Boys & Girls Clubs of Metro Richmond

Combined Financial Statements

June 30, 2023 and 2022

Keiter
Your Opportunity Advisors

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BOYS & GIRLS CLUBS OF METRO RICHMOND

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Your Opportunity Advisors

INDEPENDENT AUDITOR'S REPORT

To the Boards of Directors
Boys & Girls Clubs of Metro Richmond
Richmond, Virginia

Opinion

We have audited the accompanying combined financial statements of Boys & Girls Clubs of Metro Richmond, Boys & Girls Clubs of Metro Richmond Foundation, and BGCMR QALICB (collectively, the "Organization"), which comprise the combined statements of financial position as of June 30, 2023 and 2022, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Keiter

November 15, 2023
Glen Allen, Virginia

BOYS & GIRLS CLUBS OF METRO RICHMOND

Combined Statements of Financial Position
June 30, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash	$ 2,484,663	$ 3,057,833
Cash held under agency agreement	14,611	128,362
Restricted cash	366,660	556,850
Grants receivable, net	519,280	341,685
Pledges receivable - current	30,338	88,490
Beneficial interest in charitable lead trust - current	30,000	30,000
Other assets	79,900	121,153
Total current assets	3,525,452	4,324,373
Pledges receivable - noncurrent, net	-	2,902
Note receivable	4,168,000	4,168,000
Beneficial interest in charitable lead trust - noncurrent	235,092	264,929
Beneficial interest in assets held by the Community Foundation for a Greater Richmond	1,392,230	1,389,545
Property and equipment, net	7,116,845	7,222,514
Operating lease right-of-use asset, net	795,931	-
Finance lease right-of-use assets, net	35,258	-
Total assets	$ 17,268,808	$ 17,372,263

See accompanying notes to combined financial statements.

BOYS & GIRLS CLUBS OF METRO RICHMOND

Combined Statements of Financial Position, Continued
June 30, 2023 and 2022

Liabilities and Net Assets	2023	2022
Current liabilities:		
Notes payable - current	$ 50,000	$ 100,717
Accounts payable	183,240	45,502
Accrued expenses	37,391	27,623
Agency funds	14,611	128,362
Scholarships payable	49,686	52,027
Deferred revenue	11,000	677
Current maturities of operating lease liability, net	78,235	-
Current maturities of finance lease liabilities, net	7,944	-
Total current liabilities	432,107	354,908
Long-term liabilities:		
Notes payable - long-term	5,737,811	5,880,187
Operating lease liability, net of current maturities	726,373	-
Finance lease liabilities, net of current maturities	27,732	-
Total liabilities	6,924,023	6,235,095
Net assets:		
Net assets without donor restrictions:		
Undesignated, Club and QALICB	7,912,473	8,916,676
Board designated endowment fund, Foundation	971,154	957,873
Total net assets without donor restrictions	8,883,627	9,874,549
Net assets with donor restrictions, Club	1,040,082	830,947
Net assets with donor restrictions, Foundation	421,076	431,672
Total net assets with donor restrictions	1,461,158	1,262,619
Total net assets	10,344,785	11,137,168
Total liabilities and net assets	$ 17,268,808	$ 17,372,263

See accompanying notes to combined financial statements.

BOYS & GIRLS CLUBS OF METRO RICHMOND

Combined Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses), and other support:			
Contributions and grants	$ 1,332,934	$ 2,188,253	$ 3,521,187
Contributions, in-kind	191,649	-	191,649
Gain on term loan forgiveness (see Note 9)	75,000	-	75,000
Program services fees	18,966	-	18,966
Change in value of beneficial interest in charitable lead trust	-	164	164
Change in value of beneficial interest in assets held by the Community Foundation for a Greater Richmond	21,474	13,541	35,015
Interest income	71,882	-	71,882
Miscellaneous income	12,277	-	12,277
	1,724,182	2,201,958	3,926,140
Net assets released from restrictions:			
Satisfaction of time or purpose restrictions	2,003,419	(2,003,419)	-
Total revenue, gains (losses), and other support	3,727,601	198,539	3,926,140
Expenses and losses:			
Program services, youth services	3,108,397	-	3,108,397
Supporting services:			
Management and general	822,264	-	822,264
Fundraising	730,057	-	730,057
Total expenses	4,660,718	-	4,660,718
Loss on disposal of property and equipment	57,805	-	57,805
Total expenses and losses	4,718,523	-	4,718,523
Change in net assets	(990,922)	198,539	(792,383)
Net assets at beginning of year	9,874,549	1,262,619	11,137,168
Net assets at end of year	$ 8,883,627	$ 1,461,158	$ 10,344,785

See accompanying notes to combined financial statements.

BOYS & GIRLS CLUBS OF METRO RICHMOND

Combined Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions and grants	$ 1,491,533	$ 1,709,462	$ 3,200,995
Contributions, in-kind	180,481	-	180,481
Gain on Paycheck Protection Program loan forgiveness (see Note 10)	378,000	-	378,000
Gain on term loan forgiveness (see Note 9)	50,000	-	50,000
Program services fees	6,542	-	6,542
Change in value of beneficial interest in charitable lead trust	-	(17,744)	(17,744)
Change in value of beneficial interest in assets held by the Community Foundation for a Greater Richmond	551	5,636	6,187
Interest income	63,631	-	63,631
Miscellaneous income	8,293	-	8,293
	2,179,031	1,697,354	3,876,385
Net assets released from restrictions:			
Satisfaction of time or purpose restrictions	2,485,814	(2,485,814)	-
Total revenue, gains (losses), and other support	4,664,845	(788,460)	3,876,385
Expenses and losses:			
Program services, youth services	3,196,942		3,196,942
Supporting services:		-	
Management and general	764,024	-	764,024
Fundraising	579,457	-	579,457
Total expenses	4,540,423	-	4,540,423
Change in allowance on pledges and grants receivable	-	(33,000)	(33,000)
Total expenses and losses	4,540,423	(33,000)	4,507,423
Change in net assets	124,422	(755,460)	(631,038)
Net assets at beginning of year	9,750,127	2,018,079	11,768,206
Net assets at end of year	$ 9,874,549	$ 1,262,619	$ 11,137,168

See accompanying notes to combined financial statements.

BOYS & GIRLS CLUBS OF METRO RICHMOND

Combined Statement of Functional Expenses
Year Ended June 30, 2023

	Programs Youth Services	Management & General	Fundraising	Total
Salaries	$ 1,261,422	$ 391,568	$ 490,523	$ 2,143,513
Employee benefits	119,013	44,027	56,637	219,677
Payroll taxes	103,192	25,611	37,788	166,591
Total personnel expense	1,483,627	461,206	584,948	2,529,781
Professional fees	275,490	226,340	12,853	514,683
Office supplies	6,640	1,852	2,106	10,598
Program supplies	111,789	-	-	111,789
Telephone and internet	15,779	1,046	758	17,583
Postage and shipping	-	309	3,569	3,878
Occupancy	485,212	70,009	39,184	594,405
Equipment rental and repair	48,443	762	739	49,944
Printing and promotion	1,537	485	9,930	11,952
Advertising	-	6,421	-	6,421
Transportation	77,759	42	-	77,801
Training, conferences, and meetings	9,908	20,839	2,007	32,754
Event costs	1,693	-	6,620	8,313
Miscellaneous	10,967	9,761	59,343	80,071
Dues	10,148	15,589	2,252	27,989
Scholarships	20,254	-	-	20,254
Interest	76,180	795	-	76,975
Depreciation and amortization	472,971	6,808	5,748	485,527
Total expenses	$ 3,108,397	$ 822,264	$ 730,057	$ 4,660,718

See accompanying notes to combined financial statements.

BOYS & GIRLS CLUBS OF METRO RICHMOND

Combined Statement of Functional Expenses
Year Ended June 30, 2022

	Programs Youth Services	Management & General	Fundraising	Total
Salaries	$ 1,219,067	$ 428,919	$ 433,428	$ 2,081,414
Employee benefits	132,665	49,146	46,483	228,294
Payroll taxes	102,538	28,390	31,507	162,435
Total personnel expense	1,454,270	506,455	511,418	2,472,143
Professional fees	251,428	144,505	21,268	417,201
Office supplies	8,228	3,242	284	11,754
Program supplies	84,198	-	-	84,198
Telephone and internet	21,423	2,495	1,355	25,273
Postage and shipping	105	1,518	2,103	3,726
Occupancy	589,870	43,781	17,859	651,510
Equipment rental and repair	90,217	5,504	933	96,654
Printing and promotion	3,617	2,877	6,389	12,883
Advertising	500	4,739	-	5,239
Transportation	35,333	1,260	-	36,593
Training, conferences, and meetings	13,544	12,903	1,006	27,453
Event costs	6,306	-	-	6,306
Miscellaneous	22,506	10,970	11,069	44,545
Dues	19,794	16,721	2,057	38,572
Scholarships	68,481	-	-	68,481
Interest	79,110	844	-	79,954
Depreciation and amortization	448,012	6,210	3,716	457,938
Total expenses	$ 3,196,942	$ 764,024	$ 579,457	$ 4,540,423

See accompanying notes to combined financial statements.

BOYS & GIRLS CLUBS OF METRO RICHMOND

Combined Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (792,383)	$ (631,038)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	477,545	457,938
Change in allowance on pledges and grants receivable	-	(33,000)
Amortization of debt issuance costs	12,927	12,927
Amortization of finance lease right-of-use asset	7,982	-
Cash collections for capital campaign	(164,500)	(32,000)
Change in value of beneficial interest in charitable lead trust	(164)	17,744
Change in value of beneficial interest in assets held by the Community Foundation for a Greater Richmond	(35,015)	(6,187)
Loss (gain) on disposal of property and equipment	57,805	(4,733)
Paycheck Protection Program loan forgiveness (see Note 10)	-	(378,000)
Term loan forgiveness (see Note 9)	(75,000)	(50,000)
Changes in assets and liabilities:		
Grants receivable	(177,595)	500,384
Pledges receivable	61,054	32,747
Interest income receivable	-	14,581
Other assets	41,253	10,194
Operating lease asset and liability	8,677	-
Accounts payable	137,738	(45,331)
Accrued expenses	12,736	21,614
Agency funds	(113,751)	6,521
Scholarships payable	(2,341)	(3,517)
Deferred revenue	10,323	(538)
Net cash used in operating activities	(532,709)	(109,694)
Cash flows from investing activities:		
Purchases of property and equipment	(488,309)	(1,260,409)
Withdrawals from beneficial interest in assets held by the Community Foundation for a Greater Richmond	32,330	38,939
Proceeds from the disposal of property and equipment	-	4,733
Net cash used in investing activities	(455,979)	(1,216,737)

See accompanying notes to combined financial statements.

BOYS & GIRLS CLUBS OF METRO RICHMOND

Combined Statements of Cash Flows, Continued
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from financing activities:		
Payments received from charitable lead trust	$ 30,000	$ 30,000
Payments on notes payable, net	(75,359)	(50,717)
Principal payments on finance leases	(7,564)	-
Cash collections for capital campaign	164,500	32,000
Net cash provided by financing activities	111,577	11,283
Net change in cash and cash equivalents	(877,111)	(1,315,148)
Cash and cash equivalents, beginning of year	3,057,833	3,667,153
Cash held under agency agreement, beginning of year	128,362	121,841
Restricted cash, beginning of year	556,850	1,269,199
Total cash and cash equivalents, beginning of year	3,743,045	5,058,193
Cash and cash equivalents, end of year	2,484,663	3,057,833
Cash held under agency agreement, end of year	14,611	128,362
Restricted cash, end of year	366,660	556,850
Total cash and cash equivalents, end of year	$ 2,865,934	$ 3,743,045
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest - expensed	$ 64,048	$ 67,027
Non-cash transactions		
Property and equipment abandoned in exchange for forgiveness of note payable	$ 58,629	$ -
Acquisition of operating right-of-use asset through operating lease obligation	$ 880,796	$ -
Acquisition of finance right-of-use assets through finance lease obligations	$ 43,240	$ -

See accompanying notes to combined financial statements.

1. Organization:

The Boys & Girls Clubs of Metro Richmond (the “Club”) and its related but separate entities, Boys & Girls Clubs of Metro Richmond Foundation (the “Foundation”) and BGCMR QALICB (the “QALICB”) are not-for-profit organizations.

The primary purpose of the Club is to provide behavioral guidance and to promote the health, social, educational, vocational, and character development of youth. The primary mission shall be to inspire and enable all young people, especially those from historically marginalized communities, to realize their full potential as productive, responsible, and caring citizens. The Club is primarily supported through public and private grants, direct contributions from the public, including special events, as well as indirect contributions allocated by United Way Services.

The Boys & Girls Clubs of Metro Richmond Foundation, a Virginia charitable non-stock corporation, operates as a supporting organization by conducting and supporting activities that carry out the charitable, literary, and educational purposes of the Club..

The Club sponsored the financing of its Eastlawn project under the New Market Tax Credit program (“NMTC program”), creating a related non-profit entity, BGCMR QALICB, to own and operate the renovated facility. Under the NMTC program, the Club is required to remain a qualified low-income community business (“QALICB”) and its loans under the program to qualify as a qualified low-income community investment (“QLICI”). NMTC financing allows organizations such as BGCMR QALICB to receive low-interest loans or investment capital from certified community development entities (“CDEs”) providing third-party investors with the ability to receive Federal income tax credits based upon the amount of total investment in projects in certain “low income communities”. As part of the financing, the Club contributed the existing Eastlawn land and building to BGCMR QALICB and agreed to lease the completed Eastlawn facility back from BGCMR QALICB for an initial period of approximately 20 years. On October 29, 2020, the Club closed the New Market Tax Credit Transaction (“NMTCT”) which resulted in a note receivable and two QLICI notes being recorded by the Organization (see Notes 7 and 9).

2. Summary of Significant Accounting Policies:

Basis of Accounting: The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“GAAP”) as determined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

2. Summary of Significant Accounting Policies, Continued:

Principles of Combination: The combined financial statements include the financial position and changes in net assets of the Boys & Girls Clubs of Metro Richmond, Boys & Girls Clubs of Metro Richmond Foundation, and BGCMR QALICB (collectively, the "Organization"). All significant intercompany accounts and transactions were eliminated upon combination.

Basis of Presentation: The Organization classifies its net assets into two categories: net assets with donor restrictions and net assets without donor restrictions. The Organization reports amounts separately as follows.

> *Net assets without donor restrictions* include net assets currently available at the discretion of the Organization's Board of Directors. Net assets without donor restrictions include revenue and expenses used currently for the general operations and programs of the Organization. In addition, the Board of Directors have designated certain funds for investment purposes, which are held with the Community Foundation for a Greater Richmond (see Note 18).
>
> *Net assets with donor restrictions* include net assets resulting from support and revenue whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those donor-imposed stipulations, or are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

Cash and Cash Equivalents: The Organization considers all money market and other highly liquid instruments purchased with an original maturity date of three months or less to be cash equivalents.

Restricted Cash: As part of the long-term debt agreements entered by the Organization (as described in Note 9), cash balances totaling $366,660 and $556,850 at June 30, 2023 and 2022, respectively, are restricted for interest and other payments due to lenders and required operating reserves. Disbursements from the accounts are permitted only for specific purposes and require advance approval.

Pledges and Grants Receivable: Pledges and grants receivable are recorded when the unconditional promise to give is made. An allowance is provided for amounts estimated to be uncollectible. Management determined that an allowance of $5,000 was required at June 30, 2023 and 2022.

Pledges and grants receivable that are due in the next year are recorded at their net realizable value. When required, pledges and grants receivable, that are due in subsequent years, are reported at the estimated present value.

2. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives are 3 to 15 years for furniture, fixtures, leasehold improvement, and equipment and 7 to 39 years for buildings. The costs of major improvements over $1,000 are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed. Interest expense incurred on long-term debt and other financing used for construction of property is capitalized as incurred.

Beneficial Interest in Assets Held by the Community Foundation for a Greater Richmond: The Foundation carries its beneficial interest in the assets held by the Community Foundation for a Greater Richmond at fair value.

Deferred Revenue: Deferred revenue consists primarily of fees collected in advance of the program service.

Debt Issuance Costs: As part of the long-term debt agreements entered by the Organization (as described in Note 9), BGCMR QALICB incurred debt issuance costs of $441,660. The costs were capitalized and are being amortized over the term of the related notes payable. The BGCMR QALICB incurred non-cash interest expense from deferred financing costs of $12,927 during each of 2023 and 2022, included in interest expense in the accompanying combined statements of activities.

Paycheck Protection Program Loans: The Organization’s policy is to account for the Paycheck Protection Program (“PPP”) loans (See Note 10) as debt. The Organization recorded the loan as debt until either (1) the loan is partially or entirely forgiven and the debtor has been legally released, at which point the amount forgiven would be recorded into income or (2) the Organization pays off the loan.

Grants and Contributions: The Organization recognizes grants and contributions when cash, securities or other assets; an unconditional promise to give; or a notice of a grant award is received. All grants and contributions are considered to be available for general use unless specifically restricted by the grantor or donor.

2. Summary of Significant Accounting Policies, Continued:

In-Kind Contributions: The Organization recognizes contributed services, supplies, assets, and other items in accordance with GAAP. All in-kind contributions are recorded when received at fair value as income and expenses or capitalized as property or equipment. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance to programs, campaign solicitations, and various committee assignments. In 2023, in-kind contributions of $166,620 represent the estimated fair market value of facilities, $15,000 represent the estimated value of professional services provided to the Organization at no cost, and $10,029 represent the estimated fair market value of miscellaneous supplies used for programming by the Organization at no cost. In 2022, in-kind contributions of $170,462 represent the estimated fair market value of facilities and $10,019 represent the estimated value of miscellaneous supplies used for programming by the Organization at no cost.

Advertising: Advertising costs are expensed as incurred.

Income Taxes: The Internal Revenue Service (the “IRS”) has determined that the Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “IRC” or “the code”). Contributions to the Organization are tax deductible as defined by Section 170 of the Code. In addition, the IRS has determined that the Organization is not a “private foundation” within the meaning of Section 509(a) of the Code.

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the combined financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization’s tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained “when challenged” or “when examined” by applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization’s tax position and concluded that Organization had taken no uncertain tax positions that require adjustment to the combined financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Functional Allocation of Expenses: The combined financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel and other expenses are allocated based on time and effort of identified employees. Staff training, conferences, professional fees, program supplies and office supplies are allocated based on total directly identified expenses. Other expenses are allocated based on management’s estimate of time and effort of identified employees involved in those functions.

2. Summary of Significant Accounting Policies, Continued:

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, pledges receivable, and grants receivable.

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

Pledges and grants receivable are generally from individuals, corporations and foundations located in Virginia. The Organization believes its credit risk related to these receivables is limited due to the nature of its donors and grantors. The ability to collect receivables is affected by the general economic conditions. At June 30, 2023, two donors comprised 46% of the net pledges and grants receivable. At June 30, 2022, four donors comprised 57% of the net pledges and grants receivable.

Use of Estimates: The preparation of combined financial statements in conformity with generally accepted accounting principles 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 combined financial statements and the reported amounts of revenues and expenses during the periods reported. Actual results could differ from those estimates.

Leases: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes ASC 840 and creates a new topic, ASC 842. ASC 842 requires lessees to recognize a right-of-use asset and lease liability on the combined statements of financial position for substantially all leases with a term of 12 months or greater. Leases are classified as either finance or operations, with classification affecting expense recognition in the Organization's operations.

The lease liabilities are initially measured at the present value of future lease payments, measured on a discounted basis, as of the lease commencement date or the adoption date, whichever is later. The right-of-use assets are initially measured at the value of the lease liability, adjusted for initial direct lease costs, lease incentives, and prepaid or deferred rent. The Organization elected to use the risk-free discount rate for any leases for which the rate implicit in the lease was not readily determinable. The right-of-use assets and lease liabilities are calculated to include options to extend or terminate the lease when the Organization determines that it is reasonably certain it will exercise those options. In making those determinations, the Organization considers various existing economic and market factors, business strategies as well as the nature, length, and terms of the lease agreements.

2. Summary of Significant Accounting Policies, Continued:

Leases, Continued: At July 1, 2022, the Organization adopted the provisions of ASC 842, using the modified retrospective adoption method. In addition, the Organization utilized the simplified transition option available under ASC 842, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption.

Upon adoption of ASC 842, the Organization elected the transitional package of practical expedients that allow an entity to not reassess (1) whether any expired or existing contracts contain a lease, (2) the lease classification of any expired or existing lease, and (3) initial direct costs for any existing lease, and the use of hindsight in determining the lease term. In addition, the Organization elected to not record a lease liability and corresponding right-of-use asset for leases with terms of 12 months or less, and to account for lease and non-lease components as a single lease component.

The adoption of ASC 842 resulted in the recognition of an operating right-of-use asset and a lease liability of $880,796 as of July 1, 2022. The standard did not materially impact the Organization's combined statements of activities and cash flows.

Subsequent Events: Management has evaluated subsequent events through November 15, 2023, the date the combined financial statements were available to be issued and has determined that there are no subsequent events to be reported in the accompanying combined financial statements.

3. Pledges and Grants Receivable:

Pledges receivable include capital pledges from the Organization's Create New Statistics capital campaign and operating pledges due from the Organization's annual campaign. Unconditional promises are primarily from individuals located in Metropolitan Richmond.

Pledges receivable as of June 30, 2023 and 2022, are expected to be received as follows:

	2023	2022
Receivable in less than one year	$ 30,338	$ 88,490
Receivable in two to five years	-	3,000
Total unconditional promises to give	30,338	91,490
Less discount of 2%	-	(98)
	$ 30,338	$ 91,392

3. Pledges and Grants Receivable, Continued:

Grants receivable include operating grants from local corporations and foundations and as of June 30, 2023 and 2022, are expected to be received as follows:

	2023	2022
Receivable in less than one year	$ 524,280	$ 346,685
Total grants receivable	524,280	346,685
Allowance for uncollectible grants receivable	(5,000)	(5,000)
	$ 519,280	$ 341,685

4. Beneficial Interest in Assets Held at the Community Foundation for a Greater Richmond:

During fiscal year 2012, the Foundation established an agency endowment fund (the "Fund") at the Community Foundation for a Greater Richmond ("TCF") and specified itself as the beneficiary of the funds. In addition, the Foundation established three designated funds or "subfunds" of the endowment that contain donor funds with donor restrictions. The main endowment fund was created to serve as a supplemental and emergency financial resource to support the Club in its mission to serve young people in the Greater Richmond Area.

Activity in the Fund was as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Balance, beginning of year	$ 1,389,545	$ 1,422,297
Contributions from the Club	34,759	21,475
Unrestricted support to TCF	(9,506)	(9,898)
Spendable income released	(67,089)	(60,414)
Net investment gain	44,521	16,085
Balance, end of year	$ 1,392,230	$ 1,389,545

5. Beneficial Interest in Charitable Lead Trust:

During fiscal year 2015, a donor established a charitable trust naming the Club as a lead beneficiary along with other charities. Under the terms of the agreement, the Club will receive a distribution of $7,500 per quarter for twenty years. On an annual basis, the Club revalues the beneficial interest based on a discount rate reflective of the term of the agreement (4.06% and 3.38% at June 30, 2023 and 2022, respectively).

6. Fair Value Measurements:

The Organization follows FASB guidance on fair value measurements. The provisions of the guidance provides a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels.

Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 2 – Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model drive valuations with significant inputs and drivers derived from observable active markets.

- Level 3 – Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and previous years.

Pledges and Grants Receivable: Level 1 assets are valued at face value of amounts receivable from donors within one year. Level 2 assets are valued at the present value of cash flows receivable from donors in a time period greater than one year using a discount rate of 2%.

Beneficial Interest in Assets Held at TCF: Valued based on the Foundation's proportionate share of TCF's pooled investment portfolio. The Foundation does not have the ability to redeem this beneficial interest on a short-term basis. Withdrawals are limited to the terms of the Foundation's agreement with TCF.

6. Fair Value Measurements, Continued:

Beneficial Interest in Charitable Lead Trust: Valued by calculating the present value of the annuity using a discount rate commensurate with the term of the trust.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 and 2022:

	Assets at Fair Value as of June 30, 2023:			
	Level 1	Level 2	Level 3	Total
Pledges receivable	$ 30,338	$ -	$ -	$ 30,338
Grants receivable	519,280	-	-	519,280
Beneficial interest in assets held at TCF	-	-	1,392,230	1,392,230
Beneficial interest in charitable lead trust	-	265,092	-	265,092
	$ 549,618	$ 265,092	$ 1,392,230	$ 2,206,940

	Assets at Fair Value as of June 30, 2022:			
	Level 1	Level 2	Level 3	Total
Pledges receivable	$ 88,490	$ 2,902	$ -	$ 91,392
Grants receivable	341,685	-	-	341,685
Beneficial interest in assets held at TCF	-	-	1,389,545	1,389,545
Beneficial interest in charitable lead trust	-	294,929	-	294,929
	$ 430,175	$ 297,831	$ 1,389,545	$ 2,117,551

7. Note Receivable:

To facilitate and structure the NMTCT described in Note 1, the Organization entered into a promissory note agreement with an unrelated entity for a total principal amount of $4,168,000. The note provides for quarterly interest-only payments of 1.384% through March 2028, when quarterly payments of $54,091 of principal and interest begin through the maturity date of June 2050. The Organization recognized interest income of $57,685 during each of 2023 and 2022, included in interest income in the accompanying combined statements of activities.

8. Property and Equipment:

Property and equipment consisted of the following at June 30, 2023 and 2022:

	2023	2022
Land and land improvements	$ 1,678,620	$ 1,300,574
Buildings and building improvements	7,063,694	7,351,224
Furniture, fixtures, and equipment	1,348,405	1,316,735
Automotive equipment	491,335	367,495
Construction in progress	-	45,246
	10,582,054	10,381,274
Accumulated depreciation	(3,465,209)	(3,158,760)
	$ 7,116,845	$ 7,222,514

Total depreciation expense was $477,545 for 2023 and $457,938 for 2022.

9. Notes Payable:

Notes payable consists of the following as of June 30, 2023 and 2022:

	2023	2022
In December 2019, the Club entered into a debt agreement in the amount of $500,000. The note is secured by certain real estate owned by the Club. There is no interest rate set forth in the note agreement. Repayment of the note will be through the forgiveness of principal each year, in accordance with the terms of the agreement, beginning on December 31st of the year in which construction of a specified property is completed. The note is expected to mature on December 31, 2029.	$ 375,000	$ 450,000
In January 2020, the Club entered into a lease agreement that matures in January 2025. The lease agreement includes additions to the agreed upon rent based on leasehold improvements funded by the lessor. The Club has recorded the liability for this amount as a note payable in the original amount of $257,009. The note is payable in sixty monthly installments of principal and interest in the amount of $4,892. In December 2022 the Organization elected to terminate the lease agreement. As part of the termination agreement, the Organization paid a $50,000 termination penalty and abandoned the leasehold improvements added to the space. In exchange, this note payable was fully forgiven.	-	131,019

9. Notes Payable, Continued:

	2023	2022
In October 2020, BGCMR QALICB entered into a QLICI loan agreement in the amount of $4,168,000. The loan provides for quarterly interest-only payments of 1% through March 2028, when quarterly payments of $44,085 of principal and interest begin through the maturity date of December 31, 2054. The loan is secured by specific real esate identified in the Fund Loan Agreement.	$ 4,168,000	$ 4,168,000
In October 2020, BGCMR QALICB entered into a QLICI loan agreement in the amount of $1,652,000. The loan provides for quarterly interest-only payments of 1% through March 2028, other than one scheduled principal installment of $120,000 in October 2027. Effective March 2028, quarterly payments of $16,204 of principal and interest begin through the maturity date of December 31, 2054. The loan is secured by specific real esate identified in the Fund Loan Agreement.	1,652,000	1,652,000
Total notes payable	6,195,000	6,401,019
Less, unamortized debt issuance costs	(407,189)	(420,115)
Less, current maturities	(50,000)	(100,717)
	$ 5,737,811	$ 5,880,187

9. Notes Payable, Continued:

Notes payable will be curtailed through a combination of cash payments and debt forgiveness as follows:

Fiscal Year	Amount
2024	$ 50,000
2025	50,000
2026	50,000
2027	50,000
2028	262,192
Thereafter	5,732,808
	$ 6,195,000

The Organization incurred interest expense on notes payable of $62,987 during 2023 and $67,027 during 2022.

Certain loan agreements include non-financial covenants for which the Organization must maintain compliance throughout the term of the loan. The Organization believes it was in compliance with these covenants as of June 30, 2023 and 2022.

10. Paycheck Protection Program Loan:

In response to the economic instability caused by COVID-19, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. A PPP Loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities during the covered period, as further defined in the CARES Act.

The Organization applied for and was approved for a PPP Loan in the amount of $378,000. The loan was funded in February 2021. The loan accrued interest at 1.0% and loan payments begin either (1) the date the SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. The Organization was eligible for loan forgiveness up to 100% of the loan, upon meeting certain requirements. The PPP Loan is uncollateralized and is fully guaranteed by the Federal government.

At June 30, 2021, the Organization had used the loan proceeds from the PPP Loan for qualifying costs, and in April 2022, the PPP Loan was fully forgiven. Based on these facts and circumstances, the Organization elected to recognize the loan forgiveness as of June 30, 2022 and reflect the $378,000 as Paycheck Protection Program loan forgiveness on the 2022 combined statement of activities.

11. Line of Credit:

In June 2020, the Club entered into a line of credit in the amount of $500,000. The line of credit is secured by certain real estate owned by the Club. Interest is paid monthly at the Wall Street Journal prime rate (8.25% as of June 30, 2023 and 4.75% as of June 30, 2022), with a minimum floor of 4.50%. The line of credit is due on demand and is to be renewed on an annual basis. There was no balance outstanding at June 30, 2023 and 2022.

12. Liquidity and Availability of Resources:

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when restricted by a donor for time or purpose or because the governing board has set aside the funds for a specific purpose.

	2023	2022
Financial assets:		
Cash	$ 2,484,663	$ 3,057,833
Grants receivable	519,280	341,685
Pledges receivable	30,338	91,392
Total financial assets	3,034,281	3,490,910
Less those unavailable for general expenditure within one year due to:		
Net assets with donor restrictions - Club	1,040,082	830,947
Financial assets available to meet cash needs for general expenditure within one year	$ 1,994,199	$ 2,659,963

The financial affairs of the Organization will be managed on a comprehensive basis to ensure that the mission of the Organization, as a whole, is supported in a fiscally responsible and cost-effective manner. Adequate reserves will be maintained to fund major maintenance for facilities, significant unexpected expenditures, opportunities to expand services to the community, the acquisition of capital assets and, as necessary, supplement financial operating results. The Organization operates annually on a balanced budget where contributions and program fees equal its operating expenses. The reserve funds and its operating performance are reviewed on a consistent basis by management and the Finance Committee.

13. Net Assets with Donor Restrictions:

Net assets with donor restrictions within the Club consist of the following at June 30, 2023 and 2022:

	2023	2022
Programming	$ 743,490	$ 360,018
Capital campaign	31,500	176,000
Beneficial interest in charitable lead trust	265,092	294,929
	$ 1,040,082	$ 830,947

Net assets with donor restrictions within the Foundation consist of the following at June 30, 2023 and 2022:

	2023	2022
Training endowment grant	$ 334,035	$ 342,441
Provide scholarship assistance	87,041	89,231
	$ 421,076	$ 431,672

During 2023 and 2022, net assets released from restriction resulted from spending for Club programs, construction in progress, and the expiration of the time restriction on pledges and grants receivable.

14. Retirement Plan:

The Club sponsors a defined contribution retirement plan which covers all employees who must meet eligibility requirements. The plan enables participants to make contributions, and the Club makes safe harbor contributions to the eligible participants equal to 3% of participant's compensation. In addition, the Club may make a discretionary matching contribution to the eligible participants. The Club's contributions to the plan was $70,569 for 2023 and $75,732 for 2022.

15. Commitments:

Certain property was a gift purchase for $10 from the City of Richmond, who has the right of repurchase for cost, plus improvements other than operations, for the period of time beginning January 1, 2000, and ending 25 years afterwards. The property is used for the Southside Club Facilities.

16. Lease Commitments:

Operating Lease: In November 2021, the Club entered into a ten-year lease for an administrative office determined to be an operating lease. Rent began in December 2021 and requires monthly payments that range from $8,107 to $9,689 until November 2031.

In June 2019, the Club signed a five-year lease for a building to be used as a teen center. The required monthly payments ranged from $3,359 to $3,636. The lease was terminated in December 2022.

Finance Leases: During 2023, the Club entered into leases for office equipment with third parties through 2027. The agreements require payments that range from $155 to $589 over the term of the leases.

Minimum future lease payments under leases at June 30, 2023 are as follows:

Year Ending June 30:	Finance Leases	Operating Lease
2024	$ 8,936	$ 100,387
2025	8,936	102,395
2026	8,936	104,443
2027	8,936	106,532
2028	2,390	108,663
Thereafter	-	387,645
Total lease payments	38,134	910,065
Less amount representing interest	(2,458)	(105,457)
Total finance and operating lease liabilities	$ 35,676	$ 804,608

Weighted average remaining lease terms and discount rates at June 30, 2023 are as follows:

Weighted-average remaining lease terms (years):	
Operating lease	8.4
Finance leases	4.4
Weighted-average discount rates:	
Operating lease	2.9%
Finance leases	3.1%

16. Lease Commitments, Continued:

The components of finance lease expense for the year ended June 30, 2023, are as follows:

Finance lease cost:		
Amortization of leased assets	$	7,982
Interest on lease liabilities		1,061
Total finance lease cost	$	9,043

During 2023, operating lease cost totaled $290,564, of which $166,620 (Club site) represents non-cash operating lease expense. During 2022, operating lease cost totaled $281,405, of which $170,462 (Club site) represents non-cash operating lease expense.

17. Agency and Intermediary Funds:

Financial accounting standards for transfers of assets to a nonprofit or charitable trust that raises or holds contributions for others identifies certain situations when an organization does not record contribution revenue when it receives funds. Instead, the recipient organization records an asset and a liability. These situations include transactions where the organization receives funds as an agent, trustee, or intermediary.

The Club is the fiscal agent for various nonprofit Boys & Girls Clubs related organizations including the VA/DC Area Council, VA Excels and RVA OST. The Club is responsible for receiving and depositing funds, as well as writing checks on behalf of these organizations. Transactions made on behalf of these organizations are not included in the Club's combined statements of activities. In December 2022, the Organization terminated their fiscal relationship with the VA Excels. The amount held by the Club on behalf of these organizations was $14,611 at June 30, 2023 and $128,362 at June 30, 2022.

18. Board Designated Endowment Fund:

During the year ended June 30, 2012, the Board of Directors established a general endowment fund through TCF to support the mission of the Club. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

The Foundation has a spending policy of appropriating for distribution each year 5% of its Board designated endowment fund's balance averaged over the past twelve quarters, exclusive of the compensation to TCF. Any spendable income not requested by the Foundation within a given calendar year will be returned to the endowment fund's principal balance. Upon meeting certain conditions, the Foundation may in addition request for distributions up to 10% of the prior year ending balance in the endowment fund. TCF's Board of Governors shall have full authority and discretion as to the investment of the assets of the endowment fund. Additionally, all assets held in the endowment shall be subject to the variance power and other provisions of the governing documents of TCF, including, without limitation, the power contained therein for TCF's Board of Governors to modify any restrictions or conditions on the distribution of the funds for any specified charitable purpose or to specified organizations, if in their sole judgment, such restriction or condition becomes incapable of fulfillment. In the event the Organization no longer exists, the TCF Board of Governors will identify one or more nonprofit organizations with missions similar to that of the Organization to receive the annual distribution.

Endowment fund activity for the year ended June 30, 2023 and 2022 is as follows:

	2023	2022
Board designated endowment net assets, beginning of year	$ 957,873	$ 973,060
Contributions from the Club	34,759	21,475
Withdrawals	(52,431)	(47,110)
Net investment gain	30,953	10,448
Board designated endowment net assets, end of year	$ 971,154	$ 957,873

19. Put and Call Agreement:

In conjunction with the NMTCT, the Club entered into a Put and Call Agreement with the outside investor involved in the agreement. The agreement allows the outside investor to exercise a put option at any time during the seven year period following the initial investment date (“Tax Credit Investment Period”), until 6 months after the outside investor receives written notification from the Club that the Tax Credit Investment Period has ended. Upon exercise, the Club will pay to the outside investor an amount equal to the greater of $1,000 or the sum of any unpaid obligations under the QLICI loans and any other unpaid costs between the two parties. If the outside investor does not exercise its put option during the put option period, the Club will then have a call option to elect to purchase the outside investor’s remaining interest at a fair market value agreed upon by the two parties.

20. Recent Accounting Pronouncements:

In June 2016, the FASB issued ASU 2016-13 – Current Expected Credit Losses (“CECL”), which replaces the current and incurred loss model used to measure impairment loss with the expected loss model for financial assets measured at amortized cost. The standard will be effective for non-profit entities with years beginning after December 15, 2022. The Organization is currently evaluating the reporting and economic implications of the new standard.