</u>	<u>(1,147,667)</u>

Kips Bay Boys and Girls Club, Inc.
Statements of Activities (Continued)
Years Ended September 30, 2019 and 2018

	2019					
	Without Donor Restrictions				With Donor Restrictions	Total
	Undesignated	Board Designated	Plant Fund	Total		
Investment Income						
Interest and dividends, net	\$ -	\$ 120,595	\$ -	\$ 120,595	\$ 9,759	\$ 130,354
Unrealized gain (loss) on investments	-	(407,833)	-	(407,833)	(13,166)	(420,999)
Realized gain on investments	-	325,494	-	325,494	17,154	342,648
	-	38,256	-	38,256	13,747	52,003
Change in Net Assets Before Other Changes	(175,307)	38,256	(850,620)	(987,671)	(107,993)	(1,095,664)
Other Changes in Net Assets						
Centennial campaign contributions	-	32,195	-	32,195	-	32,195
Transfer from board-designated fund to support operations	1,440,000	(1,440,000)	-	-	-	-
Transfer to board-designated fund	(20,000)	20,000	-	-	-	-
Centennial pledges released from restriction	-	221,160	-	221,160	(221,160)	-
Capital acquisitions	(1,011,789)	-	1,011,789	-	-	-
Principal payments on loan	(8,148)	-	8,148	-	-	-
Change in Net Assets	224,756	(1,128,389)	169,317	(734,316)	(329,153)	(1,063,469)
Net Assets, Beginning of Year	679,446	6,267,479	17,249,859	24,196,784	1,349,740	25,546,524
Net Assets, End of Year	\$ 904,202	\$ 5,139,090	\$ 17,419,176	\$ 23,462,468	\$ 1,020,587	\$ 24,483,055

Kips Bay Boys and Girls Club, Inc.
Statements of Activities (Continued)
Years Ended September 30, 2019 and 2018

	2018					
	Without Donor Restrictions			Total	With Donor Restrictions	Total
	Undesignated	Board Designated	Plant Fund			
Operating Revenues and Other Support						
Contributions						
Corporate support	\$ 30,032	\$ -	\$ -	\$ 30,032	\$ 10,360	\$ 40,392
Foundations	486,086	-	-	486,086	690,000	1,176,086
Individuals	193,312	-	-	193,312	133,823	327,135
Special events	2,964,949	-	-	2,964,949	-	2,964,949
Direct costs of special events	(555,761)	-	-	(555,761)	-	(555,761)
Government support	4,685,238	-	-	4,685,238	-	4,685,238
Camp fees and other activities						-
Camp fees and other support	459,048	-	-	459,048	-	459,048
Camp contributions	16,925	-	-	16,925	-	16,925
Membership dues	-	-	-	-	-	-
Rental income	78,725	-	-	78,725	-	78,725
Miscellaneous	19,625	-	-	19,625	-	19,625
Net assets released from restrictions	799,057	-	-	799,057	(799,057)	-
	<u>9,177,236</u>	<u>-</u>	<u>-</u>	<u>9,177,236</u>	<u>35,126</u>	<u>9,212,362</u>
Total operating revenues and other support						
Operating Expenses						
Program services						
Social recreation	455,840	-	216,411	672,251	-	672,251
Cultural arts	145,608	-	21,960	167,568	-	167,568
Educational and club services	5,659,175	-	304,672	5,963,847	-	5,963,847
Camp	271,297	-	8,121	279,418	-	279,418
Fitness and health	549,288	-	212,972	762,260	-	762,260
Senior center	419,071	-	208	419,279	-	419,279
	<u>7,500,279</u>	<u>-</u>	<u>764,344</u>	<u>8,264,623</u>	<u>-</u>	<u>8,264,623</u>
Total program services						
Supporting services						
Administration	1,168,210	-	17,608	1,185,818	-	1,185,818
Fundraising	1,357,207	-	21,562	1,378,769	-	1,378,769
	<u>2,525,417</u>	<u>-</u>	<u>39,170</u>	<u>2,564,587</u>	<u>-</u>	<u>2,564,587</u>
Total supporting services						
Total operating expenses	<u>10,025,696</u>	<u>-</u>	<u>803,514</u>	<u>10,829,210</u>	<u>-</u>	<u>10,829,210</u>
Change in Net Assets from Operations	<u>(848,460)</u>	<u>-</u>	<u>(803,514)</u>	<u>(1,651,974)</u>	<u>35,126</u>	<u>(1,616,848)</u>

Kips Bay Boys and Girls Club, Inc.
Statements of Activities (Continued)
Years Ended September 30, 2019 and 2018

	2018					
	Without Donor Restrictions			Total	With Donor Restrictions	Total
	Undesignated	Board Designated	Plant Fund			
Investment Income						
Interest and dividends, net	\$ -	\$ 139,234	\$ -	\$ 139,234	\$ 9,961	\$ 149,195
Unrealized gain (loss) on investments	-	(403,778)	-	(403,778)	(9,307)	(413,085)
Realized gain on investments	-	724,168	-	724,168	21,893	746,061
Total investment income	-	459,624	-	459,624	22,547	482,171
Change in Net Assets Before Other Changes	(848,460)	459,624	(803,514)	(1,192,350)	57,673	(1,134,677)
Other Changes in Net Assets						
Centennial campaign contributions	-	10,867	-	10,867	122,217	133,084
Transfer from board-designated fund to support operations	2,274,000	(2,274,000)	-	-	-	-
Transfer to board-designated fund	(695,000)	695,000	-	-	-	-
Centennial pledges released from restriction	-	334,560	-	334,560	(334,560)	-
Capital acquisitions	(166,199)	(655,000)	821,199	-	-	-
Principal payments on loan	(7,521)	-	7,521	-	-	-
Change in Net Assets	556,820	(1,428,949)	25,206	(846,923)	(154,670)	(1,001,593)
Net Assets, Beginning of Year	122,626	7,696,428	17,224,653	25,043,707	1,504,410	26,548,117
Net Assets, End of Year	\$ 679,446	\$ 6,267,479	\$ 17,249,859	\$ 24,196,784	\$ 1,349,740	\$ 25,546,524

Kips Bay Boys and Girls Club, Inc.

Statements of Functional Expenses

Years Ended September 30, 2019 and 2018

	2019											
	Program Services						Supporting Services					
	Social Recreation	Cultural Arts	Educational and Club Services	Camp	Fitness and Health	Senior Center	Total	Administration	Fundraising	Direct Costs of Special Events	Total	Total Expenses
Salaries	\$ 353,144	\$ 106,268	\$ 3,129,190	\$ 174,769	\$ 595,956	\$ 216,889	\$ 4,576,216	\$ 869,567	\$ 717,527	\$ -	\$ 1,587,094	\$ 6,163,310
Payroll taxes	20,159	9,560	340,580	13,258	36,223	19,514	439,294	40,848	63,701	-	104,549	543,843
Employee benefits	28,152	2,376	249,285	-	12,096	40,794	332,703	140,365	129,267	-	269,632	602,335
Total salaries and related expenses	401,455	118,204	3,719,055	188,027	644,275	277,197	5,348,213	1,050,780	910,495	-	1,961,275	7,309,488
Professional fees	592	13,282	157,041	3,100	832	21,735	196,582	62,874	191,894	-	254,768	451,350
Supplies	2,448	35,583	170,367	34,428	25,804	47,064	315,694	6,666	17,843	47,794	72,303	387,997
Conferences, meetings and dues	-	103	57,791	3,750	-	-	61,644	2,247	10,270	-	12,517	74,161
Food	1,220	6,089	515,099	2,666	2,240	94,542	621,856	3,277	28,314	106,254	137,845	759,701
Staff training	-	-	2,274	4,125	-	-	6,399	-	485	-	485	6,884
Postage	-	-	3,247	-	-	-	3,247	541	13,991	-	14,532	17,779
Printing and publications	-	921	42,869	-	-	248	44,038	2,056	74,983	108,153	185,192	229,230
Entertainment	-	-	-	-	-	-	-	-	-	44,444	44,444	44,444
Camp expenses	-	-	-	49,659	-	-	49,659	-	-	-	-	49,659
Scholarships	-	-	66,300	-	-	-	66,300	-	-	-	-	66,300
Registration fees	-	75	8,274	1,115	11,845	25	21,334	247	2,281	-	2,528	23,862
Transportation	1,489	10,455	206,362	61,037	2,014	1,155	282,512	368	71,410	-	71,778	354,290
Telephone	1,734	985	30,125	1,033	2,322	693	36,892	1,177	9,037	-	10,214	47,106
Occupancy	25,325	5,531	220,716	10,032	11,804	458	273,866	14,380	80,742	460,878	556,000	829,866
Repairs and maintenance	852	15,724	138,998	15,179	12,804	11,115	194,672	9,398	27,968	-	37,366	232,038
Credit card and other fees	980	1,122	27,496	2,897	3,370	2,173	38,038	7,467	50,442	-	57,909	95,947
Insurance	21,371	4,527	239,639	6,873	12,449	12,884	297,743	16,232	21,522	-	39,754	335,497
Depreciation	216,411	21,960	304,672	8,121	260,078	208	811,450	17,608	21,562	-	39,170	850,620
Bad debt expense	-	-	-	-	-	-	-	-	45,000	-	45,000	45,000
Miscellaneous	-	-	10,735	2,396	-	69	13,200	-	-	-	-	13,200
Total expenses	673,877	234,561	5,921,060	394,438	989,837	469,566	8,683,339	1,195,318	1,578,239	767,523	3,541,080	12,224,419
Less expenses deducted directly from revenues	-	-	-	-	-	-	-	-	-	-	-	-
Direct costs of special events	-	-	-	-	-	-	-	-	-	(767,523)	(767,523)	(767,523)
Total expenses reported by function on the statements of activities	<u>\$ 673,877</u>	<u>\$ 234,561</u>	<u>\$ 5,921,060</u>	<u>\$ 394,438</u>	<u>\$ 989,837</u>	<u>\$ 469,566</u>	<u>\$ 8,683,339</u>	<u>\$ 1,195,318</u>	<u>\$ 1,578,239</u>	<u>\$ -</u>	<u>\$ 2,773,557</u>	<u>\$ 11,456,896</u>

Kips Bay Boys and Girls Club, Inc.
Statements of Functional Expenses (Continued)
Years Ended September 30, 2019 and 2018

	2018											
	Program Services						Supporting Services					Total Expenses
	Social Recreation	Cultural Arts	Educational and Club Services	Camp	Fitness and Health	Senior Center	Total	Administration	Fundraising	Direct Costs of Special Events	Total	
Salaries	\$ 376,783	\$ 63,897	\$ 3,189,359	\$ 93,339	\$ 430,781	\$ 187,289	\$ 4,341,448	\$ 821,080	\$ 651,400	\$ -	\$ 1,472,480	\$ 5,813,928
Payroll taxes	20,717	6,604	329,335	10,663	40,834	17,845	425,998	41,305	64,723	-	106,028	532,026
Employee benefits	18,599	4,357	288,162	864	11,392	37,605	360,979	158,286	65,835	-	224,121	585,100
Total salaries and related expenses	416,099	74,858	3,806,856	104,866	483,007	242,739	5,128,425	1,020,671	781,958	-	1,802,629	6,931,054
Professional fees	1,500	3,753	217,164	300	-	21,605	244,322	82,297	171,129	-	253,426	497,748
Supplies	453	23,312	140,931	26,167	18,003	37,764	246,630	7,403	24,579	38,014	69,996	316,626
Conferences, meetings and dues	2,652	1,768	34,909	5,110	2,652	884	47,975	2,676	10,501	-	13,177	61,152
Food	-	5,504	503,928	4,970	1,076	89,912	605,390	2,218	15,174	18,071	35,463	640,853
Staff training	-	-	7,758	5,372	-	-	13,130	-	-	-	-	13,130
Postage	-	36	5,198	-	-	-	5,234	326	11,157	-	11,483	16,717
Printing and publications	-	160	29,860	-	-	660	30,680	1,684	108,719	91,689	202,092	232,772
Entertainment	-	-	-	-	-	-	-	-	-	12,599	12,599	12,599
Camp expenses	-	-	-	28,291	-	-	28,291	-	-	-	-	28,291
Scholarships	-	-	62,950	-	-	-	62,950	-	-	-	-	62,950
Registration fees	87	162	12,085	372	4,548	6	17,260	6	537	-	543	17,803
Transportation	-	8,572	163,438	45,272	6,309	80	223,671	751	54,893	-	55,644	279,315
Telephone	2,773	2,137	47,795	3,323	4,653	1,350	62,031	2,294	12,285	-	14,579	76,610
Occupancy	14,014	6,121	181,357	15,877	10,035	260	227,664	12,824	49,152	395,388	457,364	685,028
Security	-	-	-	-	-	-	-	-	26,828	-	26,828	26,828
Repairs and maintenance	1,606	11,165	154,774	12,936	6,218	5,065	191,764	10,198	29,736	-	39,934	231,698
Credit card and other fees	1,137	945	26,878	2,524	3,602	1,887	36,973	9,122	39,325	-	48,447	85,420
Insurance	15,519	7,115	247,274	15,518	8,685	16,634	310,745	15,740	20,484	-	36,224	346,969
Depreciation	216,411	21,960	304,672	8,121	212,972	208	764,344	17,608	21,562	-	39,170	803,514
Miscellaneous	-	-	16,020	399	500	225	17,144	-	750	-	750	17,894
Total expenses	672,251	167,568	5,963,847	279,418	762,260	419,279	8,264,623	1,185,818	1,378,769	555,761	3,120,348	11,384,971
Less expenses deducted directly from revenues												
Direct costs of special events	-	-	-	-	-	-	-	-	-	(555,761)	(555,761)	(555,761)
Total expenses reported by function on the statements of activities	\$ 672,251	\$ 167,568	\$ 5,963,847	\$ 279,418	\$ 762,260	\$ 419,279	\$ 8,264,623	\$ 1,185,818	\$ 1,378,769	\$ -	\$ 2,564,587	\$ 10,829,210

Kips Bay Boys and Girls Club, Inc.
Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ (1,063,469)	\$ (1,001,593)
Items not requiring (providing) operating cash flows		
Net realized and unrealized (gains) losses on investments	78,351	(332,976)
Depreciation	850,620	803,514
Changes in		
Grants receivable	208,672	(666,438)
Contributions receivable	349,051	296,213
Other receivables	140,974	(162,549)
Prepaid expenses and other assets	(3,304)	49,215
Accounts payable and accrued expenses	210,682	170,399
Due to New York State	-	(397,158)
Refundable advances	22,060	(8,936)
Deferred revenue	(86,997)	128,841
Net cash provided by (used in) operating activities	706,640	(1,121,468)
Investing Activities		
Purchase of investments	(3,686,036)	(2,017,679)
Proceeds from sales of investments	3,819,171	3,819,171
Property and equipment acquisitions	(1,011,789)	(821,199)
Net cash (used in) provided by investing activities	(878,654)	980,293
Financing Activities		
Proceeds from line of credit	280,000	-
Repayments on line of credit	(120,000)	-
Principal payments on loan	(8,148)	(7,521)
Net cash provided by (used in) financing activities	151,852	(7,521)
Net Increase (Decrease) in Cash	(20,162)	(148,696)
Cash, Beginning of Year	44,844	193,540
Cash, End of Year	\$ 24,682	\$ 44,844
Supplemental Cash Flows Information		
Cash paid during the year for interest	\$ 1,205	\$ -

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Kips Bay Boys and Girls Club, Inc. (the Club) was established for the purpose of providing youth services. These services include social and cultural activities, educational and personal services, fitness, and health and camp activities. In addition to youth services, the Club also runs a program servicing senior citizens. The Club is supported primarily through contributions, government grants, special events, and investment income.

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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

While at September 30, 2019, the Club's cash accounts did not exceed federally insured limits, at various times during the years the balances did exceed federally insured limits.

Investments and Net Investment Return

Investments are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Investment return is reflected in the statements of activities as with and without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date. There were no transfers between levels during the years ended September 30, 2019 and 2018.

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Grants Receivable

Government grants receivable are recorded when services are rendered and the Club has a contract for services. Interest is not charged or accrued on outstanding receivables.

Grants receivable and contribution receivable financial statement captions on face of statements both include “, net”; however, this FN indicates there is no allowance. If no allowance, no need to include “, net” on face.

Allowance for Doubtful Accounts

Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year-end. The Club has determined that no allowance for uncollectible accounts for receivables is necessary as of September 30, 2019 and 2018. Such estimate is based on management’s assessments of the creditworthiness of its funders, the aged basis of its receivables, as well as current economic conditions and historical information.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	10-20 years
Clubhouse buildings	50 years
Clubhouse buildings improvements	3-10 years
Swimming pool	30-50 years
Equipment	5-10 years
Automobiles	4 years
Furniture and fixtures	5-10 years
Computers	3-5 years

Long-Lived Asset Impairment

The Club evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended September 30, 2019 and 2018.

Refundable Advances

Advance payments from government agencies that have not yet been earned are recorded as liabilities until earned.

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Deferred Revenue

Rental payments and event income received in advance for future periods that are not yet earned by the Club are deferred until earned.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Club either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Club overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Special Events

The Club conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenue in the accompanying statements of activities.

Government Support

Expense-based grants are recognized as allowable expenses are incurred. Performance-based grants are recognized as milestones are achieved. Such revenues are subject to audit by the granting agencies. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments.

Rental Income

Rental income is largely for the use of the Club's facilities by other not-for-profit agencies, or for the use of facilities at the Club's New York City Housing Authority (NYCHA) site by NYCHA residents. Rentals are short-term operating leases, generally for a period of one year or less. Revenues are recognized as rentals become due. Deferred rental income is recorded when material.

Sales Tax

Sales tax from sales at special events are collected and remitted to the appropriate taxing authority.

Measure of Operations

The Club includes in its definition of measure of operations (performance indicator) all revenues and expenses associated with youth and senior services.

Income Taxes

The Club is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Club is subject to federal income tax on any unrelated business taxable income. The Club files tax returns in the U.S. federal jurisdiction.

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, administration and development categories based on square footage, estimates of time and effort and other methods.

Revisions

Certain immaterial revisions have been made to the 2018 financial statements to correct errors within classification of investments in *Note 2* below. Amounts reported in the prior year as Level 3 investments have been revised to be reported as investments measured at net asset value (NAV).

Note 2: Fair Value Measurements and Disclosures

Fair Value Measurements

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Kips Bay Boys and Girls Club, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019, and 2018:

	2019				
	Total	Fair Value Measurements Using			Investments Measured at NAV (A)
Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Common stock					
Small cap	\$ 204,666	\$ 204,666	\$ -	\$ -	\$ -
Mid cap	371,391	371,391	-	-	-
Large cap	2,167,890	2,167,890	-	-	-
Emerging markets	303,622	303,622	-	-	-
International equity	2,068,878	2,068,878	-	-	-
Total common stock	<u>5,116,447</u>	<u>5,116,447</u>	<u>-</u>	<u>-</u>	<u>-</u>
Exchange traded funds					
Real estate investment trusts	298,489	298,489	-	-	-
Fixed income mutual funds					
Government agency funds	598,199	598,199	-	-	-
Corporate bond funds	1,241,044	1,241,044	-	-	-
Total fixed income	<u>1,839,243</u>	<u>1,839,243</u>	<u>-</u>	<u>-</u>	<u>-</u>
Mutual funds					
Commodities	211,083	211,083	-	-	-
Total investments reported on the fair value hierarchy	7,465,262	<u>\$ 7,465,262</u>	<u>\$ -</u>	<u>\$ -</u>	116,681
Limited partnerships	116,681				<u>\$ 116,681</u>
Cash and equivalents	<u>63,750</u>				
Total investments	<u>\$ 7,645,693</u>				

Kips Bay Boys and Girls Club, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

	2018				
	Total	Fair Value Measurements Using			Investments Measured at NAV (A)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common stock					
Small cap	\$ 166,591	\$ 166,591	\$ -	\$ -	\$ -
Mid cap	288,292	288,292	-	-	-
Large cap	1,656,948	1,656,948	-	-	-
Emerging markets	460,953	460,953	-	-	-
International equity	1,602,886	1,602,886	-	-	-
Total common stock	<u>4,175,670</u>	<u>4,175,670</u>	<u>-</u>	<u>-</u>	<u>-</u>
Exchange traded funds					
Real estate investment trusts	516,624	516,624	-	-	-
Fixed income mutual funds					
Government agency funds	1,452,352	1,452,352	-	-	-
Corporate bond funds	739,605	739,605	-	-	-
Total fixed income	<u>2,191,957</u>	<u>2,191,957</u>	<u>-</u>	<u>-</u>	<u>-</u>
Mutual funds					
Commodities	379,196	379,196	-	-	-
Total investments reported on the fair value hierarchy	7,263,447	<u>\$ 7,263,447</u>	<u>\$ -</u>	<u>\$ -</u>	235,669
Limited partnerships	235,669				<u>\$ 235,669</u>
Cash and equivalents	<u>358,063</u>				
Total investments	<u>\$ 7,857,179</u>				

(A) The investment measured at fair value using NAV per share practical expedient have not been classified in the fair value hierarchy. The totals included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following is a description of the valuation methodology and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended September 30, 2019 and 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Kips Bay Boys and Girls Club, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

At September 30, 2019 and 2018, the Club did not have any securities classified as Level 2 or Level 3 investments of the valuation hierarchy.

Alternative Investments

For the September 30, 2019 and 2018 financial statements, the investment in limited partnerships has been separately presented as investments measured at NAV and included in the totals above to permit reconciliation to the statements of financial position.

The following table presents the Clubs investment in a limited partnership measured at fair value using NAV per share as a practical expedient as of September 30, 2019 and 2018:

		2019	2018	Unfunded	Redemption	Redemption
	Notes	Fair Value	Fair Value	Commitments	Frequency	Notice Period
Limited Partnership	(1)	\$ 116,681	\$ 235,669	\$ 11,300	N/A	N/A

The Limited Partnership does not have a specific redemption provision. Capital is returned to investors when companies are exiting either through a sale or IPO. The Limited Partnership invests in a portfolio of private equity funds that focus on clean technologies, primarily comprised of domestic venture capital funds. There are currently unfunded commitments of \$11,300.

Note 3: Contributions Receivable

Contributions receivable consisted of the following as of September 30, 2019 and 2018.

	2019	2018
	With Donor Restrictions	With Donor Restrictions
Less than one year	\$ 141,442	\$ 328,579
One to five years	43,913	211,740
	185,355	540,319
Less discount to present value	(3,052)	(8,965)
	<u>\$ 182,303</u>	<u>\$ 531,354</u>

A discount rate of 3 percent was used for 2019 and 2018.

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Note 4: Property and Equipment

	2019		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 47,241	\$ -	\$ 47,241
Land improvements	766,416	765,177	1,239
Clubhouse buildings	23,031,535	8,144,431	14,887,104
Clubhouse building improvements	2,051,411	911,829	1,139,582
Swimming pool	941,089	749,349	191,740
Equipment	1,742,328	1,389,993	352,335
Automobiles	333,801	273,535	60,266
Furniture and fixtures	529,218	503,523	25,695
Computers	510,579	435,647	74,932
Construction in progress	654,710	-	654,710
	\$ 30,608,328	\$ 13,173,484	\$ 17,434,844
	2018		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 47,241	\$ -	\$ 47,241
Land improvements	766,416	751,355	15,061
Clubhouse buildings	23,020,240	7,571,521	15,448,719
Clubhouse building improvements	1,175,435	823,381	352,054
Swimming pool	941,539	730,382	211,157
Equipment	1,697,268	1,306,777	390,491
Automobiles	331,333	234,317	97,016
Furniture and fixtures	512,672	500,400	12,272
Computers	456,485	404,731	51,754
Construction in progress	647,910	-	647,910
	\$ 29,596,539	\$ 12,322,864	\$ 17,273,675

Included in property and equipment is the Coudert Clubhouse building in the West Bronx. The construction of this clubhouse was financed in part with grants from NYCHA and the New York City Council (the Council). In accordance with the terms of the Declaration of Restrictive Covenants in the Regulatory and Operating Agreement, the Club is committed to operate the site as a youth center for thirty years from July 30, 2010 (the Commencement Date), which was the date of issuance of a permanent certificate of occupancy from the Office of the Building Department of the City of New York. Failure to comply with the covenants and conditions of that certain Declaration of Restrictive Covenants is an Event of Default, and NYCHA will have the right to foreclose on the property.

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Note 5: Loan Payable

In 2017, the Club financed the purchase of a new vehicle through Toyota Financial Services. The initial loan was \$37,605, and the loan matures on November 8, 2021. The loan is secured by the vehicle and is non-interest-bearing.

Aggregate annual maturities of loans payable are as follows:

2020	\$	7,521
2021		7,521
2022		<u>626</u>
	\$	<u>15,668</u>

Note 6: Line of Credit

On July 1, 2019, the Club established a \$1,000,000 line of credit, collateralized by all assets of the Club, with the Northern Trust Company at an interest rate equal to the Overnight LIBOR-Based Rate, which shall be equal to the greater of (A) two and twenty five hundredths percent (2.250 percent) or (B) the sum of Overnight LIBOR plus the Rate Margin. At September 30, 2019, the interest was 4.07 percent. The line of credit was initially set to mature on June 25, 2020, but the maturity date was later extended to June 30, 2021. As of September 30, 2019, \$160,000 was outstanding.

Note 7: Board-Designated Fund

The Board of Trustees has designated certain net assets without donor restrictions for long-term investment for support of operations, capital acquisitions, and scholarships. The Club is authorized to transfer principal amounts of the designated funds to current operations on the basis of management's evaluation of operating needs. As of September 30, 2019 and 2018, the total designated funds were \$5,139,090 and \$6,267,479, respectively.

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Changes in Board-Designated Net Assets for the Year Ended September 30:

	<u>2019</u>	<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>Without Donor Restrictions</u>
	<u>Board- Designated</u>	<u>Board- Designated</u>
Board-designated endowment net assets, beginning of year	\$ 6,267,479	\$ 7,696,428
Investment return, net	38,256	459,624
Contributions	32,195	10,867
Transfer to board-designated fund	20,000	695,000
Transfer from board-designated fund	(1,440,000)	(2,274,000)
Capital acquisitions	-	(655,000)
Centennial pledges released from restriction	221,160	334,560
	<u>221,160</u>	<u>334,560</u>
Board-designated endowment net assets, end of year	<u>\$ 5,139,090</u>	<u>\$ 6,267,479</u>

Note 8: Net Assets

Net Assets Without Donor Restrictions

At September 30, 2019 and 2018, all net assets without donor restrictions that are not board designated or designated for the plant fund, are available to be used for operations.

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Net Assets with Donor Restrictions

At September 30, 2019 and 2018, net assets with donor restrictions were restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose		
Scholarships	\$ 182,776	\$ 228,028
Coudert Clubhouse	120,000	-
Educational and club services (program)	61,992	111,240
Cultural Arts	2,000	2,000
	366,768	341,268
Subject to the passage of time	173,454	531,354
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Scholarships (Mangini Fund)	480,365	477,118
	\$ 1,020,587	\$ 1,349,740

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2019	2018
Expiration of time restrictions	\$ 221,160	\$ 334,560
Satisfaction of purpose restrictions		
Coudert Clubhouse	275,000	455,000
Cultural arts program	4,000	10,000
Day for Kids program	7,065	18,997
Immigrant Outreach	-	150,000
Educational and club services (program)	399,500	85,860
Scholarships	64,000	61,700
	970,725	1,116,117
Restricted purpose spending-rate distributions and appropriations		
Scholarships (Mangini Fund)	10,500	17,500
	\$ 981,225	\$ 1,133,617

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Note 9: Endowment Funds

The Club's governing body is subject to the *State of New York Prudent Management of Institutional Funds Act* (NYPMIFA). As a result, the Club classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with NYPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Club and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Club
7. Investment policies of the Club

The Club's endowment consists of one individual donor-restricted and three board-designated endowment funds established to support activities of the Club. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at September 30, 2019 and 2018 were:

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,139,090	\$ -	\$ 5,139,090	\$ 6,267,479	\$ -	\$ 6,267,479
Donor-restricted endowment funds						
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	400,000	400,000	-	400,000	400,000
Accumulated investment gains	-	80,365	80,365	-	77,118	77,118
Total endowment funds	\$ 5,139,090	\$ 480,365	\$ 5,619,455	\$ 6,267,479	\$ 477,118	\$ 6,744,597

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Change in endowment net assets for the years ended September 30, 2019 and 2018 were:

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,267,479	\$ 477,118	\$ 6,744,597	\$ 7,696,428	\$ 472,071	\$ 8,168,499
Contributions	32,195	-	32,195	10,867	-	10,867
Transfer to board-designated fund	20,000	-	20,000	695,000	-	695,000
Transfer from board-designated fund	(1,440,000)	-	(1,440,000)	(2,274,000)	-	(2,274,000)
Pledges released from restrictions	221,160	-	221,160	334,560	-	334,560
Appropriations for expenditure	-	(10,500)	(10,500)	(655,000)	(17,500)	(672,500)
Investment return, net	38,256	13,747	52,003	459,624	22,547	482,171
Endowment net assets, end of year	\$ 5,139,090	\$ 480,365	\$ 5,619,455	\$ 6,267,479	\$ 477,118	\$ 6,744,597

Return Objectives and Investment and Spending Policies

The objective of the Club is to maintain the principal of restricted endowment funds at the original amount designated by the donor, while earning income in order to provide scholarships for eligible recipients, and to enhance the amount of board-designated endowment funds consistent with each fund's individual drawdown policies. The investment policy to achieve this objective is to employ investment practices that emphasize long-term investment fundamentals that achieve annual total returns commensurate with established market benchmarks and limit risk of loss to that of commonly used indices, while seeking to grow principal values to outpace inflation and to generate annual income to enhance total return. To help mitigate performance volatility, the club employs the principles of asset allocation and sector diversification.

All income earned on donor endowments above the corpus is restricted and is subject to the Board's spending policies and annual appropriations. Drawdowns from the income associated with the restricted account is calculated based on the account balance as of April 1 (restricted to scholarships for the fiscal year following the calculation date). Fifty percent of the balance above the corpus is allocated for available spending, provided that the restricted corpus is not invaded. These funds are then isolated into money market or cash equivalents for August and December transfers to the Club's operating funds to help fund scholarships. Drawdowns from the board-designated endowments are calculated to balance the Club's revenues versus expenses forecast six months ahead. Board-designated scholarship endowment drawdowns are based on account balances at April 1 for the next fiscal year, and 20 percent of the account balance is isolated and transferred in the same manner as the restricted endowments. The Club's approved spending policy of appropriating for expenditures for 2019 and 2018 was approximately 2 percent and 4 percent, respectively, of its endowment fund's average fair value over the prior four quarters through the year-end proceeding the year in which the expenditure is planned.

Underwater Endowments

The governing body of the Club has interpreted NYPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Club considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund, and

Kips Bay Boys and Girls Club, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Club has interpreted NYPMIFA to permit not spending from underwater funds in accordance with the prudent measures required under the law.

At September 30, 2019 and 2018, the Club has no underwater funds.

Note 10: Special Events

	Gross Proceeds	Direct Costs*	Indirect Costs	2019 Net Proceeds	2018 Net Proceeds
NYC Showhouse					
Shop	\$ 109,399	\$ 4,164	\$ 47,292	\$ 57,943	\$ 89,260
Journal	120,103	65,393	12,506	42,204	62,758
Opening Night	227,773	76,329	36,132	115,312	47,313
President's preview	1,004,735	267,844	99,684	637,207	580,844
Pre-renovation	41,390	16,240	3,447	21,703	22,428
Daily admission	972,217	12,337	151,832	808,048	773,231
	<u>2,475,617</u>	<u>442,307</u>	<u>350,893</u>	<u>1,682,417</u>	<u>1,575,834</u>
Palm Beach Showhouse					
Shop	-	-	956	(956)	25,136
Journal	36,300	42,760	1,417	(7,877)	(2,088)
Opening Night	159,325	45,666	19,652	94,007	(10,230)
Pre-renovation	-	13,259	2,340	-	-
Daily admission	550,315	44,352	236,443	269,520	149,383
	<u>745,940</u>	<u>146,037</u>	<u>260,808</u>	<u>354,694</u>	<u>162,201</u>
Summer Golf Tournament	123,720	60,524	6,534	-	-
Fall Golf Tournament	-	64,890	8,642	-	-
Theatre Benefit	50,940	-	33	-	-
Boathouse	1,325	24,084	1,297	(24,056)	12,475
Yankees event	129,170	26,450	5,815	96,905	82,519
Taste of Design	23,730	3,231	1,577	18,922	25,149
	<u>\$ 3,550,442</u>	<u>\$ 767,523</u>	<u>\$ 635,599</u>	<u>\$ 2,128,882</u>	<u>\$ 1,858,178</u>

* Direct costs are limited to expenses that provide benefits to contributors.

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Note 11: Noncancelable Leases and Related-Party Transaction

During 2018, the Club signed a new noncancelable office lease with a board member for \$400 per month, which expires on June 30, 2023. Total rent expense for the years ended September 30, 2019 and 2018 was \$5,200, and \$4,350, respectively. As of September 30, 2019, total future minimum lease payments are as follows:

2020	\$	4,800
2021		4,800
2022		4,800
2023		<u>3,600</u>
	\$	<u>18,000</u>

Note 12: Pension Plan

The Club participates in the Pension Trust of the Boys and Girls Club of America Pension Plan, which is a defined contribution plan. Effective January 1, 2018, the Plan requires a contribution by the Club equal to 6 percent of the previous quarter's gross salaries of covered employees, with a maximum contribution of \$16,000 per participant. For periods prior to January 1, 2018, the 6 percent was calculated based upon the prior year's gross salaries of covered employees. Pension expense recognized by the Club was \$125,708 and \$218,723 for the years ended September 30, 2019 and 2018, respectively.

Note 13: Contingencies and Commitments

The Club receives fees and grants from various state and city government agencies for services performed under contracts. Such contracts are subject to governmental compliance audits from the granting agencies, as well as the New York State Office of the Attorney General, the Internal Revenue Service and the New York State Department of Charities Registration, and may, from time-to-time, result in adjustments to fees and grants received. In the opinion of the Club, the disposition of all such matters should not have a material effect on the Club's financial position or change in net assets.

The Club has entered into a subscription agreement to invest in a limited partnership called Cleantech Ventures, LP. In the event of nonpayment, the Club will be subject to penalties in the form of a reduction in its partnership interest or payment of interest. As of both September 30, 2019 and 2018, the Club had a total outstanding commitment of \$11,300 due to the limited partnership.

Note 14: Significant Estimates and Concentrations

GAAP require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Revenues and Receivables

A significant portion of revenues are paid to the Club by New York City (NYC) agencies. Therefore, the Club is highly dependent on the NYC reimbursement systems.

Receivables due from NYC agencies represent approximately 88 percent of outstanding grants receivable at September 30, 2019 and 2018.

In 2019 and 2018, the Club obtained approximately 22 percent and 23 percent, respectively, of its operating revenues through grants paid by the New York City Department of Youth and Community Development.

In 2019 and 2018, approximately 79 percent and 82 percent, respectively, of gross proceeds from special events were generated by the New York City Showhouse and related events.

Investments

The Club invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

Note 15: Centennial Campaign

One hundred years ago, Kips Bay Boys and Girls Club, Inc. was founded to meet the needs of children seeking refuge in a positive and caring environment. Since then, the Club has focused ceaselessly on the same goal – to provide a safe place where children could learn, grow, play, and develop into happy, successful, productive teens and adults.

As the Club enters its second century, it has launched the Great Futures: The Next 100 Years campaign. The Board of Trustees has designated that this \$10,000,000 effort will provide \$1,500,000 to expand the scope of educational offerings and \$1,500,000 to update the facilities. The remaining amount will provide critical funding for cash reserves. This campaign will ensure that future generations have opportunities to learn, play, grow and receive the guidance needed to become leaders and good citizens of the world.

As of September 30, 2019, the campaign had raised approximately \$8,600,000 of which approximately \$5,300,000 was composed of verbal and estate pledges. Verbal and estate pledges have not been recognized in these financial statements.

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Note 16: Fiscal Conduit

The Club was a fiscal conduit for an organization that is not a registered Not-For-Profit during 2019. The Club has no authority to disburse funds without the authorization of the organizations whose funds are held. As the conduit, the Club received funds during the year ended September 30, 2019 as follows:

Funds held, beginning of year	\$	-
Funds received		<u>71,000</u>
Funds held, end of year	\$	<u><u>71,000</u></u>

Conduit funds are held in cash as of September 30, 2019 and, therefore, no interest income was earned on these funds.

Note 17: Liquidity and Availability

The Club's financial assets available within one year of the balance sheet date for general expenditures as of September 30, 2019 and 2018 are:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end		
Cash	\$ 24,682	\$ 44,844
Investments	7,645,693	7,857,179
Grants receivable	974,148	1,182,820
Contributions receivable	182,303	531,354
Other receivables	<u>227,023</u>	<u>367,997</u>
Total	9,053,849	9,984,194
Net assets with donor restrictions	(1,020,587)	(1,349,740)
Board-designated funds	<u>(5,139,090)</u>	<u>(6,267,479)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,894,172</u></u>	<u><u>\$ 2,366,975</u></u>

The Club manages its 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. The Club has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days' operating expenses. The Club has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 30 to 45 days of expected expenditures. To achieve these targets, the Club forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually.

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

Note 18: Subsequent Events

Subsequent events have been evaluated through December 9, 2020, which is the date the financial statements were available to be issued.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On May 3, 2020, the Club received a loan in the amount of \$1,235,000 pursuant to the Paycheck Protection Program. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. A portion of the loan may be forgiven; however, as of the date of this report any amount of forgiveness is unable to be determined.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, changes in net assets and cash flows of the Club. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 19: Change in Accounting Principle

In 2019, the Club adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statements of Financial Position

- The statements of financial position distinguish between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Statements of Activities and Functional Expenses

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.
- Expenses are reported by both nature and function in one location.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statements of financial position.

This change had no impact on previously reported total change in net assets.

Kips Bay Boys and Girls Club, Inc.
Notes to Financial Statements
September 30, 2019 and 2018

Note 20: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2019, for nonpublic entities. The Club is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Club is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Kips Bay Boys and Girls Club, Inc.

Notes to Financial Statements

September 30, 2019 and 2018

FASB Releases Not-for-Profit Accounting Standard for Grants and Contributions

ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. For non-public entities, the standard will be effective for reporting periods beginning on or after December 15, 2018.