Boys & Girls Clubs of America and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2019 and 2018

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Boys & Girls Clubs of America and Subsidiaries

Contents

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Independent Auditor's Report

The Board of Governors
Boys & Girls Clubs of America:

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of America and its subsidiaries (BGCA), which comprise the consolidated statements of financial position as of December 31, 2019 and the related consolidated statement of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of America and its subsidiaries as of December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements in the year ended December 31, 2019, BGCA adopted new accounting guidance related to Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit of the consolidated financial statements was conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the accompanying Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Matter

The December 31, 2018 consolidated financial statements of BGCA were audited by other auditors, whose report dated May 21, 2019 expressed an unmodified opinion on those statements.

BDO USA, LLP

May 19, 2020

Consolidated Financial Statements

Boys & Girls Clubs of America and Subsidiaries

Consolidated Statements of Financial Position

(in thousands)

December 31,		2019		2018
Assets				
Cash and cash equivalents	$	**12,521**	$	10,007
Investments		**273,982**		258,931
Assets held in custody for others		**12,838**		11,774
Membership dues, net		**341**		1,487
Grants receivable, net		**9,619**		13,803
Contributions receivable, net		**59,342**		60,010
Assets held in deferred compensation accounts		**1,905**		2,159
Split interest agreements		**3,072**		3,029
Land, buildings, and equipment, net		**27,088**		26,030
Other assets		**2,449**		2,914
Total assets	$	**403,157**	$	390,144
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$	**34,319**	$	36,897
Obligations for custodial funds		**12,838**		11,774
Liability under deferred compensation agreements		**1,905**		2,159
Annuities payable		**2,534**		2,446
Total liabilities		**51,596**		53,276
Net assets:				
Without donor restrictions		**142,209**		142,326
With donor restrictions		**209,352**		194,542
Total net assets		**351,561**		336,868
Total liabilities and net assets	$	**403,157**	$	390,144

See accompanying independent auditor's report.

Boys & Girls Clubs of America and Subsidiaries

Consolidated Statement of Activity

(in thousands)

Years Ended December 31,	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total	2018 Without Donor Restrictions	2018 With Donor Restrictions	2018 Total
Changes in Net Assets:						
Revenue, gains, and other support:						
Contributions	$ 9,392	$ 84,784	$ 94,176	$ 25,796	$ 81,307	$ 107,103
Contributions in-kind	736	-	736	654	-	654
Government grants and contracts (includes pass through to clubs for 2019 and 2018 of $20,765 and $20,611, respectively)	39,749	39,304	79,053	40,114	42,783	82,897
Income from funds held in trust by others	-	1,554	1,554	155	1,395	1,550
Fund raising events:						
Revenue generated	9,370	293	9,663	9,248	996	10,244
Less direct operating costs	(3,630)	-	(3,630)	(2,994)	-	(2,994)
Fund-raising events revenue in excess of direct costs	5,740	293	6,033	6,254	996	7,250
Member organization dues	11,647	44	11,691	10,664	-	10,664
Investment return, net	17,698	19,435	37,133	(6,004)	(3,314)	(9,318)
Other revenues	1,980	(123)	1,857	2,627	137	2,764
Total revenue and gains	86,942	145,291	232,233	80,260	123,304	203,564
Net assets released from restrictions:						
Satisfaction of program restrictions	125,072	(125,072)	-	118,982	(118,982)	-
Expirations of time restrictions	5,409	(5,409)	-	4,303	(4,303)	-
Total net assets released from restrictions	130,481	(130,481)	-	123,285	(123,285)	-
Total revenue, gains, and other support	217,423	14,810	232,233	203,545	19	203,564
Expenses and losses:						
On-site assistance to member clubs and establishment of new clubs	86,466	-	86,466	92,729	-	92,729
Leadership training, development, and support of youth programs	99,815	-	99,815	101,970	-	101,970
Management and general	12,758	-	12,758	14,719	-	14,719
Fund-raising	18,501	-	18,501	17,125	-	17,125
Total expenses and losses	217,540	-	217,540	226,543	-	226,543
Changes in net assets before transfers	(117)	14,810	14,693	(22,998)	19	(22,979)
Change in net assets	(117)	14,810	14,693	(22,998)	19	(22,979)
Net assets at beginning of year	142,326	194,542	336,868	165,324	194,523	359,847
Net assets at end of year	$ 142,209	$ 209,352	$ 351,561	$ 142,326	$ 194,542	$ 336,868

See accompanying independent auditor's report.

Boys & Girls Clubs of America and Subsidiaries

Consolidated Statement of Cash Flows

(in thousands)

Years Ended December 31,	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	$ **14,693**	$ (22,979)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**1,144**	1,096
Net realized and unrealized gains on investments	**(35,438)**	11,011
In-kind contributions of assets	**(592)**	(465)
Change in membership dues	**1,146**	187
Change in grants receivable	**4,184**	(4,189)
Change in contributions receivable	**1,838**	(2,243)
Change in contributions receivable allowance	**(1,170)**	617
Change in split interest agreements	**(43)**	415
Change in other assets	**465**	109
Change in accounts payable and accrued expenses	**(2,578)**	(3,027)
Change in annuities payable	**235**	(145)
Net cash used in operating activities	**(16,116)**	(19,613)
Cash Flows from Investing Activities:		
Proceeds from sales of investments	**42,323**	120,822
Purchase of investments	**(21,344)**	(112,881)
Purchases of property and equipment	**(2,202)**	(98)
Net cash provided by investing activities	**18,777**	7,843
Cash Flows from Financing Activities:		
Payments to life income beneficiaries	**(147)**	(145)
Net increase (decrease) in cash and cash equivalents	**2,514**	(11,915)
Cash and cash equivalents at beginning of year	**10,007**	21,922
Cash and cash equivalents at end of year	$ **12,521**	$ 10,007
Supplemental disclosure:		
Cash paid for taxes	$ **319**	275
In-kind gifts – investments	**592**	465

See accompanying independent auditor's report.

Boys & Girls Clubs of America and Subsidiaries

Consolidated Statement of Functional Expenses

(in thousands)

Year Ended December 31, 2019	Program Services: Assistance to Member Clubs and Establishment of New Clubs	Program Services: Leadership Training, Development, and Support of Youth Programs	Total Program Services	Supporting Services: Management and General	Supporting Services: Fund-raising	Total Supporting Services	Total Expenses
Salaries	$ 28,692	$ 7,361	$ 36,053	$ 4,983	$ 7,646	$ 12,629	$ 48,682
Benefits	5,053	1,327	6,380	1,273	1,147	2,420	8,800
Payroll taxes	2,136	535	2,671	264	545	809	3,480
Total salaries and related expenses	35,881	9,223	45,104	6,520	9,338	15,858	60,962
Contractual services	8,166	8,414	16,580	5,477	4,674	10,151	26,731
Supplies	2,209	2,147	4,356	119	141	260	4,616
Telephone	494	125	619	64	105	169	788
Postage and shipping	245	35	280	93	832	925	1,205
Occupancy	1,532	412	1,944	311	537	848	2,792
Printing and artwork	365	142	507	105	1,166	1,271	1,778
Travel	4,049	1,183	5,232	309	746	1,055	6,287
Training conferences	3,203	2,174	5,377	276	312	588	5,965
Membership dues	25	5	30	55	3	58	88
Passthrough funds to member orgs	29,356	75,346	104,702	-	-	-	104,702
Miscellaneous	463	414	877	(840)	445	(395)	482
Depreciation	478	195	673	269	202	471	1,144
Total expenses	$ 86,466	$ 99,815	$ 186,281	$ 12,758	$ 18,501	$ 31,259	$ 217,540

See accompanying independent auditor's report.

Boys & Girls Clubs of America and Subsidiaries

Consolidated Statement of Functional Expenses

(in thousands)

Year Ended December 31, 2018	Program Services: Assistance to Member Clubs and Establishment of New Clubs	Program Services: Leadership Training, Development, and Support of Youth Programs	Program Services: Total Program Services	Supporting Services: Management and General	Supporting Services: Fund-raising	Supporting Services: Total Supporting Services	Total Expenses
Salaries	$ 26,798	$ 7,432	$ 34,230	$ 6,336	$ 7,763	$ 14,099	$ 48,329
Benefits	4,858	1,428	6,286	1,131	1,202	2,333	8,619
Payroll taxes	1,938	598	2,536	400	542	942	3,478
Total salaries and related expenses	33,594	9,458	43,052	7,867	9,507	17,374	60,426
Contractual services	11,466	9,681	21,147	4,372	3,752	8,124	29,271
Supplies	2,773	872	3,645	123	105	228	3,873
Telephone	440	116	556	145	111	256	812
Postage and shipping	406	117	523	161	1,027	1,188	1,711
Occupancy	1,205	478	1,683	554	513	1,067	2,750
Printing and artwork	561	404	965	52	979	1,031	1,996
Travel	4,592	1,001	5,593	334	593	927	6,520
Training conferences	3,347	2,458	5,805	588	259	847	6,652
Membership dues	27	25	52	61	3	64	116
Passthrough funds to member orgs	33,220	76,642	109,862	-	-	-	109,862
Miscellaneous	690	525	1,215	156	87	243	1,458
Depreciation	408	193	601	306	189	495	1,096
Total expenses	$ 92,729	$ 101,970	$ 194,699	$ 14,719	$ 17,125	$ 31,844	$ 226,543

See accompanying independent auditor's report.

1. Summary of Significant Accounting Policies

Organization

Boys & Girls Clubs of America (BGCA) is a federally chartered, national organization that was formed to promote the health, social, educational, vocational, and character development of young people throughout the United States (U.S.). Through its national headquarters, five regional service centers, and government relations office in Washington, D.C., BGCA:

- Develops innovative program services for young people;
- Assists community leaders to form new local member clubs;
- Provides training, management consulting, and resource materials to local member clubs;
- Promotes greater public and media awareness of local member club work; and
- Addresses legislative and public policy issues affecting young people.

The accompanying consolidated financial statements include the financial position and operating results of BGCA's subsidiary alliance organizations located throughout the U.S. These alliance organizations are organized under either Section 501(c)(4) or Section 501(c)(3) of the Internal Revenue Code and were formed primarily to meet certain state statutory reporting requirements. Certain members of BGCA's senior management serve as members of the governing boards for certain of these alliance organizations. Such subsidiary alliance organizations numbered 53 and 52 at December 31, 2019 and 2018, respectively.

The accompanying consolidated financial statements do not include the financial position and operating results of local member clubs, each of which is an autonomous corporation organized under the laws of the jurisdiction in which it is located. Each local member club operates under a charter granted by BGCA and has its own independent board of directors, which controls the local Boys & Girls Club, its programs, and staff. BGCA, the national organization, does not exercise supervision, direction, or control of these chartered local member clubs.

Basis of Presentation

The consolidated financial statements of BGCA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U. S. GAAP). The accounting policies of BGCA have been designed to conform to U.S. GAAP as applicable to not-for-profit organizations.

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

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of BGCA and/or the passage of time. This also includes net assets subject to donor-imposed stipulations that must be maintained permanently by BGCA. Generally, the donors of these assets permit BGCA to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of interest-bearing checking accounts, savings accounts, and investments with a maturity date of three months or less.

Revenue Recognition - Contracts with Customers Accounted for in Accordance with ASC 606

BGCA recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration BGCA expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, BGCA combines it with other performance obligations until a distinct bundle of goods or services exists. Performance obligations are satisfied over time and the related revenue is recognized as services are rendered. BGCA management expects that the period between when BGCA transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, BGCA has elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component. Invoices resulting from BGCA's contracts with customers are generally due within 30 days of the invoice date.

Membership Dues

BGCA enters into membership agreements with local Clubs to provide services that ultimately further the mission of BGCA yet provide reciprocal value to the Club. Membership services include the right to be identified with the Boys and Girls Clubs Movement, access to marketing and other materials, advocacy and government relations, leadership support and training, and access to conferences and the annual meeting of the National Council. BGCA considers general membership benefits to represent a bundle of promised goods and services available to Clubs throughout the period of membership in accordance with FASB ASC 606-10-25-22.

BGCA has a right to consideration from the Clubs in an amount that corresponds directly with the value provided to the Clubs of BGCA's performance completed to date. Membership dues are billed at the beginning of the membership year. The Clubs simultaneously receives and consumes the benefits provided by BGCA's performance obligations throughout the membership period. Therefore, BGCA recognizes revenues ratably over the one-year membership period. There are no unsatisfied performance obligations at the end of the membership period. Revenue related to membership agreements totaled $11,691 for the year ended December 31, 2019, as reflected in the statement of activities.

Revenue Recognition Accounted for in Accordance with ASC 605: Topic 958 Not for Profit Entities

Government Grants and Contracts

Grants awarded by federal agencies or passed through to BGCA from another donor that received funding from the U.S. federal government are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met. U.S. Federal Grant revenue totaled $79,053 for the year ended December 31, 2019.

Contribution Revenue

BGCA receives support from individuals, foundations, corporations, and other nonprofit organizations in support of BGCA's mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, BGCA receives promises to give that have certain conditions such as meeting specific performance-related barriers or limiting BGCA's discretion on use of the funds. Other contributions may have revocable features to the promises to give. Such conditional promises to give are recognized when the conditions are substantially met.

In-Kind Contributions

Donated property, marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. The estimated fair values of the advertisements are based on independent third-party valuations and reported as in-kind contribution revenue and program expense in the period in which the advertisements are run. Certain other in-kind contributions have also been received and recorded at fair-market value in the period in which each contribution was made.

Trusts and Bequests

Split interest (trust) contributions are only recorded when the agreement becomes irrevocable. BGCA's remainder value is revalued every year. Bequest contributions are recorded only after completion of the probate and legal process.

Refundable Donor Advances

A transfer of assets (i.e. cash received) that is related to a conditional contribution is accounted for as a refundable donor advance in accounts payable and accrued expenses in the accompanying consolidated statement of financial position until the conditions have been substantially met or explicitly waived by the donor. As a result of the prospective application of ASU 2018-08, certain government grants and contracts balances totaling $3,028 were reclassified from deferred revenue to refundable donor advances as of the effective date of the new standard (January 1, 2019). Of this amount, $5,029 was recognized as revenue during 2019. Other changes in refundable donor advances result from timing differences between payments received from donors and the satisfaction of the conditions within the contracts and grant agreements.

Investments

Investments are carried at fair value, with changes in fair value being recorded as unrealized gains (losses). The fair value of publicly traded fixed income and equity securities is based upon quoted market prices. Fair values for private market investments and investments held through limited partnerships or commingled funds, are not as readily determinable. Fair value for these investments is established based on either external events, which substantiate a change in fair value, or a reasonable methodology that exists to identify and quantify changes in fair value. Fair value determinations for these investments require the use of estimates. Accordingly, such values may differ from the values that would have been used had a ready market for these investments existed. BGCA has estimated the fair value of certain investments in investment funds on the basis of the net asset value (NAV) per share of the investment, as a practical expedient, if a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated by the fund manager as of BGCA's fiscal year end date. Valuations provided by investment managers are evaluated by management, and management believes such values are reasonable estimates of fair value at December 31, 2019 and 2018 (see notes 3 and 16).

Split Interest Agreements

BGCA's split interest agreements with donors consist primarily of gift annuity agreements and irrevocable charitable remainder trusts for which BGCA serves as trustee. Contribution revenue is recognized when trusts (or annuity agreements) are established, after recording liabilities for the present value of the estimated future payments to be made to beneficiaries. The liabilities are adjusted annually for changes in the values of assets, accretion of the discount and other changes in the estimates of future benefits.

BGCA is also the beneficiary of certain charitable lead trusts held and administered by others. The present values of the estimated future cash receipts from the trusts are recognized as an asset and contribution revenue at the date such trusts are established. The carrying values of the assets are adjusted annually for changes in the values of assets, accretion of the discount and other changes in the estimates of future benefits.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost at the date of acquisition or at fair value if acquired through donation. BGCA capitalizes expenditures for property and equipment in excess of the $5,000 threshold policy. Depreciation and amortization are calculated using the straight-line method over the applicable useful lives.

Tax Status

BGCA is recognized as an organization exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. During 2019 and 2018, $319 and $275, respectively, was provided for income taxes.

BGCA's subsidiary alliance organizations are exempt from Federal income taxes under either Section 501(c)(4) or Section 501(c)(3) of the Code.

Functional Allocation of Expenses

BGCA has summarized the costs of programs and supporting activities in the consolidated statements of activities and changes in net assets without donor restrictions. The expense analysis in the consolidated statement of functional expenses present the natural classification detail of expenses by function. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or support function. The expenses include salaries and benefits which are allocated based on department and job classification, and management and general tasks. Expenses associated with human resources, information technology and occupying and maintaining facilities have been allocated to the respective functional area based on the headcount of employees. Expenses associated with marketing and communications have been allocated to the respective functional area based on effort. Other costs are classified in each functional category based on the underlying purpose of each transaction.

Concentration of Credit Risk

Credit risk represents the risk of loss attributable to possible nonperformance by donors and counterparties relative to the terms of agreements and contracts. Financial instruments that are subject to concentrations of credit risk consist primarily of cash equivalents in excess of the applicable government insurance limits, investments, and certain receivables. In order to minimize credit risk in connection with cash equivalents and investments, BGCA invests in U.S. government securities, mutual funds, and other marketable securities. These investments are held by diverse, high-quality financial institutions.

Use of Estimates

The management of BGCA has made certain estimates and assumptions in the preparation of the consolidated financial statements in conformity with U.S. GAAP, including the allowance for uncollectible contributions receivable, the valuation of certain investment securities without readily determinable fair values, determining the depreciable lives of buildings and other long-lived assets, accrued expenses, annuities payable, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Reclassifications

Various reclassifications including certain asset and net asset balances have been made to the 2018 balances to conform to the 2019 presentation. Such reclassifications did not have an impact to the 2018 net asset balances.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). The amendments in ASU 2016-02 create FASB ASC Topic 842, Leases, and supersede the requirements in ASC Topic 840, Leases. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. On April 8, 2020 the FASB voted to defer the effective date of ASU 2016-02 by one additional year. The ASU is now effective for BGCA's fiscal year 2022. BGCA has not yet determined the impact of the new standard on its consolidated financial statements.

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326). This standard requires application of the current expected credit loss ('CECL") methodology for the measurement of credit losses on financial assets measured at amortized cost. The CECL methodology replaces the previous incurred loss methodology. It also modifies the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis. This standard is effective for interim and annual reporting periods beginning after December 15, 2019. BGCA does not expect adoption of this standard to have a material impact on our consolidated financial statements.

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. This standard is effective for all entities for financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted for any removed or modified disclosures. The adoption of this guidance is not expected to have a material impact on the BGCA's financial statements.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The update also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. BGCA has adopted this update, along with all subsequent amendments (collectively, "ASC 606") in 2019 under the modified retrospective method. Additionally, BGCA applied the practical expedient (i) to account for revenues with similar characteristics as a collective group rather than individually, (ii) to not adjust the transaction price for the effects of significant financing components (if any), and (iii) to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year. The effect of BGCA's adoption of ASC 606 is outlined below.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e., ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. BGCA adopted this update on a prospective basis and the effects of the adoption are outlined below.

The effect of ASC 606 and ASU 2018-08 on BGCA's consolidated financial statements were examined in conjunction with one another. Prior to the clarifications provided in ASU 2018-08, transactions with customers that benefited the general public were considered to be exchange transactions. Under the clarified guidance, such transactions constitute contributions. BGCA reassessed the nature of its revenue-producing arrangements to ensure alignment with the definition of a contract under ASC 606 and an exchange transaction under ASU 2018-08. As a result, certain arrangements that had been classified as exchange transactions in previous years were now concluded to be contributions under ASU 2018-08. The following changes in accounting policies occurred during the year ended December 31, 2019, as a result of the implementation of the ASC 606 and ASU 2018-08.

BGCA revenue from government grants and contracts were previously accounted for as exchange transactions since the arrangement with the customer benefited the general public, and revenue was recognized as expenses were incurred. Under ASU 2018-08, BGCA revenue from government grants and contracts are considered contributions because the customer does not receive commensurate value for the consideration received by BGCA; rather, the purpose of these arrangements is for the benefit of the general public. Therefore, BGCA management concluded that the agreements are conditional due to rights of return/release and barriers to entitlement to funds. Revenue is recognized when the condition is satisfied. Because the nature of conditions is either based on incurring qualifying expenses or satisfying a milestone or other deliverable, the pattern of revenue recognition remained consistent with previous years. Therefore, under the prospective approach, there was no material change in the revenue recognition for government grants and contracts. Under ASU 2018-08, a refundable advance is recorded when BGCA receives assets (i.e. cash) in advance of the satisfaction of the conditions within these arrangements. As of December 31, 2019, there was $0 in refundable advances recorded related to government grants and contracts. In accordance with the prospective transition approach in ASU 2018-08, the deferred revenue balances were reclassified to refundable advances on January 1, 2019.

Contribution revenue and trusts and bequests were accounted for under ASC Topic 958-605, *Not-for-Profit Entities, Revenue Recognition*, before the implementation of the new standards. With the clarifications outlined in ASU 2018-08, BGCA management reviewed existing agreements as of the effective date, as well as new agreements for 2019, and concluded that there are no material changes in revenue related to contributions, trusts and bequests.

In addition, BGCA elected the net asset release policy option for contributions with donor restrictions that were initially conditional contributions. As part of this election, BGCA reports contributions restricted by donors (that were conditional in nature) as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. BGCA has not changed its policy for unconditional contributions such that BGCA reports contributions restricted by donors (that were unconditional in nature) as increases in net assets with donor restrictions. When the donor restriction expires on an unconditional contribution, the release is reported as net assets released from donor restrictions in the consolidated statement of activities.

As part of ASU 2018-08, BGCA elected to early-adopt the standards for "contributions made" using the prospective approach to adoption. For awards made to other organizations prior to the effective date (July 1, 2018) that were considered to be unconditional in nature, BGCA continues to report these contributions made as "accounts payable and accrued expenses" in the consolidated statement of financial position. As payments are made to the recipients of those grants, the accounts payable and accrued expenses balance is reduced. Awards made to other organizations that are conditional in nature are not recorded as expenses until the condition has been satisfied. Payments made in advance to other organizations for which conditions have not yet been satisfied are classified as "third party advances" in the consolidated statement of financial position. As the conditions are satisfied, expenses are recorded in the consolidated statement of activities and the third-party advances are reduced. As of December 31, 2019, BGCA did not make any payments in advance.

2. Liquidity and Availability

Financial assets available for general expenditure within one year of December 31, 2019 are as follows:

Total assets	$	**403,157**
Less:		
Net assets with donor restriction – permanent endowments		**(33,796)**
Net assets with donor restriction – time or purpose		**(175,556)**
Board-designated endowments		**(112,637)**
Board-designated other		**(1,961)**
Land, buildings and equipment, net		**(27,088)**
Custodial, deferred compensation and other illiquid investments		**(20,264)**
Financial assets available within one year	$	**31,855**

BGCA manages its financial assets to be available as its operating expenditures, liability and other obligations come due. In addition, BGCA invests cash in excess of daily requirements in short-term investments. BGCA has board-designated endowments of $112,637 and $109,911 as of December 31, 2019 and 2018. Although BGCA does not intend to spend from its board-designated endowment funds, other than amounts appropriated for general expenditure, amounts for its board-designated endowment funds could be made available if necessary, with appropriate board approval.

3. Investments

Investments are carried at estimated fair value and consist of the following at December 31:

	2019	2018	Unfunded Commitments
Short-term investments	$ 45,847	$ 37,898	-
Fixed income:			-
Mutual funds	1,001	577	-
Fixed income securities	18,360	17,191	-
Corporate stocks-domestic	82,692	83,006	-
Community foundation	46	47	-
Private equity investments/hedge funds	138,875	131,986	19,700
	286,820	270,705	19,700
Less custodial fund investments	(12,838)	(11,774)	-
Total	$ 273,982	$ 258,931	19,700

Management is required to make certain estimates in the preparation of the financial statements. Among those significant estimates is the valuation of investments without readily determinable fair values. These estimates are subjective and require judgment regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that appropriately reflect market and credit risks. BGCA believes that the carrying amounts of these investments are a reasonable estimate of fair value. Estimates, by their nature, are based on judgment and available information. Changes in assumptions could have a material impact on the financial statements.

Custodial fund investments consist of assets which are being held on behalf of other organizations (see note 15).

Risk Factors

Liquidity risk – Liquidity risk represents the risk that BGCA may not be able to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If BGCA were compelled to dispose of an illiquid investment at an inopportune time, the result may be a sale at a substantial discount to fair value. BGCA invests in alternative investments, which can be highly illiquid. Under adverse market or economic conditions, the secondary market for certain of these alternative investments could further contract. As a result, BGCA could find it more difficult to sell these securities or may only be able to sell these securities at amounts lower than if such securities were more widely traded.

Currency and foreign exchange risk – BGCA may hold investments denominated in currencies other than the U.S. dollar. Thus, there is exposure to currency and foreign exchange risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates. This amount totaled less than 1% of investments as of December 31, 2019.

Interest rate and credit risk – BGCA's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk of the issuer of the security becoming unable to pay interest or repay principal when it is due.

Market price risk – The value of securities held by BGCA may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Events impacting valuation may include (but are not limited to) economic changes, market fluctuations, regulatory changes, global and political instability, and currency, interest rate, and commodity price fluctuations. BGCA attempts to manage this risk through diversification, ongoing due diligence of fund managers, and monitoring of relevant economic conditions.

Concentration risk – Investments in multi-strategy hedge funds totaling $113,863 and $106,247 at December 31, 2019 and 2018, respectively, were held and managed by a single fund manager.

4. Contributions Receivable

Contributions receivable consists of the following at December 31:

		2019		2018
Contributions receivable, gross	**$**	**62,602**	$	65,720
Less:				
Unamortized discount		**(2,026)**		(3,307)
Allowance for uncollectible contributions		**(1,234)**		(2,403)
Net unconditional promises to give	**$**	**59,342**	$	60,010
Amounts due in:				
Less than one year		**48,342**		37,029
One to five years		**14,260**		28,691
	$	**62,602**	$	65,720

Contributions receivable are initially recorded at fair value as of the date of gift. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue. Estimated future cash flows to be received after one year were discounted at December 31, 2019 and 2018 at rates ranging from .81% to 5.5%.

Conditional promises to give are not recognized in the accompanying consolidated financial statements and, if they are subsequently recorded, they may be restricted for specific purposes stipulated by the donors. The conditional nature relates to the donor specifying a future and uncertain event whose occurrence or failure to occur gives the donor a right of return of the assets contributed or releases the donor from its obligation to transfer the assets promised. There were no new conditional gifts received from donors during 2019 and $34,039 in 2018. Approximately $8,480 and $21,022 of conditional promises to give were recognized as revenue during 2019 and

2018, respectively, as donor-imposed conditions were met by BGCA. Approximately $35,864 and $44,344 of conditional promises to give were outstanding at December 31, 2019 and 2018, respectively.

5. Land, Buildings, and Equipment

Land and buildings, as well as furnishings and equipment, are recorded at acquisition cost, or fair value upon receipt in the case of gifts. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets.

Land, buildings, and equipment consist of the following at December 31:

	2019	2018	Estimated Useful Life
Land	$ **10,849**	$ 10,849	-
Buildings	**20,618**	16,541	50 years
Leasehold improvements	**444**	443	10 years
Building improvements	**2,797**	3,544	6-9 years
Furniture, fixtures and equipment	**7,767**	8,896	5-7 years
	42,475	40,273	
Less accumulated depreciation and amortization	**(15,387)**	(14,243)	
	$ **27,088**	$ 26,030	

Depreciation expense totaled $1,144 and $1,096 for the years ended December 31, 2019 and 2018, respectively.

6. Retirement Plans

Effective January 1, 2015, BGCA amended its noncontributory defined contribution pension plan to a Defined Contribution 401(k) plan covering all eligible employees. Under the amended plan, BGCA contributes 3% of compensation for each payroll period and a matching contribution for participants who make Elective Deferral Contributions to the Plan of up to 4% of compensation. Pension expense for 2019 and 2018 totaled approximately $2,598 and $2,510, respectively.

In 2011, the Board of Governors approved a supplemental executive retirement plan for the benefit of a member of senior management whereby a retirement benefit will be earned ratably by the executive during the service term as defined in the plan agreement. The vested amount will be paid to the executive upon retirement, disability, or termination without cause as defined in the plan agreement. The liability recorded in connection with this plan as of December 31, 2019 and 2018 is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

BGCA also has a retirement fund totaling approximately $854 and $600 at December 31, 2019 and 2018 included in board – designated net assets without restrictions.

7. Assets Held in and Liability under Deferred Compensation Accounts

BGCA has in place deferred compensation agreements with certain key officers, whereby sums will be paid according to the terms of the agreements into accounts maintained by BGCA for the purpose of salary continuation upon retirement. This plan is subject to certain stipulations outlined within the agreements, one of which is the officers' continued employment with BGCA. Deferred compensation activity during 2019 and 2018 consists of the following:

	2019	2018
Employee contributions	**$ 140**	$ 498
Annuity contracts	**(321)**	(241)
Distributions - lump sum	**(225)**	(126)
Change in fair value	**152**	(116)
Net change for the year	**(254)**	15
Assets held in and liability under deferred compensation:		
Beginning of year	**2,159**	2,144
End of year	**$ 1,905**	$ 2,159

8. Government Grants and Contracts

During 2019 and 2018, BGCA recorded revenue totaling $79,053 and $82,897, respectively, related to various government grants and contracts. Of this amount, $69,844 and $66,511 was passed through to certain affiliated local member clubs (see note 1) for leadership training, development and support of youth programs during 2019 and 2018, respectively.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 are available for the following purposes or periods:

	2019	2018
On-site assistance to member clubs and establishment of new clubs	**$ 140,082**	$ 115,140
Leadership training, development and support of youth programs	**29,187**	34,498
Available for use in future periods	**6,287**	11,108
Permanent Endowment	**33,796**	33,796
	$ 209,352	$ 194,542

10. Net Assets Released from Restrictions

During 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time, or by occurrence of other events satisfying restrictions specified by donors as follows:

	2019	2018
Purpose restrictions accomplished:		
Expenses for on-site assistance to member clubs and establishment of new clubs	**$ 73,220**	$ 52,078
Expenses for leadership training, development and support of youth programs	**51,812**	66,904
Expenses for fundraising	**40**	-
	125,072	118,982
Time restrictions expired – passage of specified time	**5,409**	4,303
	$ 130,481	$ 123,285

11. Net Assets Without Donor Restrictions - Board-Designated

Net assets without donor restrictions - Board-designated consist of the following at December 31:

	2019	2018
Functioning as quasi-endowment:		
Reserve fund	**$ 96,198**	$ 96,047
Board designated fund intended for Native Services	**16,439**	13,864
	112,637	109,911
Other board-designated funds for programs	**1,961**	2,247
	$ 114,598	$ 112,158

12. Endowment Net Assets

BGCA's endowment consists of 56 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Governors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Governors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

a. Interpretation of Relevant Law

BGCA has interpreted the State of Georgia's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, BGCA classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not required to be kept in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditures by BGCA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, BGCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund
2. The purposes of BGCA and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of BGCA
7. The investment policies of BGCA

b. Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires BGCA to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions and generally result from unfavorable market fluctuations that occur shortly after the investment of new contributions with donor restrictions and continued appropriation for certain programs that were deemed prudent by the Board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as an increase in net assets with donor restrictions. There were no aforementioned deficiencies at December 31, 2019 and 2018.

c. *Return Objectives and Risk Parameters*

The financial objective of BGCA's endowment is to provide support to the operations of its programs and affiliates and to preserve the inflation adjusted purchasing power of the long-term investment. The investment objective is to attain an average annual real total return of at least 5% over the long term (rolling five-year periods). Actual returns in any given year may vary from this amount.

To achieve its investment objective, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of 60% allocated to the MSCI All Country World IMI and 40% allocated to the Barclays U.S. Intermediate Aggregate Index.

d. *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, BGCA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). BGCA targets a diversified asset allocation that places emphasis on investments in marketable securities, bonds, and private equity designed to achieve its long-term return objectives within prudent risk constraints.

e. *Spending Policy*

A spending policy is established to ensure that the real value of the investment is maintained over time, which requires that the long-term average spending rate not exceed the long-term real return. BGCA's spending rate is established as up to 5% of the previous three-year average of the September 30 fair value of the endowment net assets unless stipulated otherwise by the donor.

Endowment net assets consist of the following at December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions Time or Purpose	With Donor Restrictions In Perpetuity	Total
Donor-restricted endowment funds	$ -	$ 87,023	$ 33,796	$ 120,818
Board-designated quasi-endowment funds	112,637	-	-	112,637
Total endowment net assets	$ 112,637	$ 87,023	$ 33,796	$ 233,455

Endowment net assets consist of the following at December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions Time or Purpose	With Donor Restrictions In Perpetuity	Total
Donor-restricted endowment funds	$ -	$ 72,523	$ 33,796	$ 106,318
Board-designated quasi-endowment funds	109,911	-	-	109,911
Total endowment net assets	$ 109,911	$ 72,523	$ 33,796	$ 216,229

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

	Without Donor Restrictions	With Donor Restrictions Time or Purpose	With Donor Restrictions In Perpetuity	Total
Endowment net assets, December 31, 2018	$ 109,911	$ 72,523	$ 33,796	$ 216,229
Contributions	**1,293**	**-**	**-**	**1,293**
Investment return – investment Income and net appreciation	**17,681**	**18,439**	**-**	**36,120**
Appropriation of endowment assets for expenditure	**(16,248)**	**(3,939)**	**-**	**(20,187)**
Endowment net assets, December 31, 2019	**$ 112,637**	**$ 87,023**	**$ 33,796**	**$ 233,455**

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

	Without Donor Restrictions	With Donor Restrictions Time or Purpose	With Donor Restrictions In Perpetuity	Total
Endowment net assets, December 31, 2017	$ 131,913	$ 79,197	$ 33,796	$ 244,906
Contributions	573	-	-	573
Investment return – investment Income and net appreciation	(6,003)	(2,937)	-	(8,940)
Appropriation of endowment assets for expenditure	(16,572)	(3,738)	-	(20,310)
Endowment net assets, December 31, 2018	$ 109,911	$ 72,523	$ 33,796	$ 216,229

13. Fund-Raising Event Direct Operating Costs

BGCA holds periodic fund-raising events and reports the revenues generated, net of any direct operating costs, as revenue, gains, and other support in the accompanying consolidated statements of activities. These direct operating costs during 2019 and 2018 are as follows:

	2019	2018
Supplies	**$ 159**	$ 73
Printing	**97**	100
Postage	**10**	6
Travel	**97**	67
Banquets and space rental	**2,493**	1,889
Entertainment, event management, and speakers	**774**	859
	$ 3,630	$ 2,994

14. Leases

BGCA is obligated under noncancelable long-term operating leases for rental of office facilities and equipment, as follows:

Years ending December 31:		
2021		**367**
2022		**377**
2023		**391**
2024		**400**
2025 and thereafter		**1,553**
	$	**3,089**

Rental expense under operating leases totaled approximately $656 and $668 for the years ended December 31, 2019 and 2018, respectively.

BGCA leases a portion of its National Office facility to outside tenants. Rental income to be received in future periods under current lease and sub-lease arrangements is as follows:

Years ending December 31:		
2020	**$**	**1,157**
2021		**1,124**
2022		**1,091**
2023		**1,091**
2024		**419**
	$	**4,882**

Rental income totaled approximately $1,135 and $1,143 for the years ended December 31, 2019 and 2018, respectively.

15. Obligations for Custodial Funds

BGCA has custody of certain assets that are being held and disbursed only on instructions of the person or organization from which they were received. These custodial funds and related obligations are included in the accompanying consolidated statements of financial position; however, additions to/disbursements from these funds are not considered part of BGCA's operations.

The changes in custodial funds for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Net gains (losses) on investments and other receipts	$ 2,129	$ (637)
Disbursements	(1,065)	(543)
Net change for the year	1,064	(1,180)
Assets held in custody for others:		
Beginning of year	11,774	12,954
End of year	$ 12,838	$ 11,774

16. Fair Value Measurements

BGCA applies ASC No. 820, *Fair Value Measurement*, for fair value measurements of financial and nonfinancial assets and financial liabilities. BGCA's estimates of fair value for financial assets and liabilities are based on the framework established in ASC No. 820, which considers the inputs used in valuation, gives the highest priority to quoted prices in active markets, and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the ASC No. 820 hierarchy is based on whether the significant inputs relative to the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect BGCA's significant market assumptions. The three levels of the hierarchy are further described as follows:

Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities in accessible and active markets.

Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets that are either directly or indirectly observable. Examples include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 – Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets or liabilities. Level 3 investments comprise primarily alternative investments, which are not readily marketable.

The majority of BGCA's investments are held through limited partnerships for which the fair value is estimated using the Net Asset Value (NAV) reported by the investment managers as a practical expedient. In accordance with ASU 2015-07 *Fair Value Measurement*, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The carrying amounts presented are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

The carrying amounts of membership dues and grants receivable, split interest agreements, accounts payable and accrued expenses, and annuities payable (all classified largely as Level 1 within the fair value hierarchy described above) approximate fair value because of the relative terms and/or short maturity of these financial instruments. Contributions receivable are initially measured at fair value in the year the receivable is recorded based on the present value of the estimated future cash flows discounted at a rate that reflects the risks inherent in those cash flows, which is an application of the income approach. Current year gifts included in contributions receivable reflected at fair value were approximately $44.1 million and $39.3 million at December 31, 2019 and 2018, respectively, and are classified as Level 3 in the fair value hierarchy. Cash and cash equivalents, investments, assets held in custody for others, and assets held in deferred compensation accounts are reflected in the accompanying consolidated financial statements at fair value. The carrying amounts of obligations for custodial funds, and the liability under deferred compensation agreements are recorded at the fair value of the underlying assets.

As required by ASC No. 820, financial instruments recorded at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The following is a summary of BGCA's financial instruments within the fair value hierarchy as of December 31, 2019 and 2018:

	2019						
	Investments Measured At NAV	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Notice Period
Assets:							
Recurring:							
Cash and cash equivalents	$ -	$ 12,521	$ -	$ -	$ 12,521	Daily	None
Investments, and assets held in custody for others:							
Short-term investments	$ -	$ 45,847	$ -	$ -	$ 45,847	Daily	None
Fixed income:							
Mutual funds	-	1,001	-	-	1,001	Daily	None
Other securities	-	-	18,360	-	18,360	Monthly	5 Days
Corporate stocks	-	82,692	-	-	82,692	Daily	None
Community foundation	-	-	-	46	46	At Foundation Discretion	At Foundation Discretion
Alternative investments:							
Private equity	20,131	-	-	-	20,131	At Discretion of GP	At Discretion of GP
Credit/distressed hedge funds	4,880	-	-	-	4,880	Quarterly or Bi-annually	45-90 Days
Multi-strategy hedge funds	113,863	-	-	-	113,863	Annually or Quarterly	65-105 Days
Total investments and assets held in custody for others	$ 138,874	$ 129,540	$ 18,360	$ 46	$ 286,820		
Assets held in deferred compensation accounts	$ -	$ 1,905	$ -	$ -	$ 1,905	Daily	None

	2018						
	Investments Measured At NAV	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Notice Period
Assets:							
Recurring:							
Cash and cash equivalents	$ -	$ 10,007	$ -	$ -	$ 10,007	Daily	None
Investments, and assets held in custody for others:							
Short-term investments	$ -	$ 37,898	$ -	$ -	$ 37,898	Daily	None
U.S. Treasuries	-	-	-	-	-	30-60 Days	None
Fixed income:							
Mutual funds	-	577	-	-	577	Daily	None
Fixed income securities	-	-	17,191	-	17,191	Monthly	5 Days
Corporate stocks	-	83,006	-	-	83,006	Daily	None
Community foundation	-	-	-	47	47	At Foundation Discretion	At Foundation Discretion
Alternative investments:							
Private equity	14,136	-	-	-	14,136	At Discretion of GP	At Discretion of GP
Credit/distressed hedge funds	11,603	-	-	-	11,603	Quarterly or Bi-annually	45-90 Days
Multi-strategy hedge funds	106,247	-	-	-	106,247	Annually or Quarterly	65-105 Days
Total investments and assets held in custody for others	$ 131,986	$ 121,481	$ 17,191	$ 47	$ 270,705		
Assets held in deferred compensation accounts	$ -	$ 2,159	$ -	$ -	$ 2,159	Daily	None

The following is a description of the valuation methodologies and inputs used for alternative investments recorded at NAV.

Private Equity

This class includes a fund of funds that invests in private equity funds making investments in the U.S. across a broad range of industries and company sizes. These investments cannot be redeemed at the investor's request. Instead, the nature of the investments in this class is such that distributions are received through the liquidation of the underlying assets of the fund. The fair value of these investments has been estimated using the net asset value per share of the investment as a practical expedient to estimate fair value.

Credit/Distressed

This class includes investments in funds that buy bonds or structured credit products expected to appreciate in value and short those they expect to decline in value. These managers will invest in corporate bonds, structured products, bank loans and fixed income derivatives. Distressed-debt managers typically focus on bonds and bank loans trading at a significant discount to par value as a result of the debtor company's troubled financial condition. These managers may become actively involved in company reorganization and bankruptcy committees and may also buy bonds with the expectation that they will be converted to equity. The fair value of these investments has been determined to be the net asset value per share of the investments. Investments representing 7% of this class cannot be redeemed due to liquidity restrictions and will be distributed at the managers' discretion.

Multi-Strategy

This class includes investments in funds that invest in different strategies, shifting capital among them according to their profitability. These managers employ event driven and diversified strategies, seeking to generate risk-adjusted returns across business and market cycles. In addition, they may also engage in other areas, such as private placements, insurance and real estate. The term open mandate is sometimes used synonymously with multi-strategy. The fair value of these investments has been determined to be the net asset value per share of the investments. Investments representing 5% of this class cannot be redeemed due to liquidity restrictions and will be distributed at the managers' discretion.

17. Commitments and Contingencies

Financial

In July 2017, BGCA secured a Line of Credit with SunTrust Bank for $10,000 with a one-year maturity date. The line of credit will assist with BGCA's working capital needs. There were no borrowings against the line during 2019 and 2018. During 2019, BGCA canceled the line of credit.

Legal Matters

BGCA is subject to claims and legal actions arising in the ordinary course of business. In the opinion of management, the outcome of such actions will not have a material adverse effect on the financial position of BGCA.

Federal Financial Assistance

Federally funded programs are routinely subject to special audits that could result in claims against the resources of BGCA. Management does not believe that there will be any claims arising from such audits that could have a material adverse effect on the financial position of BGCA.

18. Subsequent Events

BGCA evaluated events subsequent to December 31, 2019 and through May 19, 2020, the date on which the consolidated financial statements were available for issuance and determined that all significant events and disclosures are included in the consolidated financial statements.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on BGCA's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, BGCA is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

With the outbreak, the children and communities served by the non-profit industry have experienced an increased demand for assistance. BGCA, while complying with government mandates, is partnering with many state and local officials to continue to serve children and families during the crisis.

Financially, the outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown, which has impacted BGCA's investment values. BGCA's financial statements do not include adjustments to fair market value that have resulted from these declines. Also, cash flows from contributions may slow and the BGCA's contributions receivable may be impacted as well, as donors also face financial uncertainty. To assist with the uncertainty, BGCA is pursuing a 364-day revolving line of credit for borrowings up to $30,000 in May 2020.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2020.

Supplementary Information

Schedule 1

Boys & Girls Clubs of America - National Organization (Excluding Subsidiary Organizations)

Statements of Financial Position

(in thousands)

December 31,		2019		2018
Assets				
Cash and cash equivalents	**$**	**2,601**	$	2,402
Investments		**273,982**		258,931
Assets held in custody for others		**12,838**		11,774
Membership dues, net		**341**		1,487
Grants receivable, net		**1,068**		3,841
Contributions receivable, net		**59,342**		60,010
Assets held in deferred compensation accounts		**1,905**		2,159
Split interest agreements		**3,072**		3,029
Land, buildings, and equipment, net		**27,071**		26,008
Other assets		**2,403**		2,884
Total assets	**$**	**384,623**	$	372,525
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	**$**	**22,667**	$	26,979
Obligations for custodial funds		**12,838**		11,774
Liability under deferred compensation agreements		**1,905**		2,159
Annuities payable		**2,534**		2,446
Total liabilities		**39,944**		43,358
Net assets:				
Without donor restrictions		**140,581**		138,182
With donor restrictions		**204,098**		190,985
Total net assets		**344,679**		329,167
Total liabilities and net assets	**$**	**384,623**	$	372,525

See accompanying independent auditor's report.

Boys & Girls Clubs of America - National Organization
(Excluding Subsidiary Organizations)

Statement of Activities
(in thousands)

Years Ended December 31,	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total	2018 Without Donor Restrictions	2018 With Donor Restrictions	2018 Total
Changes in Net Assets:						
Revenue, gains, and other support:						
Contributions	$ 8,267	$ 84,398	$ 92,665	$ 25,053	$ 80,411	$ 105,464
Contributions in-kind	592	-	592	465	-	465
Government grants and contracts (includes pass through to clubs for 2019 and 2018 of $20,765 and $20,611, respectively)	23,456	-	23,456	28,124	-	28,124
Income from funds held in trust by others	-	1,554	1,554	155	1,395	1,550
Fund raising events:						
Revenue generated	8,816	293	9,109	8,928	996	9,924
Less direct operating costs	(3,435)	-	(3,435)	(2,972)	-	(2,972)
Fund-raising events revenue in excess of direct costs	5,381	293	5,674	5,956	996	6,952
Member organization dues	8,424	-	8,424	7,487	-	7,487
Investment return, net	17,688	19,435	37,123	(6,009)	(3,314)	(9,323)
Other revenues	1,764	73	1,837	1,623	49	1,672
Total revenue and gains	65,572	105,753	171,325	62,854	79,537	142,391
Net assets released from restrictions:						
Satisfaction of program restrictions	87,231	(87,231)	-	77,135	(77,135)	-
Expirations of time restrictions	5,409	(5,409)	-	4,303	(4,303)	-
Total net assets released from restrictions	92,640	(92,640)	-	81,438	(81,438)	-
Total revenue, gains, and other support	158,212	13,113	171,325	144,292	(1,901)	142,391
Expenses and losses:						
On-site assistance to member clubs and establishment of new clubs	86,466	-	86,466	92,729	-	92,729
Leadership training, development, and support of youth programs	41,462	-	41,462	46,303	-	46,303
Management and general	9,384	-	9,384	12,110	-	12,110
Fund-raising	18,501	-	18,501	17,033	-	17,033
Total expenses and losses	155,813	-	155,813	168,175	-	168,175
Changes in net assets before transfers	2,399	13,113	15,512	(23,883)	(1,901)	(25,784)
Change in net assets	2,399	13,113	15,512	(23,883)	(1,901)	(25,784)
Net assets at beginning of year	138,182	190,985	329,167	162,065	192,886	354,951
Net assets at end of year	$ 140,581	$ 204,098	$ 344,679	$ 138,182	$ 190,985	$ 329,167

See accompanying independent auditor's report.

Boys & Girls Clubs of America - National Organization
(Excluding Subsidiary Organizations)

Statements of Cash Flows

(in thousands)

Years Ended December 31,	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	$ **15,512**	$ (25,784)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**1,133**	1,084
Net realized and unrealized gains on investments	**(35,437)**	11,011
In-kind contributions of assets	**(592)**	(465)
Change in membership dues	**1,146**	187
Change in grants receivable	**2,773**	(274)
Change in contributions receivable	**1,838**	(2,243)
Change in contributions receivable allowance	**(1,170)**	617
Change in split interest agreements	**(43)**	415
Change in other assets	**481**	(67)
Change in accounts payable and accrued expenses	**(4,312)**	(4,914)
Change in annuities payable	**235**	(145)
Net cash used in operating activities	**(18,436)**	(20,578)
Cash Flows from Investing Activities:		
Proceeds from sales of investments	**42,323**	120,822
Purchase of investments	**(21,344)**	(112,881)
Purchases of property and equipment	**(2,196)**	(97)
Net cash provided by investing activities	**18,783**	7,844
Cash Flows from Financing Activities:		
Payments to life income beneficiaries	**(147)**	(145)
Net increase (decrease) in cash and cash equivalents	**199**	(12,879)
Cash and cash equivalents at beginning of year	**2,402**	15,281
Cash and cash equivalents at end of year	$ **2,601**	$ 2,402
Supplemental disclosure:		
Cash paid for taxes	$ **319**	275
In-kind gifts – investments	**592**	465

See accompanying independent auditor's report.

Boys & Girls Clubs of America - National Organization
(Excluding Subsidiary Organizations)

Statement of Functional Expenses

(in thousands)

Year Ended December 31, 2019	Program Services: Assistance to Member Clubs and Establishment of New Clubs	Program Services: Leadership Training, Development, and Support of Youth Programs	Program Services: Total Program Services	Supporting Services: Management and General	Supporting Services: Fund-raising	Supporting Services: Total Supporting Services	Total Expenses
Salaries	$ 28,692	$ 7,361	$ 36,053	$ 4,983	$ 7,646	$ 12,629	$ 48,682
Benefits	5,053	1,327	6,380	1,273	1,147	2,420	8,800
Payroll taxes	2,136	535	2,671	264	545	809	3,480
Total salaries and related expenses	35,881	9,223	45,104	6,520	9,338	15,858	60,962
Contractual services	8,166	2,099	10,265	2,379	4,674	7,053	17,318
Supplies	2,209	182	2,391	87	141	228	2,619
Telephone	494	97	591	57	105	162	753
Postage and shipping	245	26	271	92	832	924	1,195
Occupancy	1,532	352	1,884	306	537	843	2,727
Printing and artwork	365	131	496	105	1,166	1,271	1,767
Travel	4,049	871	4,920	218	746	964	5,884
Training conferences	3,203	1,699	4,902	225	312	537	5,439
Membership dues	25	4	29	48	3	51	80
Passthrough funds to member orgs	29,356	26,267	55,623	-	-	-	55,623
Miscellaneous	463	316	779	(911)	445	(466)	313
Depreciation	478	195	673	258	202	460	1,133
Total expenses	$ 86,466	$ 41,462	$ 127,928	$ 9,384	$ 18,501	$ 27,885	$ 155,813

See accompanying independent auditor's report.

Boys & Girls Clubs of America - National Organization
(Excluding Subsidiary Organizations)

Statement of Functional Expenses

(in thousands)

Year Ended December 31, 2018	Program Services: Assistance to Member Clubs and Establishment of New Clubs	Program Services: Leadership Training, Development, and Support of Youth Programs	Program Services: Total Program Services	Supporting Services: Management and General	Supporting Services: Fund-raising	Supporting Services: Total Supporting Services	Total Expenses
Salaries	$ 26,798	$ 7,154	$ 33,952	$ 6,255	$ 7,700	$ 13,955	$ 47,907
Benefits	4,858	1,361	6,219	1,110	1,185	2,295	8,514
Payroll taxes	1,938	517	2,455	391	536	927	3,382
Total salaries and related expenses	33,594	9,032	42,626	7,756	9,421	17,177	59,803
Contractual services	11,466	3,087	14,553	2,109	3,752	5,861	20,414
Supplies	2,773	541	3,314	95	105	200	3,514
Telephone	440	93	533	138	111	249	782
Postage and shipping	406	113	519	159	1,027	1,186	1,705
Occupancy	1,205	429	1,634	552	513	1,065	2,699
Printing and artwork	561	375	936	48	979	1,027	1,963
Travel	4,592	770	5,362	285	593	878	6,240
Training conferences	3,347	676	4,023	570	259	829	4,852
Membership dues	27	22	49	60	3	63	112
Passthrough funds to member orgs	33,220	30,742	63,962	-	-	-	63,962
Miscellaneous	690	231	921	43	81	124	1,045
Depreciation	408	192	600	295	189	484	1,084
Total expenses	$ 92,729	$ 46,303	$ 139,032	$ 12,110	$ 17,033	$ 29,143	$ 168,175

See accompanying independent auditor's report.