

Brigade Boys and Girls Club, Inc.

Financial Statements

*For the Year Ended December 31, 2018
(with Comparative Totals for 2017)*



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Brigade Boys and Girls Club, Inc.

We have audited the accompanying financial statements of Brigade Boys and Girls Club, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Brigade Boys and Girls Club, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ewing & Company, L.L.P.

Wilmington, North Carolina
April 30, 2019

Brigade Boys and Girls Club, Inc.
Statement of Financial Position
As of December 31, 2018

	2018					2017 Comparative Total
	Without Donor Restrictions				Total	
	Operations	Property	Board Designated Reserve	With Donor Restrictions		
ASSETS						
Current Assets						
Cash & cash equivalents	\$ 318,435	\$ -	\$ -	\$ 97,780	\$ 416,215	\$ 233,644
Grants & other receivables	89,439	-	-	22,920	112,359	253,821
Prepaid expenses	29,456	-	-	-	29,456	12,391
Total Current Assets	<u>437,330</u>	<u>-</u>	<u>-</u>	<u>120,700</u>	<u>558,030</u>	<u>499,856</u>
Assets Whose Use is Limited (Note 5)						
Board reserve fund	-	-	222,855	-	222,855	360,732
Permanent endowment fund	-	-	-	243,422	243,422	307,972
Life insurance - net cash value	-	-	-	22,161	22,161	21,264
Total Assets Whose Use is Limited	<u>-</u>	<u>-</u>	<u>222,855</u>	<u>265,583</u>	<u>488,438</u>	<u>689,968</u>
Net property	-	1,316,566	-	-	1,316,566	1,407,622
Total Assets	<u>\$ 437,330</u>	<u>\$ 1,316,566</u>	<u>\$ 222,855</u>	<u>\$ 386,283</u>	<u>\$ 2,363,034</u>	<u>\$ 2,597,446</u>
LIABILITIES & NET ASSETS						
Current Liabilities						
Accounts payable	\$ 28,987	\$ -	\$ -	\$ -	\$ 28,987	\$ 20,934
Hurricane payable, net (Note 11)	44,277	-	-	-	44,277	-
Payroll taxes payable	44,762	-	-	-	44,762	44,586
Current maturities of note payable	-	4,000	-	-	4,000	4,000
Total Current Liabilities	<u>118,026</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>122,026</u>	<u>69,520</u>
Long-term note payable (Note 7)	-	15,488	-	-	15,488	19,488
Total Liabilities	<u>118,026</u>	<u>19,488</u>	<u>-</u>	<u>-</u>	<u>137,514</u>	<u>89,008</u>
Net Assets						
Without donor restrictions	319,304	1,297,078	222,855	-	1,839,237	1,947,633
With donor restrictions (Note 4)	-	-	-	386,283	386,283	560,805
Total Net Assets	<u>319,304</u>	<u>1,297,078</u>	<u>222,855</u>	<u>386,283</u>	<u>2,225,520</u>	<u>2,508,438</u>
Total Liabilities & Net Assets	<u>\$ 437,330</u>	<u>\$ 1,316,566</u>	<u>\$ 222,855</u>	<u>\$ 386,283</u>	<u>\$ 2,363,034</u>	<u>\$ 2,597,446</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Brigade Boys and Girls Club, Inc.
Statement of Activities
For the Year Ended December 31, 2018

	2018					2017 Comparative Total
	Without Donor Restrictions				Total	
	Operations	Property	Board Designated Reserve	With Donor Restrictions		
SUPPORT & REVENUE						
Support						
Grants (Note 6)	\$ 17,110	\$ -	\$ -	\$ 733,552	\$ 750,662	\$ 865,721
Contributions	617,839	-	-	-	617,839	513,694
Golf tournament, net	32,136	-	-	-	32,136	28,412
Other special events, net	118,657	-	-	-	118,657	126,424
In-kind contributions	48,541	-	-	-	48,541	43,500
Net assets released from restriction	844,422	-	-	(844,422)	-	-
Total Support	<u>1,678,705</u>	<u>-</u>	<u>-</u>	<u>(110,870)</u>	<u>1,567,835</u>	<u>1,577,751</u>
Revenue						
Program fees	444,630	-	-	-	444,630	518,046
Other	21,360	-	-	-	21,360	22,478
Investment income (Note 5)	-	-	(14,247)	(14,166)	(28,413)	73,944
Interest income	4	-	-	-	4	22,707
Total Revenue	<u>465,994</u>	<u>-</u>	<u>(14,247)</u>	<u>(14,166)</u>	<u>437,581</u>	<u>637,175</u>
Total Support & Revenue	<u>2,144,699</u>	<u>-</u>	<u>(14,247)</u>	<u>(125,036)</u>	<u>2,005,416</u>	<u>2,214,926</u>
EXPENSES						
Program	1,721,924	105,007	-	-	1,826,931	1,731,843
Administrative	220,739	1,443	-	-	222,182	223,995
Fundraising	238,622	599	-	-	239,221	199,487
Total Expenses	<u>2,181,285</u>	<u>107,049</u>	<u>-</u>	<u>-</u>	<u>2,288,334</u>	<u>2,155,325</u>
Change in Net Assets	(36,586)	(107,049)	(14,247)	(125,036)	(282,918)	59,601
Net Assets, Beginning	202,767	1,384,134	360,732	560,805	2,508,438	2,448,837
Interfund transfers	153,123	19,993	(123,630)	(49,486)	-	-
Net Assets, Ending	<u>\$ 319,304</u>	<u>\$ 1,297,078</u>	<u>\$ 222,855</u>	<u>\$ 386,283</u>	<u>\$ 2,225,520</u>	<u>\$ 2,508,438</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Brigade Boys and Girls Club, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	2018			2017 Comparative Total	
	Program	Administrative	Fundraising		Total
Salaries & Related					
Salaries & wages	\$ 1,057,001	\$ 86,901	\$ 164,551	\$ 1,308,453	\$ 1,244,245
Payroll taxes expense	81,301	6,938	11,941	100,180	101,235
Pension expense	649	678	291	1,618	23,694
Health insurance	48,714	6,295	10,058	65,067	52,039
Workers' compensation	13,200	1,141	1,955	16,296	19,846
Other employee benefits	8,231	835	1,388	10,454	16,497
Total Salaries & Related	1,209,096	102,788	190,184	1,502,068	1,457,556
Program expenses	56,214	-	-	56,214	65,089
Professional fees	2,058	77,316	451	79,825	71,834
Supplies, recreation, & other	5,592	5,597	1,179	12,368	12,044
Telephone	17,158	2,247	2,450	21,855	21,498
Postage & shipping	306	260	503	1,069	1,097
Occupancy	60,448	2,341	2,194	64,983	54,185
Repair	54,194	6,608	6,498	67,300	51,792
Printing	823	-	13,053	13,876	10,299
Travel	40,307	336	1,458	42,101	39,919
Conferences & workshops	12,568	5,080	1,157	18,805	26,458
Insurance	43,781	6,611	331	50,723	40,036
Dues	8,620	1,761	10,943	21,324	21,283
Participant - food	123,944	-	-	123,944	137,888
Hurricane repairs (Note 11)	55,969	-	-	55,969	-
Miscellaneous	30,846	9,794	8,221	48,861	30,846
Subtotal	1,721,924	220,739	238,622	2,181,285	2,041,824
Depreciation	105,007	1,443	599	107,049	113,501
Total Expenses	\$ 1,826,931	\$ 222,182	\$ 239,221	\$ 2,288,334	\$ 2,155,325

The Accompanying Notes are an Integral Part of these Financial Statements

Brigade Boys and Girls Club, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2018

	2018					2017 Comparative Total
	Without Donor Restrictions			With Donor Restrictions	Total	
	Operations	Property	Board Designated Reserve			
Cash Flows From Operating Activities						
Cash Collections for:						
Support	\$ 1,700,578	\$ -	\$ -	\$ (55,990)	\$ 1,644,588	\$ 1,428,753
Program revenue	465,990	-	-	-	465,990	540,524
Interest income	4	-	-	-	4	22,707
Less: Cash Payments for:						
Salaries & payroll taxes	(1,502,068)	-	-	-	(1,502,068)	(1,457,556)
Other operating expenses	(578,170)	-	-	-	(578,170)	(504,305)
Net Cash Provided (Used) By Operating Activities	<u>86,334</u>	<u>-</u>	<u>-</u>	<u>(55,990)</u>	<u>30,344</u>	<u>30,123</u>
Cash Flows From Investing Activities						
Purchase of property, net	-	(15,993)	-	-	(15,993)	-
Purchase of investments, net	-	-	-	-	-	(22,702)
Proceeds from sale of investments	-	-	144,894	27,326	172,220	92,015
Net Cash Provided (Used) By Investing Activities	<u>-</u>	<u>(15,993)</u>	<u>144,894</u>	<u>27,326</u>	<u>156,227</u>	<u>69,313</u>
Cash Flows From Financing Activities						
Principal payments on loans	-	(4,000)	-	-	(4,000)	(4,050)
Interfund transfers	153,123	19,993	(144,894)	(28,222)	-	-
Net Cash Provided (Used) By Financing Activities	<u>153,123</u>	<u>15,993</u>	<u>(144,894)</u>	<u>(28,222)</u>	<u>(4,000)</u>	<u>(4,050)</u>
Net Increase (Decrease) in Cash	239,457	-	-	(56,886)	182,571	95,386
Cash & Cash Equivalents, Beginning	<u>78,978</u>	<u>-</u>	<u>-</u>	<u>154,666</u>	<u>233,644</u>	<u>138,258</u>
Cash & Cash Equivalents, Ending	<u>\$ 318,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,780</u>	<u>\$ 416,215</u>	<u>\$ 233,644</u>
Reconciliation of Net Assets to Cash Provided (Used) By Operating Activities:						
Change in net assets	\$ (36,586)	\$ (107,049)	\$ (14,247)	\$ (125,036)	\$ (282,918)	\$ 59,601
Depreciation	-	107,049	-	-	107,049	113,501
Investment income	-	-	14,247	15,063	29,310	(73,944)
Non-cash donations	-	-	-	-	-	(71,451)
Receivables (increase) decrease	87,479	-	-	53,983	141,462	(34,156)
Prepaid expenses (increase) decrease	(17,065)	-	-	-	(17,065)	(12,391)
Payables increase (decrease)	52,506	-	-	-	52,506	48,963
Net Cash Provided (Used) By Operating Activities	<u>\$ 86,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (55,990)</u>	<u>\$ 30,344</u>	<u>\$ 30,123</u>
Supplemental Disclosure						
Interest paid					\$ -	\$ -
Income taxes paid					\$ -	\$ -

The Accompanying Notes are an Integral Part of these Financial Statements

Brigade Boys and Girls Club, Inc.
Notes to Financial Statements
December 31, 2018

1. ORGANIZATION

Brigade Boys and Girls Club, Inc.'s (the "Club") mission is to inspire and enable all young people, especially those most in need, to reach their full potential as productive, caring, and responsible citizens. The Club's vision is to provide a world-class club experience that assures success is within reach of every young person who walks through the Club's doors with all members staying on track to graduate from high school with a plan for the future, demonstrating good character and citizenship, and living a healthy lifestyle. The Club's purpose is to provide and facilitate out-of-school time experiences that inspire and empower Club youth to achieve success and champion opportunities for all young people.

During 2018, the Club served approximately 2,100 youth aged 5 through 18 in New Hanover, Onslow, and Pender Counties in Southeastern North Carolina.

The Club's activities are guided by the Boys & Girls Club of America's ("BGCA") legacy of success in developing the YOUTH OF AMERICA. Utilizing BGCA programming and formulas for success, the staff of the Club work diligently to provide activities that are coordinated, purposeful, and designed to provide positive development in five key areas: 1) providing a safe and positive environment, 2) having fun, 3) providing supportive relationships, 4) providing opportunities and expectations, and 5) providing recognition.

As a result of the Club's positive environment and results-oriented Club experiences, kids and their families can expect priority outcomes of: 1) having academic growth and success, 2) having good citizenship and character, and 3) having a healthy lifestyle. The Club is recognized throughout its communities for the impact it makes.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Change in Accounting Principles

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources (Note 3), and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Basis of Presentation

The Club prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when incurred.

Brigade Boys and Girls Club, Inc.
Notes to Financial Statements
December 31, 2018

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Club's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Club's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- a) **Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated net assets for an operating reserve and board-designated endowment from net assets without donor restrictions.
- b) **Net Assets With Donor Restrictions** – Net assets 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. Donor-imposed restrictions are released when a restriction expires, which is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Brigade Boys and Girls Club, Inc.
Notes to Financial Statements
December 31, 2018

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings, and money market accounts. Cash and cash equivalents are as follows as of December 31:

	<u>2018</u>	<u>2017</u>
BB&T - Savings	\$ 48,547	\$ 14,870
BB&T - Checking	<u>367,668</u>	<u>218,774</u>
Total Cash & Cash Equivalents	<u>\$ 416,215</u>	<u>\$ 233,644</u>

Accounts Receivable

The major component of accounts receivable is \$84,703 due under grant agreements between the Club and various government and non-government organizations. The carrying value approximates fair value due to the short-term maturity of those assets and is stated at the amount management expects to collect. It is the Club's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Based on experience, management has determined that an allowance for uncollectible amounts is not required.

Fair Value Measurement

The Club reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximized the use of observable inputs and minimized the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets to which the Club has access at the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

The primary use for fair value measures in the Club's financial statements is for recurring measurement of investments (Note 5).

Brigade Boys and Girls Club, Inc.
Notes to Financial Statements
December 31, 2018

Property and Equipment

Property and equipment are stated at cost or at the fair market value at the date of gift if donated. Expenditures of an ordinary maintenance or repair nature are expensed as incurred, and major renewals or improvements are capitalized. Property and equipment are capitalized if they have a cost of \$2,500 or more and a useful life of more than one year. Depreciation of property and equipment, other than land, is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Buildings	39 years
Improvements	10 - 15 years
Furniture & fixtures	5 - 7 years
Equipment	5 - 7 years
Technology	3 years
Vehicles	5 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period. The following is a summary of property accounts as of December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 25,000	\$ 25,000
Buildings & improvements	2,866,823	2,858,642
Furniture & fixtures	15,001	11,110
Equipment	72,726	69,915
Technology	-	672
Vehicles	<u>232,851</u>	<u>240,184</u>
	3,212,401	3,205,523
Less: Accumulated depreciation	<u>(1,895,835)</u>	<u>(1,797,901)</u>
Net Property	<u>\$ 1,316,566</u>	<u>\$ 1,407,622</u>

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Brigade Boys and Girls Club, Inc.
Notes to Financial Statements
December 31, 2018

Gifts-In-Kind Contributions

The Club periodically receives contributions in a form other than cash or investments. If the Club receives gifts of land, buildings, and equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Club's capitalization policy. Donated supplies, professional services, and use of space are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. All gifts-in-kind are recorded as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Club reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, unless the donor provides more specific directions about the period of its use.

Gifts-in-kind contributions totaled \$48,541 as of December 31, 2018, including \$46,000 of professional accounting services.

A substantial number of unpaid volunteers have made significant contributions of their time to further the Club's programs, principally in membership development, program planning, and fundraising. These donated services were not recorded in 2018 or 2017 since the criteria for recognition under generally accepted accounting principles was not met.

Expense Recognition

The cost of providing the Club's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using objective bases, such as time spent, salaries, square feet, and other bases.

Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Club. Administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others. Fundraising costs, including advertising, are expensed as incurred even though they may result in contributions received in future years.

Brigade Boys and Girls Club, Inc.
Notes to Financial Statements
December 31, 2018

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Club's financial statements for the year then ended, from which the summarized information was derived. Certain reclassifications of prior year comparative amounts have been made in order to conform to the current year presentation.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Income Taxes

The Club is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, it is exempt from income taxes on related income pursuant to Section 501(a) of the Code and contributions may be deductible to donors. The Club files Form 990 with the Internal Revenue Service (IRS) annually. Accounting principles generally accepted in the United States of America require the Club's management to evaluate tax positions taken by the Club and recognize a tax liability (or asset) if the Club has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Club has analyzed its tax positions taken and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Club is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Club believes it is no longer subject to income tax examinations for years prior to 2015.

Subsequent Events

Subsequent events have been evaluated through April 30, 2019, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Brigade Boys and Girls Club, Inc.
Notes to Financial Statements
December 31, 2018

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Club's financial assets as of December 31:

	<u>2018</u>	<u>2017</u>
Financial Assets at Year End:		
Cash & cash equivalents	\$ 416,215	\$ 233,644
Investments convertible to cash in next 12 months	488,438	689,968
Grants & other receivables	<u>112,359</u>	<u>253,821</u>
Total Financial Assets at Year End	<u>1,017,012</u>	<u>1,177,433</u>
Less: Amounts not available to be used within 1 year:		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	386,283	539,541
Less: Net assets with purpose restrictions to be met in less than a year	<u>(120,700)</u>	<u>(231,569)</u>
	<u>265,583</u>	<u>307,972</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 751,429</u>	<u>\$ 869,461</u>

The Club operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The accompanying statement of cash flows on page 6 identifies the sources and uses of cash and shows positive cash generated by operations. The Club regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds.

During fiscal year 2017, the Club made available a margin loan on assets invested with Charles Schwab. As of December 31, 2018 and 2017, the Club had no outstanding borrowings.

Brigade Boys and Girls Club, Inc.
Notes to Financial Statements
December 31, 2018

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	<u>2018</u>	<u>2017</u>
Subject to Expenditure for Specified Purpose:		
Youth programs	<u>\$ 77,500</u>	<u>\$ 201,569</u>
Total Expenditures for Specified Purposes	<u>77,500</u>	<u>201,569</u>
Subject to the Passage of Time:		
Time restricted	<u>43,200</u>	<u>30,000</u>
Total Passage of Time	<u>43,200</u>	<u>30,000</u>
	<u>120,700</u>	<u>231,569</u>
Permanently Restricted Endowments:		
Subject to NFP endowment spending policy & appropriation:	243,422	307,972
Life insurance - net cash value	<u>22,161</u>	<u>21,264</u>
Total Permanently Restricted Endowments	<u>265,583</u>	<u>329,236</u>
 Total Net Assets with Donor Restrictions	 <u>\$ 386,283</u>	 <u>\$ 560,805</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Satisfaction of Restrictions:		
Youth programs	<u>\$ 814,422</u>	<u>\$ 706,566</u>
Time restricted	<u>30,000</u>	<u>-</u>
Total Net Assets Released From Restriction	<u>\$ 844,422</u>	<u>\$ 706,566</u>

Brigade Boys and Girls Club, Inc.
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5. BRIGADE PERMANENT ENDOWMENT AND BOARD DESIGNATED RESERVE FUNDS

In November 2007, the Board of Directors designated available unrestricted resources as a Board Designated Reserve Fund (the "Board Reserve Fund") to support the mission of the Club. Since the amount resulted from an internal designation and was not donor-restricted, it has been classified and reported as net assets without donor restrictions.

In March 2013, the Board of Directors established a fund to be known as the Brigade Permanent Endowment Fund (the "Permanent Endowment Fund") to enable the Club to more completely fulfill its mission.

In April 2016, the Board of Directors revised a spending policy for both the Permanent Endowment Fund and the Board Reserve Fund which, by resolution, supersedes all other spending policies for these two funds. In accordance with the revised policy, the Brigade CEO, with the approval of both the Chairman and the Treasurer, may make a withdrawal for operating purposes, not more than once in any calendar year, of 5% of the combined balance of the Board Reserve Fund and the Permanent Endowment Fund, provided that the combined balance exceeds \$500,000. The combined balance is defined to be the average of the total values of the two funds as of December 31 for each of the three years preceding the withdrawal. The percentage of the funds drawn from the Permanent Endowment Fund may not exceed the percentage drawn from the Board Reserve Fund. No other distribution from the Board Reserve Fund or use of the Board Reserve Fund as security for any loan of any kind shall be permitted, unless such distribution has been approved in advance by a vote of not less than three-quarters of the members of the Board of Directors. Subject to approval of the Finance Committee, monies from the Board Reserve Fund may be transferred to the Permanent Endowment Fund as matching funds for contributions to the Permanent Endowment Fund. During 2018, the Board of Directors authorized a withdrawal of \$33,168 in accordance with the spending policy.

During 2018, the Board of Directors authorized an additional withdrawal of \$200,000 from the Board Reserve Fund to meet a cash flow shortage with intent to replenish the Board Reserve Fund as cash resources become available. The Club returned \$60,000 to the Board Reserve Fund as of December 31, 2018.

A summary of the account values is as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Cash investments	\$ 1,675	\$ 34,287
Mutual fund investments	272,931	540,559
Stock investments	191,671	93,858
Life insurance - net cash value	<u>22,161</u>	<u>21,264</u>
Total Investments	<u>\$ 488,438</u>	<u>\$ 689,968</u>

All investments were considered Level 1 investments.

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Investment Return Objectives, Risk Parameters, and Strategies

The Club has adopted investment policies, approved by the Board of Directors, for endowment and reserve assets that attempt to provide reasonable return on invested assets. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, with acceptable levels of risk. Endowment and reserve assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity, while growing the funds if possible. Therefore, the Club expects its endowment and reserve assets, over time, to produce an average rate of return equal to the market rate. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total invested funds; investment assets and allocation between asset classes and strategies are managed to not expose the funds to unacceptable levels of risk.

Assets of both the Board Reserve Fund and the Permanent Endowment Fund are invested and managed by a private investment manager under the oversight of the Board of Directors. A summary of the activity in the invested funds is as follows as of December 31:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total Assets Whose Use is Limited
Balance, beginning of year	\$ 360,732	\$ 307,972	\$ 668,704
Contributions	70,145	-	70,145
Investment income (loss)	(14,247)	(15,063)	(29,310)
Transfers	49,487	(49,487)	-
Amounts appropriated for expenditure	(243,262)	-	(243,262)
Balance, end of year	<u>\$ 222,855</u>	<u>\$ 243,422</u>	<u>\$ 466,277</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total Assets Whose Use is Limited
Balance, beginning of year	\$ 338,044	\$ 267,079	\$ 605,123
Contributions	11,066	11,636	22,702
Investment income (loss)	44,687	29,257	73,944
Transfers	-	-	-
Amounts appropriated for expenditure	(33,065)	-	(33,065)
Balance, end of year	<u>\$ 360,732</u>	<u>\$ 307,972</u>	<u>\$ 668,704</u>

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6. GRANTS

Grants awarded consist of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
NC Department of Juvenile Justice - Juvenile Restitution Program	\$ 26,216	\$ 26,224
NC Department of Juvenile Justice - Youth Court Grant	-	16,250
NC Department of Crime Control & Public Safety - Division of Governor's Crime Commission	76,724	7,750
NC Department of Health & Human Services - Power Hour & Smart Moves	156,996	177,838
NC Department of Health & Human Services - Food Program	62,917	77,376
NC Department of Health & Human Services - Food Program - Summer	58,324	58,639
U.S. Department of Justice - OJP Grant	<u>23,900</u>	<u>47,200</u>
Total Federal & State Government Grants	<u>405,077</u>	<u>411,277</u>
Lehto Foundation	50,000	50,000
United Way	43,200	67,140
City of Wilmington	49,695	67,545
Onslow County	-	49,500
Women's Impact Network	-	50,500
Cape Fear Memorial	-	40,000
Eshelman Foundation	40,000	35,000
Boys & Girls Clubs of America	74,380	56,480
ZAC Foundation	-	10,000
Bank of America	-	7,500
Foundation of Carolinas	46,000	-
Other	<u>42,310</u>	<u>20,779</u>
Total Grants	<u>\$ 750,662</u>	<u>\$ 865,721</u>

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7. LONG-TERM NOTE PAYABLE

The long-term note payable consists of the following as of December 31:

	<u>2018</u>
Note payable due to the City of Wilmington with monthly payments of \$333 through September 2023. The note is secured by a deed of trust.	<u>\$ 19,488</u>
Total Note Payable	<u>\$ 19,488</u>

Maturities of the long-term note payable in each of the five years subsequent to year end 2018 and thereafter are as follows:

2019	\$ 4,000
2020	4,000
2021	4,000
2022	4,000
2023	<u>3,488</u>
Total Note Payable	19,488
Less: Current maturities	<u>(4,000)</u>
Total Long-Term Note Payable	<u>\$ 15,488</u>

8. LEASES

The Club leases its Pender County and Onslow County locations under month-to-month leases. Lease expense totaled \$10,825 for all locations in 2018 and \$10,143 in 2017.

9. RETIREMENT PLAN COMMITMENT

All employees over the age of 21 who have completed a minimum of 1,000 hours of service per year are eligible to participate in the pension plan (the "Plan"), which is administered by Qualified Retirement Plan Solutions. In 2016, the Club amended the Plan to require the employer to contribute 3% of an eligible participant's annual salary to the Plan each year and up to an additional 3% to match the employee's contribution. An employee fully vests in five years. Retirement obligations of \$24,347 were incurred by the Club in 2018 and \$32,153 in 2017.

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10. CONCENTRATIONS OF RISK

Amounts held in financial institutions occasionally may be in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Club deposits its cash with high quality financial institutions, and management believes the Club is not exposed to significant credit risk on those amounts.

Approximately 19% of the Club's 2018 total support and revenue came from the North Carolina state government.

A significant portion of the Club's support and revenue is received from corporations, foundations, and individuals located in New Hanover, Onslow, and Pender Counties in North Carolina. As such, the Club's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of North Carolina. An economic downturn could cause a decrease in support and revenue that may coincide with an increase in demand for the Club's services.

11. HURRICANE FLORENCE

On September 14, 2018, Hurricane Florence made landfall as a Category 1 hurricane at Wrightsville Beach, North Carolina, which is a barrier island contiguous to Wilmington, North Carolina. The winds and heavy rain caused widespread damage at the Club's facilities.

The Club has incurred \$78,300 in hurricane repairs expense which is reported net of the insurance proceeds of \$22,331 in the statement of functional expenses. Hurricane repair payable of \$44,277 is reported net of insurance proceeds receivable in the statement of financial position. The Club has filed an insurance claim for \$62,353 less applicable deductibles of \$40,022. The balance of \$22,331 in insurance proceeds was receivable as of December 31, 2018, but was subsequently collected.

An additional claim for business interruption has been filed and is pending as of the date of the financial statements. However, since the final amounts to be realized from insurance cannot be determined with certainty as of the date of the financial statements, any such collections will be recorded as received.

Although the Club's operations and cash flows were impacted by the storm, in the opinion of management, there will be no permanent long-term effect on the operations of the Club.

12. RISK MANAGEMENT

From time to time, the Club may be aware of various asserted and unasserted claims. Management feels that these claims can be successfully defended and intends to resist the allegations of these matters in every way and does not plan to seek out-of-court settlements. In the event that judgments adverse to their interest were to be rendered, management feels any liability will be fully covered by existing insurance or not be material to the financial statements.

The Club is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

The Club purchases commercial insurance coverage against risk of loss due to errors and omissions, property damage and theft, and various other insurable risks. The Club carries commercial general liability insurance in the amount of \$3,000,000 and umbrella coverage of \$5,000,000 for 2018 with a deductible of \$500 for all covered perils. For 2018 and 2017, the deductible for losses due to windstorm and/or hail is \$5,000 plus 1% per occurrence.

In addition, in 2018 and 2017, the Club was insured for workers' compensation and employer's liability. Excess liability insurance is purchased to provide coverage above the underlying limits for general liability, auto liability, employer's liability, and employee benefits liability. No claim payment has exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above.