

**BOYS & GIRLS  
CLUB OF HARLEM, INC.**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**DECEMBER 31, 2018**

**BOYS & GIRLS CLUB OF HARLEM, INC.**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 – 11



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**Independent Auditor's Report**

To the Board of Directors of  
Boys & Girls Club of Harlem, Inc.

***Report on the Financial Statements***

We have audited the accompanying financial statements of Boys & Girls Club of Harlem, Inc. which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, cash flows, and functional expenses 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Club of Harlem, 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 Boys & Girls Club of Harlem, Inc.'s December 31, 2017 financial statements and expressed an unmodified opinion dated September 24, 2018 on those financial statements. 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.

***Report on Other Legal and Regulatory Requirements***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, on our consideration of Boys & Girls Club of Harlem, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



November 14, 2019

BOYS & GIRLS CLUB OF HARLEM, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018 and 2017

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
Cash	\$ 96,569	\$ 52,051
Investments, at market	2,218,563	3,501,314
Grants and contract receivables	140,009	273,827
Other receivables	-	175
Deposits	7,745	7,745
Fixed assets, net	438,898	455,672
Total assets	<u>\$ 2,901,784</u>	<u>\$ 4,290,784</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable & accrued expenses	\$ 74,577	\$ 119,930
Accrued salaries	-	14,280
Fiscal Sponsorship	42,750	-
Contract Advances	-	7,522
Line of Credit	-	551,440
Total liabilities	<u>117,327</u>	<u>693,172</u>
 <b>Net assets without donor restrictions</b>	 <u>2,784,457</u>	 <u>3,597,612</u>
Total liabilities and net assets	<u>\$ 2,901,784</u>	<u>\$ 4,290,784</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF HARLEM, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018  
(with summarized financial information for December 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>Revenues and Other Support</b>		
Institutional support	\$ 455,983	\$ 221,139
Government contracts	261,904	194,238
Contributions	104,058	56,283
Program fees	141,487	131,620
Special events, net	53,563	51,398
Investment return, net of fees	(61,631)	216,086
Other income	11,585	34,885
Total revenues and other support	<u>966,949</u>	<u>905,649</u>
<b>Expenses</b>		
Program services	<u>1,383,838</u>	<u>898,003</u>
<b>Support Services:</b>		
Management and General	280,859	243,661
Fundraising	115,407	141,632
Total support services	<u>396,266</u>	<u>385,293</u>
Total expenses	<u>1,780,104</u>	<u>1,283,296</u>
<b>Change in Operating Net Assets</b>	<u>(813,155)</u>	<u>(377,647)</u>
Net Assets - Beginning of year	<u>3,597,612</u>	<u>3,975,259</u>
<b>Net Assets - End of year</b>	<u>\$ 2,784,457</u>	<u>\$ 3,597,612</u>

The accompanying notes are an integral part of these financial statements

BOYS & GIRLS CLUB OF HARLEM, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(with summarized financial information for December 31,2017)

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (813,155)	\$ (377,647)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization expense	88,991	77,500
Investment return losses/(gains)	61,631	(216,086)
<b>(Increase)/Decrease in operating assets</b>		
Due from Developer	-	750,000
Grants receivable	133,818	(36,859)
Other receivables	175	70,007
Prepaid expenses	-	2,910
<b>Increase/(Decrease) in operating liabilities</b>		
Accounts payable and accrued expenses	(45,353)	(73,261)
Accrued salaries	(14,280)	(2,323)
Fiscal Sponsorship	42,750	-
Contract Advances	(7,522)	7,522
Net cash (used) provided by operating activities	<u>(552,945)</u>	<u>201,763</u>
<b>Cash Flows from Investing Activities</b>		
Deposits refunded (made)	-	6
Purchase of investments	-	(475,672)
Sales of investments	1,221,120	194,090
Purchase of fixed assets	(72,217)	(28,285)
Net cash provided (used) by financing activities	<u>1,148,903</u>	<u>(309,861)</u>
<b>Cash Flows from Financing Activities</b>		
(Payment of) Drawdowns from Line of Credit	(551,440)	98,030
Net cash (used) provided by financing activities	<u>(551,440)</u>	<u>98,030</u>
<b>Net change in cash</b>	<b>44,518</b>	<b>(10,068)</b>
Cash - beginning of year	<u>52,051</u>	<u>62,119</u>
<b>Cash - end of year</b>	<u><b>\$ 96,569</b></u>	<u><b>\$ 52,051</b></u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	<u><b>\$ 12,672</b></u>	<u><b>\$ 10,918</b></u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF HARLEM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018  
(with summarized financial information for December 31,2017)

	Program Services	Support Services				2018 Total expenses	2017 Total expenses
		Management & General	Fund-raising	Direct Benefits to Donors	Total Supporting expenses		
<b>Personnel Services</b>							
Salaries	\$ 539,667	\$ 133,134	\$ 37,045	\$ -	\$ 170,179	\$ 709,846	\$ 449,574
Payroll taxes	88,629	7,143	7,851	-	14,994	103,623	31,029
Fringe benefits	3,436	277	305	-	582	4,018	66,657
Total personnel services	631,732	140,554	45,201	-	185,755	817,487	547,260
<b>Other Than Personnel Services</b>							
Contracted services	124,525	-	-	21,520	21,520	146,045	165,637
Program activities expenses	254,768	8,603	1,978	-	10,581	265,349	91,781
Professional fees	48,393	30,000	38,948	-	68,948	117,341	151,723
Investment fees	-	38,861	-	-	38,861	38,861	36,014
Occupancy	95,162	7,669	8,430	-	16,099	111,261	98,657
Consumable supplies	8,709	702	771	-	1,473	10,182	16,174
Insurance	37,279	3,005	3,302	-	6,307	43,586	21,470
Conferences, travel & meetings	23,290	1,877	2,063	-	3,940	27,230	38,269
Equipment, website and software	18,691	1,506	1,656	-	3,162	21,853	40,370
Dues, licenses and permits	53,760	24,541	4,762	-	29,303	83,063	12,087
Bank and merchant fees	-	3,287	-	-	3,287	3,287	4,956
Miscellaneous	11,415	1,448	1,553	-	3,001	14,416	-
Interest expense	-	12,672	-	-	12,672	12,672	10,918
Total functional expenses before depreciation and amortization	675,992	134,171	63,463	21,520	219,154	895,146	688,056
Depreciation and amortization	76,114	6,134	6,743	-	12,877	88,991	77,500
Less: Special events costs	-	-	-	(21,520)	(21,520)	(21,520)	(29,520)
Total expenses	\$ 1,383,838	\$ 280,859	\$ 115,407	\$ -	\$ 396,266	\$ 1,780,104	\$ 1,283,296

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF HARLEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Boys & Girls Club of Harlem, Inc. was incorporated in the State of New York in 1980 as a Not-for-Profit Corporation.

The organization operates after-school and summer programs with a focus on academic enrichment, job and life skills training, character and leadership development as well as recreational opportunities. Community partners, school administrators and guidance counselors as well as juvenile justice professionals refer youths to the programs of the club.

The following is a summary of the more significant accounting policies:

**Basis of Accounting**

The financial statements of Boys & Girls Club of Harlem, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivable, payables, and other liabilities.

**Basis of Presentation**

The financial statements presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-225), Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-225, and the FASB Accounting Standards Update 2016-14, the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Income Taxes**

Boys & Girls Club of Harlem, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the organization has made no provision for federal income taxes in the accompanying financial statements.

**Fixed Assets**

Fixed assets are recorded at cost, if purchased, or fair value at date of gift, if donated. The organization capitalizes all purchases of fixed assets in excess of \$1,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets or, in the case of leasehold improvements, over the life of the lease, if shorter.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Functional allocations**

The costs of providing services for the organization's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs, and supporting services.

BOYS & GIRLS CLUB OF HARLEM  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that estimates certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassification**

Certain line items in the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation.

**Investments**

Investments are reported at fair value in the statement of financial position. The statement of activities includes investment return comprising interest, dividend, realized and unrealized gains and losses.

**Concentration of Credit**

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

**NOTE 2 INVESTMENTS**

Investments comprise the following at December 31:

Domestic Fixed income	<b>\$1,471,050</b>
International Fixed income	<b>74,468</b>
Domestic Equities	<b>395,283</b>
International Equities	<b>147,842</b>
Alternative Investments	<b>110,027</b>
Cash & Equivalents	<b>19,893</b>
	<b><u>\$2,218,563</u></b>

The organization is invested in a mix of assets, which is recorded at fair market value based on quoted market prices. Investments are subject to market volatility that could change their carrying values substantially in the near term.

Earnings from investments consist of the following for the year ended December 31:

Earnings from investment:

Dividends	<b>\$ 80,672</b>
Net realized and unrealized gain (loss)	<b><u>(142,303)</u></b>
	<b><u>\$ (61,631)</u></b>

**NOTE 3 FAIR VALUE MEASUREMENTS**

In determining fair value, the organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its assessment of fair value. The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

BOYS & GIRLS CLUB OF HARLEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 3 FAIR VALUE MEASUREMENTS - continued**

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in bonds, closed-end equities mutual funds and certain alternative investments are valued using quoted prices in inactive markets (Level 2). Level 2 instruments valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data. Financial instruments classified as Level 3 in the fair value hierarchy represent the organization's investments in financial instruments in which the organization has used at least one significant unobservable input in the valuation model. The organization was invested in cash, fixed income, equities and alternative investments as of December 31, 2018. Below are the valuation techniques used by the organization to measure different financial instruments at fair value.

Marketable equity securities and money market funds listed on a national securities exchange are stated at the last reported sales or trade price on the day of valuation.

Marketable debt securities, U.S. government debt, and non-U.S. government debt are valued based on the last reported bid or evaluation provided by broker-dealers.

Alternative investments are stated at fair value based on an unquoted market. Fair value of these assets is based, in part, on valuations provided by the sponsors and/or managers of these instruments.

Financial assets carried at fair value as classified:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic Fixed income	\$ -	\$ 1,471,050	\$ -	\$ 1,471,050
International Fixed income	-	74,468	-	74,468
Domestic Equities	395,283	-	-	395,283
International Equities	147,842	-	-	147,842
Alternative Investments	-	-	110,027	110,027
Cash & Equivalents	19,893	-	-	19,893
	<u>\$ 563,018</u>	<u>\$ 1,545,518</u>	<u>\$ 110,027</u>	<u>\$ 2,218,563</u>

The following table presents a reconciliation of activity for the Level 3 instruments at December 31.

Balance at January 1, 2018	\$ 159,795
Redemptions	(44,784)
Income (loss)	(3,057)
Investment fees	<u>(1,927)</u>
Balance at December 31, 2018	<u>\$ 110,027</u>

BOYS & GIRLS CLUB OF HARLEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 5 GRANTS RECEIVABLE**

The Boys & Girls Club of Harlem is the recipient of several grant awards from various institutional supporters. The following amounts reflect grants awarded during the year and unpaid at December 31, 2017:

<b>Grants receivable</b>	<b>2018</b>
Due in one year or less	<u>\$ 140,009</u>
	<u>\$ 140,009</u>

**NOTE 6 FIXED ASSETS**

	<b>2018</b>
Kitchen equipment	\$ 164,745
Other equipment	311,018
Leasehold improvements	<u>141,523</u>
Total depreciable assets	617,286
Less accumulated depreciation	<u>(178,388)</u>
	<u>\$ 438,898</u>

Kitchen and Sound equipment are depreciated over their useful lives, which range between five and seven years. Other equipment is amortized over 15 years.

**NOTE 7 LINE OF CREDIT**

The Boys & Girls Club of Harlem entered into a SEC Backed Lending revolving line-of-credit (LOC) agreement on September 30, 2017 to lease various computer and office equipment. The LOC is available up to \$800,000, of which the Club has used \$0 as of December 31, 2018. The Club is using its investments to collateralize the LOC and the LOC carries an interest rate of 3.5%.

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

In accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes”, which provides standards for establishing and classifying any tax provisions for uncertain tax positions, the organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2015 and subsequent remain subject to examination by applicable taxing authorities.

**NOTE 9 FISCAL SPONSORSHIP**

During 2018, Boys & Girls Club of Harlem entered into an arrangement to provide fiscal sponsorship services to two local organizations, Bridge Lab and Harlem Renaissance Education Pipeline, that have not yet been recognized as tax-exempt under Internal Revenue Code Section 501(c)(3). As fiscal sponsor, Boys & Girls Club of Harlem provides fiduciary oversight, financial management, and other administrative services on behalf of these two charitable projects.

BOYS & GIRLS CLUB OF HARLEM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 10 AVAILABLE RESOURCES AND LIQUIDITY**

Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* requires organizations to disclose both qualitative and quantitative information about how the entity manages its liquid resources.

Boys & Girls Club of Harlem regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and lines of credit

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the organization considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the organization strives to maintain a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the organization's cash.

As of December 31, 2018, the following table show the total financial assets held by the organization and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

**Financial assets at year-end**

Cash and cash equivalents	\$ 96,569
Grants and contract receivable, net	140,009
Investments convertible to cash within 12 months	2,218,563
Other long-term investment	<u>446,643</u>
Total financial assets at year-end	<u>\$ 2,901,784</u>

**NOTE 11 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 14, 2019, the date which 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.