The Boys and Girls Clubs of Boston, Inc.

Financial Report
June 30, 2019

Contents

RSM US LLP

Independent Auditor's Report

To the Board of Directors
The Boys and Girls Clubs of Boston, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Boys and Girls Clubs of Boston, Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter
As discussed in Note 1, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and disclosures relating to net assets. The adoption was retrospectively applied to July 1, 2017; the earliest year presented. Our opinion is not modified with respect to this matter.

RSM US LLP

Boston, Massachusetts
November 14, 2019

The Boys and Girls Clubs of Boston, Inc.

Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	**$ 1,374,226**	$ 3,837,595
Reimbursable program grant expenditures	**246,412**	364,524
Other receivables	**2,007,850**	1,472,142
Prepaid expenses and other assets	**571,343**	538,946
Pledges receivable, net	**14,564,474**	6,342,953
Beneficial interest in charitable trusts	**914,313**	1,262,405
Restricted cash and cash equivalents	**2,163,924**	3,223,072
Long-term investments	**65,510,452**	63,037,996
Other long-term assets	**451,074**	152,514
Land, buildings and equipment, net	**30,422,226**	31,735,575
Total assets	**$ 118,226,294**	$ 111,967,722
Liabilities and Net Assets		
Accounts payable	**$ 528,279**	$ 546,132
Accrued expenses	**1,258,422**	1,289,191
Deferred revenue	**359,802**	409,621
Total liabilities	**2,146,503**	2,244,944
Net assets:		
Without donor restrictions	**33,234,786**	33,656,328
With donor restrictions	**82,845,005**	76,066,450
Total net assets	**116,079,791**	109,722,778
Total liabilities and net assets	**$ 118,226,294**	$ 111,967,722

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Activities
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without donor Restrictions	**With donor Restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Operating activities:						
Revenues, gains and other support:						
United Way contributions	**$ 419,814**	**$ -**	**$ 419,814**	$ 521,649	$ -	$ 521,649
Contributions	**12,660,040**	**8,367,439**	**21,027,479**	12,122,302	4,725,258	16,847,560
Grants, vouchers and contracts from governmental agencies	**1,852,266**	**-**	**1,852,266**	1,756,198	-	1,756,198
Parent fees, member dues, and club camp fees	**755,636**	**-**	**755,636**	656,737	-	656,737
Gifts-in-kind	**333,902**	**-**	**333,902**	435,629	-	435,629
Service and other income	**300,529**	**-**	**300,529**	296,647	-	296,647
Appropriation of investment return on long-term investments	**2,475,000**	**-**	**2,475,000**	2,208,000	-	2,208,000
Net assets released from restrictions	**6,439,065**	**(6,439,065)**	**-**	6,926,019	(6,926,019)	-
Total revenues, gains and other support	**25,236,252**	**1,928,374**	**27,164,626**	24,923,181	(2,200,761)	22,722,420
Operating expenses:						
Program services	**17,361,566**	**-**	**17,361,566**	17,157,290	-	17,157,290
Management and general	**2,647,474**	**-**	**2,647,474**	2,575,346	-	2,575,346
Fundraising	**4,137,572**	**-**	**4,137,572**	3,970,983	-	3,970,983
Total operating expenses before depreciation	**24,146,612**	**-**	**24,146,612**	23,703,619	-	23,703,619
Income (loss) from operations before depreciation	**1,089,640**	**1,928,374**	**3,018,014**	1,219,562	(2,200,761)	(981,199)
Depreciation expense	**2,192,492**	**-**	**2,192,492**	2,168,544	-	2,168,544
Income (loss) from operations	**(1,102,852)**	**1,928,374**	**825,522**	(948,982)	(2,200,761)	(3,149,743)
Non-operating activities:						
Contributions restricted for long term purposes	**-**	**5,658,187**	**5,658,187**	-	3,331,727	3,331,727
Net assets released from restrictions (long term purposes)	**358,072**	**(358,072)**	**-**	25,683	(25,683)	-
Appropriation of investment return on long-term investments	**(201,332)**	**(2,273,668)**	**(2,475,000)**	(184,709)	(2,023,291)	(2,208,000)
Investment return, net	**172,647**	**1,809,751**	**1,982,398**	354,166	4,729,515	5,083,681
Change in split interest agreements	**-**	**13,983**	**13,983**	-	242,749	242,749
Capital grants	**352,300**	**-**	**352,300**	68,517	-	68,517
Comprehensive campaign expenses	**-**	**-**	**-**	(84,947)	-	(84,947)
Loss on disposal of buildings and equipment	**(377)**	**-**	**(377)**	(1,270)	-	(1,270)
Non-operating gains	**681,310**	**4,850,181**	**5,531,491**	177,440	6,255,017	6,432,457
Change in net assets	**(421,542)**	**6,778,555**	**6,357,013**	(771,542)	4,054,256	3,282,714
Net assets, beginning of year	**33,656,328**	**76,066,450**	**109,722,778**	34,427,870	72,012,194	106,440,064
Net assets, end of year	**$ 33,234,786**	**$ 82,845,005**	**$ 116,079,791**	$ 33,656,328	$ 76,066,450	$ 109,722,778

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Functional Expenses
Year Ended June 30, 2019

	2019						
	Freestanding Clubs	Shared Space & Dedicated Site Clubs	Youthconnect	Total Program Services	Management & General	Fundraising	Total Operating Expenses & Depreciation
Salaries and wages	$ 7,376,598	$ 1,410,905	$ 960,014	$ 9,747,517	$ 1,192,257	$ 2,050,717	$ 12,990,491
Payroll taxes and fringe benefits	1,783,173	355,338	238,467	2,376,978	279,971	490,924	3,147,873
Occupancy and rental equipment	1,795,603	202,342	40,885	2,038,830	568,186	347,262	2,954,278
Program and office expense	781,119	131,241	64,215	976,575	147,437	869,881	1,993,893
Professional fees and services	692,752	59,422	18,217	770,391	362,183	324,056	1,456,630
Meals and snacks	431,025	236,595	-	667,620	-	-	667,620
Travel and vehicle expense	527,903	33,658	11,556	573,117	16,963	22,971	613,051
Training and recruitment	151,503	26,521	32,514	210,538	11,380	31,761	253,679
Interest	-	-	-	-	69,097	-	69,097
Depreciation	2,017,461	108,355	-	2,125,816	66,676	-	2,192,492
Total expenses	**$ 15,557,137**	**$ 2,564,377**	**$ 1,365,868**	**$ 19,487,382**	**$ 2,714,150**	**$ 4,137,572**	**$ 26,339,104**

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Functional Expenses
Year Ended June 30, 2018

	2018						
	Freestanding Clubs	Shared Space & Dedicated Site Clubs	Youthconnect	Total Program Services	Management & General	Fundraising	Total Operating Expenses & Depreciation
Salaries and wages	$ 7,357,052	$ 1,334,243	$ 948,293	$ 9,639,588	$ 1,175,930	$ 1,794,334	$ 12,609,852
Payroll taxes and fringe benefits	1,766,343	303,073	231,235	2,300,651	264,499	413,520	2,978,670
Occupancy and rental equipment	1,669,080	170,594	38,510	1,878,184	518,221	288,016	2,684,421
Program and office expense	864,896	138,805	100,932	1,104,633	121,083	937,699	2,163,415
Professional fees and services	616,031	68,064	23,158	707,253	296,459	466,319	1,470,031
Meals and snacks	421,035	249,613	-	670,648	-	-	670,648
Travel and vehicle expense	476,464	43,354	11,951	531,769	13,744	48,573	594,086
Training and recruitment	238,812	46,977	38,775	324,564	21,418	22,522	368,504
Interest	-	-	-	-	163,992	-	163,992
Depreciation	1,966,546	104,090	-	2,070,636	97,908	-	2,168,544
Total expenses	**$ 15,376,259**	**$ 2,458,813**	**$ 1,392,854**	**$ 19,227,926**	**$ 2,673,254**	**$ 3,970,983**	**$ 25,872,163**

See notes to financial statements.

The Boys and Girls Clubs of Boston, Inc.

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ 6,357,013**	$ 3,282,714
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	**2,192,492**	2,168,544
Net change in allowance for uncollectible pledges	**83,485**	36,485
Net change in discount	**212,000**	54,000
Net realized and unrealized gains on investments	**(1,222,086)**	(3,879,513)
Loss on disposal of buildings and equipment	**377**	1,270
Distribution from beneficial interest in charitable trusts	**11,415**	25,683
Contributed property and equipment	**-**	(35,000)
Contributions restricted for long-term use	**(358,187)**	(3,316,171)
Change in split interest agreements	**(13,983)**	(242,749)
Donated securities	**(164,204)**	(196,695)
Proceeds from sale of donated securities	**161,423**	181,139
Changes in operating assets and liabilities:		
Pledges receivable (net of discount and allowance)	**(8,517,006)**	3,260,657
Reimbursable program grant expenditures	**118,112**	356,360
Other receivables	**(535,708)**	(1,262,387)
Prepaid expenses and other assets	**(32,397)**	(264,376)
Other long-term assets	**(298,560)**	(39,382)
Accounts payable	**(17,853)**	168,629
Accrued expenses	**(30,769)**	80,466
Deferred revenue	**(49,819)**	69,060
Total adjustments	**(8,461,268)**	(2,833,980)
Net cash (used in) provided by operating activities	**(2,104,255)**	448,734
Cash flows from investing activities:		
Purchase of building improvements and equipment	**(879,520)**	(599,974)
Proceeds from sale of investments	**11,808,803**	19,377,285
Purchase of investments	**(13,059,173)**	(23,434,780)
Net cash used in investing activities	**(2,129,890)**	(4,657,469)
Cash flows from financing activities:		
Contributions received for long-term use	**358,187**	3,316,171
Distribution from beneficial interest in charitable trusts	**350,660**	-
Proceeds from sale of donated securities	**2,781**	15,556
Net cash provided by financing activities	**711,628**	3,331,727
Net change in cash and cash equivalents	**(3,522,517)**	(877,008)
Cash and cash equivalents and restricted cash:		
Beginning of year	**7,060,667**	7,937,675
End of year	**$ 3,538,150**	$ 7,060,667
Non-cash operating activities:		
Gifts-in-kind	**$ 333,902**	$ 435,629
Donated securities	**$ 164,204**	$ 196,695
Interest income / interest expense on internal endowment loan	**$ 69,097**	$ 163,992

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of organization: The mission of The Boys and Girls Clubs of Boston, Inc. (the "Organization") is to help young people, especially those who need us most, build strong character and realize their full potential as responsible citizens and leaders. The Organization does this by providing a safe haven filled with hope and opportunity, ongoing relationships with caring adults and life-enhancing programs.

Basis of presentation: The Organization's financial statements have been prepared on the accrual basis of accounting and in accordance with accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB defines generally accepted accounting principles ("GAAP") to ensure financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification ("FASB ASC").

Classification and reporting of net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. The two classes of net assets – with donor restrictions and without donor restrictions – are based on the existence or absence of donor-imposed restrictions, either explicit or implicit. The two classifications are defined as follows:

- Without Donor Restrictions – net assets which are not subject to donor-imposed stipulations. Net assets without donor restrictions include expendable funds available for support of the Organization. In addition, net assets without donor restrictions include funds which represent resources designated by the Board of Directors (the "Board") for specific purposes.

- With Donor Restrictions – net assets subject to donor-imposed restrictions that require they be maintained in perpetuity or that permit the Organization to use or expend the donated assets as specified and are satisfied by either the passage of time or by actions of the Organization. Net assets with donor restrictions also include, under Massachusetts law, amounts, representing cumulative unexpended investment return on donor restricted endowment funds, which are subject to prudent appropriation by the Board in accordance with donor use restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions

Revenue recognition: Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or time restrictions. Expenses are reported as decreases in net assets without donor restrictions.

The Organization recognizes revenue when there is persuasive evidence of an arrangement, services have been rendered, the fee is fixed or determinable, and collectability is reasonably assured. Amounts billed or collected prior to satisfying the Organization's revenue recognition policy are reflected as deferred revenue.

The programs of the Organization are, in part, supported by contracts negotiated with various agencies of the Commonwealth of Massachusetts. Therefore, the Organization is subject to the regulations and rate formulas of the Massachusetts Executive Office for Administration and Finance Operational Services Division ("OSD").

Note 1. Summary of Significant Accounting Policies (Continued)

Excess of revenue over expenses from Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by the Organization for expenditures in accordance with its exempt purpose, provided such expenditures are reimbursable under the OSD's regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment, and are reported as a liability. There are no such liabilities as of June 30, 2019 and 2018, respectively.

Membership dues, parent fees and club camp fees are recognized as earned over the applicable membership period or camp term. Service and other income are recognized when the related service is performed.

Deferred revenue: Receipts from the Organization's summer programs have been deferred and will be recorded as revenue as the programs are completed and the related expenses are incurred.

Contributions: Contributions received, including unconditional promises to give, are initially recognized at fair value as revenues in the period the donor's commitments are received. Unconditional promises to give that are scheduled to be received in future periods are included in the financial statements as pledges receivable. Unconditional pledges receivable are recognized at the estimated net present value using a discount rate commensurate with the risk involved, and net of an allowance for uncollectible amounts. Amortization of the discount is recorded as contribution revenue in the appropriate net asset class. Conditional promises to give are recorded when donor stipulations are substantially met.

The methodology for calculating the allowance for uncollectible pledges includes management's review of individually significant outstanding pledges, analysis of the aging of payment schedules for all outstanding pledges, as well as other factors, including current economic conditions.

If the Organization receives updated information from a donor that a pledge is changed to a conditional pledge or intention to give, the Organization will write-off the remaining pledge in the period in which it is notified of such change. Additionally, periodically, the Organization may receive information from donors that results in a change in the net asset classification for the respective funds. These changes are recorded as change in donor intent on the statement of activities.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

The Organization reports contributions of land, building and equipment as net assets without donor restrictions, unless the donor places restrictions on their use. Contributions of cash or other assets used to acquire or construct long-lived assets are reported as net assets without donor restrictions to the extent the funds have been expended for the stipulated acquisition or construction and the related asset has been placed in service; otherwise the contributions are reported as net assets with donor restrictions and released when the assets are placed in service. .

Donated goods and services: The Organization receives support in the form of donated services. Donated services meeting the criteria for recognition, performed by trained professionals for services that would have been purchased if not donated, are recorded at their estimated fair market values at the time the services are rendered and are reflected in the financial statements as both revenues and expenses. Donated goods are also recorded at their estimated fair market values at the time the goods are provided and are reflected in the financial statements as both revenues and expenses.

Note 1. Summary of Significant Accounting Policies (Continued)

Investments: Investments in marketable securities, primarily mutual funds, are reported at fair value as established by major securities markets. Investments in nonmarketable investments (alternative investments) qualify to use the net asset value as a practical expedient in determining fair value and are reported at estimated fair value as reported by the respective investment manager. The estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. The Organization believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2019 and 2018.

The Organization utilizes a pooled investment fund basis of managing its investment portfolio. Realized gains and losses on investments are computed based on the average cost of each security sold and are allocated between net assets without donor restrictions and net assets with donor restrictions based on the fair value of pooled investments applicable to the respective net asset totals. Unless otherwise restricted by the donor or state law, investment return is recorded as increases (decreases) in net assets without donor restrictions. When a donor restriction exists, investment return is allocated based on the total balance of pooled investments applicable to the respective asset totals. Investment return is presented net of investment fees.

Investments, in general, are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and such changes could materially affect the statements of financial position and activities.

The Board has interpreted UPMIFA, as adopted by the Commonwealth of Massachusetts, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. Consistent with UPMIFA, the Organization is allowed to spend from underwater funds. As a result of this interpretation, the Organization 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.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the funds, the purposes of the Organization and the donor-restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Organization, and the investment policies of the Organization.

The Organization has adopted investment and spending policies for endowment assets which attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), cumulative investment gains on such funds which have not yet been appropriated by the Board of Directors, as well as board-designated endowment funds. Under this policy, as approved by the Board, the endowment assets provide a real total return over the long term in excess of the spend policy, to support operations.

Real total return is the sum of capital appreciation (or loss) and current income (dividends and interest) adjusted for inflation. Actual returns in any given year may vary.

Note 1. Summary of Significant Accounting Policies (Continued)

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

As approved by its Finance Committee, the Organization has a policy of appropriating for distribution each year 4.5 to 5 percent of its endowment fund's average fair value over the prior 12 quarters through the preceding fiscal year-end. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at the total return less the spend policy. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. An endowed fund will be classified as "underwater" if the market value of the fund at fiscal year-end falls below the fund's original gift value. Although MA UPMIFA does allow for spending from underwater endowment funds, it is the Organization's policy that in such cases, the spending rule still will be applied for purposes of quarterly calculations. However, at fiscal year-end if the market value of a fund remains underwater, the spending rule will not be applied to that fund, rather an equivalent amount will be taken from Board designated endowment funds in order to maintain the overall spending percentage approved for operations.

Based on its spending policy, a portion of the Organization's investment return is allocated to operations in accordance with the Organization's investment policies and procedures. During the years ended June 30, 2019 and 2018, the Board approved the appropriation of $2,475,000 and $2,208,000, respectively.

Beneficial interest in charitable trusts: The Organization is the beneficiary of a number of charitable trusts (split interest agreements), which are included in beneficial interest in charitable trusts on the statement of financial position. The Organization initially recognizes a contribution as well as an interest in the underlying investment from which a specified amount or percentage of the fair value of the trusts' assets or income each year is currently being paid to the Organization (perpetual trust) or to the donor or named beneficiary (remainder trust). Actuarial methods are used to calculate that portion of the investment representing the present value of the liability to the donor and that portion representing the contribution.

For agreements and trust assets maintained by an outside trustee, the Organization includes in the beneficial interest in charitable trusts the value of the estimated future benefits to be received when the assets are distributed. Adjustments to reflect the changes in the fair value of the investments, revaluation of the present value of the estimated future payments to the donors and or donors' stated beneficiaries, and changes in actuarial assumptions during the term of the trust are made to the beneficial interest in charitable trusts account and are recognized as change in split interest agreements in net assets with donor restrictions on the statement of activities.

Operating activities: Changes in net assets are classified as either operating activities or non-operating activities. Non-operating activities include investment return, net, change in split interest agreements, contributions restricted for long term purposes, net assets released from restrictions to support long term purposes, appropriation of investment return on long-term investments, capital grants, comprehensive campaign expenses, and loss on disposal of buildings and equipment. All other activities that are deemed by management to be ongoing, major and central to operations are reported as operating revenues and expenses.

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: The Organization maintains some of its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents. The Organization considers all highly liquid investments with a maturity of three months or less, when acquired, to be cash equivalents.

The following table provides a reconciliation of cash and cash equivalents and restricted cash and cash equivalents reported within the statements of financial position that sum to the total of such amounts shown in the statements of cash flows as of June 30:

	2019	2018
Cash and cash equivalents	$ 1,374,226	$ 3,837,595
Restricted cash and cash equivalents	2,163,924	3,223,072
Total cash and cash equivalents and restricted cash	$ 3,538,150	$ 7,060,667

Restricted cash and cash equivalents: Restricted cash and cash equivalents include amounts that have been received from donors which are unspent and restricted for the purchases of building improvements and equipment or not yet invested in the endowment.

Accounts receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by reviewing the age of the receivable and based on collection history. There was no allowance for doubtful accounts at June 30, 2019 and 2018. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as revenue when received.

Land, buildings and equipment: Land, buildings and equipment are reported at cost, at the date of acquisition, or fair value, at the date of donation, in the case of a gift. Provisions for depreciation are computed on a straight-line basis over the estimated useful lives of the respective assets. The following are the estimated useful lives:

Buildings and improvements	24-40 years
Equipment, furniture and fixtures	3-5 years

Costs incurred in connection with construction projects are accumulated until complete and put into service, at which time they are transferred into the related property and equipment account and depreciated over the estimated useful life of the asset.

Expenditures for maintenance and repairs are charged to expense as incurred; betterments are capitalized. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts.

The Organization follows FASB ASC 410, *Asset Retirement and Environmental Obligations*. This standard requires that a liability be recorded for the fair value of a conditional asset retirement obligation. The recording of a liability is required if the fair value of the obligation can be reasonably estimated. As of June 30, 2019 and 2018, the Organization is unaware of any such obligations. The Organization will recognize a liability in the period in which they become aware of such liability and sufficient information is available to reasonably estimate its fair value.

Note 1. Summary of Significant Accounting Policies (Continued)

Impairment of long-lived assets: Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the Organization compares the carrying amounts of the assets to the undiscounted expected future cash flows over the remaining life of the asset. If this comparison indicates that there may be impairment, the amount of impairment is calculated as the difference between the carrying value and fair value. During the fiscal years ended June 30, 2019 and 2018, no impairment indicators were identified.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses directly attributed to a specific functional area of the Organization are reported as direct expenses to the programmatic area. Certain expenses are attributable to one or more program or supporting functions of the Organization which are allocated on a reasonable basis which has been consistently applied. The expenses that are allocated include information technology, professional development, facilities and certain salaries and benefits. Information technology expenses, professional development and facilities are allocated based on estimated full time equivalents in each program and salaries and benefits are allocated on the basis of estimates of time and effort.

Use of estimates: The preparation of financial statements in accordance with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity: In order to provide information about liquidity, assets are sequenced according to their nearness of conversion to cash and liabilities according to the nearness of their estimated maturity.

Contingencies: The Organization is subject to claims that have risen in the normal course of business. The likely outcome of these claims is unknown; accordingly, no reserves have been made for the potential settlements of these claims. The Organization records such claims when the loss is probable to occur and the amount is estimable.

Tax status: The Organization qualifies as a public charity under Internal Revenue Code Section 170(b)(1)(A)(vi), and has been determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to federal and state income taxes on unrelated business income, if any.

The Organization follows FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. The Organization recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities. Management evaluated the Organization’s tax positions and concluded that the Organization has no material uncertainties in income taxes.

With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years before 2016. Interest and penalties, if any, are included in income tax expense.

Reclassifications: Certain reclassifications within the financial statements have been made to the 2018 financial statements to conform to the 2019 presentation.

Note 1. Summary of Significant Accounting Policies (Continued)

Recently adopted accounting pronouncements: During 2019, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which amends the requirements for financial statements and notes in Topic 958 to require the Organization to make reporting changes that effect the following:

- Net asset classifications and related disclosures.
- Underwater donor-restricted endowments and related disclosures.
- Additional disclosures useful in assessing liquidity within one year of the statement of financial position date.
- New reporting requirements related to functional expense allocation methodologies and classifications.
- Reporting of net investment return.

The Organization made changes to terminology and classification as described above as well as additional or modified disclosures, particularly Notes 2, 4, and 13. Amounts previously reported for the year ended June 30, 2018 have been reclassified, on a retrospective basis, to achieve consistent presentation. Amounts previously reported as temporarily or permanently restricted net assets have been reclassified to be reported as with donor restrictions. There were no underwater endowment funds at July 1, 2017.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this ASU make improvements to the guidance provided in Topic 230, Statement of Cash Flows in regards to the classification and presentation of certain cash receipts and cash payments. The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted, subject to certain requirements. The Organization adopted this ASU during the year ended June 30, 2019. The adoption of this ASU did not have a significant impact on the financial statements.

Recently issued accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, Revenue *from Contracts with Customers (Topic 606): Deferral of the Effective Date.* The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the implementation method per the new standard on its financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

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 amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for Profit Entities,* or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is contingent. ASU 2018-08 is effective for annual periods, in which it is the resource recipient, beginning after December 15, 2018, and annual and interim periods thereafter. ASU 2018-08 is effective for annual periods in which it is the resource provider, beginning after December 15, 2019, and annual and interim periods thereafter. Early adoption is permitted. The amendments in this update should be applied on a modified prospective basis. The Organization is currently evaluating the impact of this ASU on the financial statements and disclosures.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topics 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* The amendment removes, modifies, and adds additions to the disclosure requirements on fair value measurements in Topic 820. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods, within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The amendments on the changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent or interim or annual period presented in the initial year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Organization is currently evaluating the impact of this ASU on the financial statements and disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

Note 2. Liquidity and availability

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and capitalized construction costs, are as follows:

Cash and cash equivalents and restricted cash	$ 3,538,150
Reimbursable expenditures and other receivables	2,254,262
Pledges receivable	657,598
Investments:	
FY20 endowment appropriation under spending policy	2,755,000
Total financial assets available within one year	$ 9,205,010

As part of its liquidity management, the Organization evaluates, on an annual basis, liquidity requirements taking into consideration operating expectations and capital plans. Financial assets are structured to be available as general expenditures, liabilities and other obligations become due. In addition, the Organization has a board designated endowment totaling $3,211,637, net of loan (see Note 15), and board designated funds for deferred maintenance of $548,000 as of June 30, 2019. Although the Organization does not intend to spend from its board designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board designated endowment could be made available if necessary.

The Organization's cash flows have seasonal variations attributable to the timing of contributions received. To manage liquidity, the Organization maintains a working capital portfolio conservatively invested where the amounts and duration of investments correspond with the Organization's projected liquidity need (see Note 6).

In addition, the Organization has a $5,000,000 line of credit available for use as of June 30, 2019 (See Note 8).

Note 3. Pledges Receivable

Unconditional promises to give at June 30 are expected to be realized in the following periods:

	2019	2018
In one year or less	$ 7,658,000	$ 3,521,000
Between one and five years	7,417,474	3,037,468
	15,075,474	6,558,468
Less:		
Allowance for uncollectible pledges	150,000	66,515
Discount to present value (ranging from 2.20% - 3.74%)	361,000	149,000
	$ 14,564,474	$ 6,342,953

As of June 30, 2019 and 2018, the Organization has received approximately $7.6 million and $5.4 million, respectively, of intentions to give, which are not reflected in pledges receivable.

As of June 30, 2019 and 2018, one donor constitutes 66% and three donors constitute 36%, respectively, of gross pledges.

Note 4. Net Assets

Net assets with donor restrictions consist of the following as of June 30:

	2019	2018
Subject to expenditure for specific purpose:		
Specific club programs	$ 2,731,886	$ 2,753,917
MHK giving back assistance fund	503,000	696,000
Scholarships	49,189	52,025
Capital	2,263,924	2,488,483
Other	405,489	485,647
	5,953,488	6,476,072
Subject to time restrictions:		
Future year operations	8,875,118	6,680,097
Charitable remainder annuity trusts	294,134	651,013
	9,169,252	7,331,110
Subject to the Organization’s spending policy and appropriation:		
Investments in perpetuity (including original gift amount of $50,763,795 and $49,531,148 as of June 30, 2019 and 2018, respectively) and the investment return from which is expendable to support:		
Operations	30,141,026	30,289,861
Specific club programs	8,254,488	7,936,182
Facilities support	5,134,738	5,071,742
Scholarships	5,143,958	5,092,721
Professional development	6,608,312	6,660,238
Other	6,366,564	5,829,612
	61,649,086	60,880,356
Not subject to the Organization’s spending policy and appropriation:		
Beneficial interests in perpetual trusts	620,179	611,392
Contributions receivable to donor restricted endowment	5,453,000	767,520
	6,073,179	1,378,912
Total net assets with donor restrictions	$ 82,845,005	$ 76,066,450

The Organization’s Board has designated certain net assets without donor restrictions for the following purposes at June 30:

	2019	2018
Board-designed endowment funds:		
Operations	$ 5,354,778	$ 5,393,069
Deferred maintenance reserve	548,000	-
	$ 5,902,778	$ 5,393,069

Note 4. Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of other events specified by donors, or by the expiration of time restrictions as follows for the year ended June 30:

	2019	2018
Specific club programs	$ 604,429	$ 1,534,962
Scholarships	2,836	11,000
MHK Giving Back Assistance Fund	210,000	210,000
Time restrictions – Operations	5,054,093	5,055,463
Other	567,707	114,594
	$ 6,439,065	$ 6,926,019
Releases – long term purposes	$ 358,072	$ 25,683

Note 5. Long-term Investments

Long-term investments, at fair value, consisted of the following at June 30:

	2019	2018
Money market savings	$ 1,615,126	$ 1,505,314
Domestic bonds	6,509,058	6,172,731
International bonds	2,102,528	2,008,840
Domestic equity	17,417,747	16,414,916
International equity	11,713,571	12,636,111
Emerging markets equity	4,487,206	4,397,853
Real assets	2,921,114	3,279,343
Alternative investments	18,744,102	16,622,888
Total long-term investments	$ 65,510,452	$ 63,037,996

Note 6. Fair Value Measurements

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Note 6. Fair Value Measurements (Continued)

Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable 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 asset's level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement, in its entirety, requires judgment, and considers factors specific to the investment.

The Organization has various processes and controls in place to ensure that fair value is reasonably estimated. While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended June 30, 2019 and 2018, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Money market savings, equity securities, bonds, mutual funds and real assets: The fair value of money market savings, equity securities, bonds and real assets is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Beneficial interest in charitable trusts: The fair value of beneficial interest in charitable trusts is based on quoted market prices of the underlying investments and present value techniques.

Profit-interest: The fair value of the profit interest investment is based on valuation methods including a market approach and a discounted cash flow method based on projected earnings of the underlying project.

Note 6. Fair Value Measurements (Continued)

The following tables are a summary of assets that the Organization measures at fair value on a recurring basis at June 30:

2019	Level 1	Level 2	Level 3	Investments Measured at NAV (a)	Total
Long-term investments:					
Money market savings	$ 1,615,126	$ -	$ -	$ -	$ 1,615,126
Domestic bonds	6,509,058	-	-	-	6,509,058
International bonds	2,102,528	-	-	-	2,102,528
Domestic equity	7,563,045	-	-	9,854,702	17,417,747
International equity	8,722,540	-	-	2,991,031	11,713,571
Emerging markets equity	3,004,694	-	-	1,482,512	4,487,206
Real assets	2,921,114	-	-	-	2,921,114
Alternative investments	-	-	-	18,744,102	18,744,102
Total long-term investments	$ 32,438,105	$ -	$ -	$ 33,072,347	$ 65,510,452
Beneficial interest in trusts	$ -	$ -	$ 914,313	$ -	914,313
Other long-term assets:					
Profit-interest	$ -	$ -	$ 273,000	$ -	$ 273,000
Money market savings	50,685	-	-	-	50,685
Mutual funds	127,389	-	-	-	127,389
Total other long-term assets	$ 178,074	$ -	$ 273,000	$ -	$ 451,074

2018	Level 1	Level 2	Level 3	Investments Measured at NAV (a)	Total
Long-term investments:					
Money market savings	$ 1,505,314	$ -	$ -	$ -	$ 1,505,314
Domestic bonds	6,172,731	-	-	-	6,172,731
International bonds	2,008,840	-	-	-	2,008,840
Domestic equity	7,319,504	-	-	9,095,412	16,414,916
International equity	10,546,343	-	-	2,089,768	12,636,111
Emerging markets equity	4,397,853	-	-	-	4,397,853
Real assets	3,279,343	-	-	-	3,279,343
Alternative investments	-	-	-	16,622,888	16,622,888
Total long-term investments	$ 35,229,928	$ -	$ -	$ 27,808,068	$ 63,037,996
Beneficial interest in trusts	$ -	$ -	$ 1,262,405	$ -	$ 1,262,405
Other long-term assets:					
Money market savings	$ 36,878	$ -	$ -	$ -	$ 36,878
Mutual funds	115,636	-	-	-	115,636
Total other long-term assets	$ 152,514	$ -	$ -	$ -	$ 152,514

Note 6. Fair Value Measurements (Continued)

(a) In accordance with ASC Subtopic 820-10, *Fair Value Measurements*, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy amounts to amounts presented in the statements of financial position.

During the years ended June 30, 2019 and 2018, the Organization did not make any transfers between Level 1, Level 2, or Level 3 assets.

The changes in assets, at fair value, for which the Organization has used Level 3 inputs to determine fair value are as follows:

	2019	2018
Balance, beginning of year	$ 1,262,405	$ 1,045,339
Change in value of split interest agreements	13,983	242,749
Contributions	273,000	-
Distributions	(362,075)	(25,683)
Balance, end of year	$ 1,187,313	$ 1,262,405

The following table presents quantitative information about significant unobservable inputs used in Level 3 fair value measurements at June 30:

	2019 Fair Value	2018 Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Beneficial interest in perpetual trusts	$ 620,179	$ 611,392	Market approach based on underlying securities	None	N/A
Beneficial interests in charitable remainder trusts	$ 294,134	$ 651,013	Income approach- discounted cash flow and present value techniques	Discount Rate Rate of Return Life Expectancy	6% (6%) 6% (6%) 5.3 -19 years (11.66 years)
Profits-interest	$ 273,000	$ -	Income and market approach	Profit participation Estimated holding period	0.33% 4 years

The assets related to beneficial interests in perpetual trusts and charitable remainder trusts are held in trusts managed by independent third party trustees, and the Organization has no authority over investment decisions.

Note 6. Fair Value Measurements (Continued)

The Organization uses the net asset value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company. The following table lists investments in investment companies by major category.

2019	Strategy	NAV in Funds	Unfunded Commitments	Redemption Frequency	Redemption Restrictions
Domestic equity	Funds divided into multiple sectors investing in domestic public companies	$ 9,854,702	$ -	Monthly / Quarterly	5 - 60 day notice
International equity	Global fund, primarily publically traded common stocks and fixed income	2,991,031	-	Monthly	6 day notice
Emerging markets	Fund investing in emerging market equity securities	1,482,512	-	Monthly	15 day notice
Private equity	Venture and buyout, in the U.S. and international	6,042,286	4,423,506	N/A*	N/A
Absolute return	Funds of funds which focuses on partnerships investing in publicly traded companies	12,701,816	600,000	Quarterly / Semi-annual / Annual	45 - 90 day notice, 1 - 2 year lock ups for 2 funds
		$ 33,072,347	$ 5,023,506		

2018	Strategy	NAV in Funds	Unfunded Commitments	Redemption Frequency	Redemption Restrictions
Domestic equity	Funds divided into multiple sectors investing in domestic public companies	$ 9,095,412	$ -	Monthly / Quarterly	5 - 60 day notice, 1 year lock for 1 fund
International equity	Global fund, primarily publically traded common stocks and fixed income	2,089,768	30,000	Monthly	6 day notice
Private equity	Venture and buyout, in the U.S. and international	5,667,480	2,306,009	N/A*	N/A
Absolute return	Funds of funds which focuses on partnerships investing in publicly traded companies	10,955,408	1,500,000	Quarterly / Semi-annual / Annual	45 - 90 day notice, 1 - 3 year lock ups for 3 funds
		$ 27,808,068	$ 3,836,009		

* These funds are in private equity structure, with no ability to be redeemed. Distributions are generally made as the underlying investments are sold.

Note 7. Retirement Plans

On November 1, 2014, the Organization created a tax sheltered annuity retirement plan under Section 403(b) of the Internal Revenue Code, which covers all eligible employees. All participating employees have salary reduction contributions made on their behalf. In addition, the Organization will make a core contribution if an employee meets certain eligibility requirements. Additionally, the Organization will match 50% of contributions made by an employee up to 4% of compensation. Retirement plan expense for the years ended June 30, 2019 and 2018 was $633,267 and $601,203, respectively.

On November 1, 2014, the Organization created a deferred compensation plan under Section 457(b) of the Internal Revenue Code, which covers certain key members of management. The Organization may make contributions to the participant accounts based on the Board's discretion. Participants are at all times fully vested in employer contributions. The participants in this plan are unsecured creditors of the Organization for the amount of their deferred compensation balances. As of June 30, 2019 and 2018, the balance in the accounts were $178,074 and $152,514, respectively, which is included in the statements of financial position as other long-term assets, and the related expense is included in payroll taxes and fringe benefits.

Note 8. Line of Credit

The Organization has a $5,000,000 line of credit structured as a 364-day revolving credit facility with interest payable at LIBOR plus one percent. The line of credit is unsecured and has a liquidity to committed debt covenant to be measured semi-annually. The line of credit is renewed annually in June. The line was renewed on June 10, 2019 through June 30, 2020.

There was no interest expense for the years ended June 30, 2019 and 2018.

Note 9. Land, Buildings and Equipment

	2019	2018
Land	$ 480,275	$ 480,275
Buildings and improvements	59,312,550	58,600,143
Equipment, furniture and fixtures	3,520,109	3,269,142
Construction in progress	3,536	88,585
	63,316,470	62,438,145
Less accumulated depreciation	(32,894,244)	(30,702,570)
	$ 30,422,226	$ 31,735,575

Depreciation expense amounted to $2,192,493 and $2,168,544 for the years ended June 30, 2019 and 2018, respectively.

Note 10. Related Party Transactions

Certain members, or their affiliates, of the Organization's Board of Directors provide various professional services, including health benefits and rent facilities to the Organization. Directors and management disclose these relationships and Directors abstain from any votes related to services that they may provide or related agreements. Total payments under these arrangements were $2,503,467 and $2,336,701 for the years ended June 30, 2019 and 2018 respectively.

Some professional services also were received from related parties on an in-kind basis. Certain members of the Board of Directors are partners or employees of investment companies in which the Organization has direct investments. Directors and management disclose these relationships and abstain from any votes related to these specific investments. These direct investments represent approximately 2.99% and 5.79% of the Organization's total investments as of June 30, 2019 and 2018, respectively.

Note 11. Contributed Gifts-in-Kind

The Organization receives and recognizes contributed gifts-in-kind, in the form of consulting and other goods and services, at fair value. Contributions made for program activities have been recorded as operating income, and contributions received in connection with capital renovations have been recorded as non-operating income.

The Organization has entered into long-term leases with the Trustees of the George Robert White Fund for the Berkshire Partners Club and a portion of the Edgerley Family Club. The use of these facilities constitutes a “gift-in-title”, the value of which is equal to the fair market value of the lease of the facilities at the commencement of the leases.

Note 12. Operating Leases

The Organization has a variety of operating leases for vehicles, equipment and office space. Effective May 1, 2016, the Organization entered into a new office space lease at 200 High Street in Boston, Massachusetts with a related party (Note 10). The new office space lease payments began on March 1, 2017 and run thru February 28, 2032. The new office space rental expense was recorded using the straight-line method in accordance with U.S. GAAP. Deferred rent for the new office space totaled $447,395 and $413,989 as of June 30, 2019 and 2018 and is included in accrued expenses on the statements of financial position. As of June 30, 2019 and 2018, the Organization expensed $613,301 and $673,109, respectively for these leases.

The following is a schedule of minimum lease payments under these lease agreements:

2020	$ 608,643
2021	573,454
2022	553,086
2023	497,683
2024	474,543
Thereafter	3,197,754
	$ 5,905,163

Note 13. Endowment Assets

Endowment net asset composition by type of fund at June 30:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 5,354,778	$ -	$ 5,354,778
Donor restricted endowment funds	-	61,649,086	61,649,086
Total endowment funds	$ 5,354,778	$ 61,649,086	$ 67,003,864

	2018		
	Without Donor Restrictions	Temporarily Restricted	Total
Board designated endowment funds	$ 5,393,069	$ -	$ 5,393,069
Donor restricted endowment funds	-	60,880,356	60,880,356
Total endowment funds	$ 5,393,069	$ 60,880,356	$ 66,273,425

Note 13. Endowment Assets (Continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2018	$ 5,393,069	$ 60,880,356	$ 66,273,425
Investment return, net	151,626	1,809,751	1,961,377
Gifts and designations to endowment and payments on endowment pledges	11,415	1,232,647	1,244,062
Appropriation of endowment income per spending policy	(201,332)	(2,273,668)	(2,475,000)
June 30, 2019	$ 5,354,778	$ 61,649,086	$ 67,003,864

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2017	$ 5,197,929	$ 53,584,405	$ 58,782,334
Investment return, net	354,166	4,729,515	5,083,681
Gifts and designations to endowment and payments on endowment pledges	25,683	4,589,727	4,615,410
Appropriation of endowment income per spending policy	(184,709)	(2,023,291)	(2,208,000)
June 30, 2018	$ 5,393,069	$ 60,880,356	$ 66,273,425

During the year ended June 30, 2017 the Organization took a loan from the board designated endowment to fund the termination of the pension plan. The loan was $3,000,000 with a term of 10 years with an interest rate of 3% per annum. Beginning January 1, 2017, monthly interest only payments were due through June 30, 2017, with monthly principal and interest payments commencing on July 1, 2017 through maturity, of $30,276. Principal and interest payments made on the loan during the year ended June 30, 2019 totaled $294,219 and $69,097, respectively, representing payments for 2020 and 2019 based on the loan amortization schedule, respectively. Interest payments are included as interest expense and in interest and dividend income on the statement of activities. As of June 30, 2019 and 2018, the amount outstanding was $2,143,141 and $2,437,360, respectively, and is included in endowment assets, and is eliminated in the statements of financial position.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restriction. There were no deficiencies at June 30, 2019 or 2018.

Note 14. Beneficial Interest in Charitable Trusts

Beneficial interest in charitable trusts consist of the following at June 30:

	2019	2018
Beneficial interest in perpetual trusts held by third party	$ 620,179	$ 611,392
Charitable remainder annuity trusts held by third party	294,134	651,013
	$ 914,313	$ 1,262,405

The Organization is one of the beneficiaries named in various perpetual trusts managed by third party trustees. Under the terms of the trust agreements, the Organization is to receive quarterly or annual distribution payments. During the years ended June 30, 2019 and 2018 the Organization received $18,347 and $21,941, in distributions, respectively.

The Organization is also the beneficiary of charitable remainder trust instruments whereby an independent third party trustee has custody of and manages the assets and the annuities. These assets are recorded net of the present value of the annuity liability. During the year ended June 30, 2019, one trust terminated and the Organization received its share of the trust assets, totaling $350,660. During the year ended June 30, 2017, one of the trusts terminated and began liquidating the trust assets. Distributions from this trust received during June 30, 2019 and 2018 totaled $11,414 and $25,683, respectively.

The net change in the value of the Organization's beneficial interest in these trusts is recorded as a change in the value of split interest agreements on the statements of activities. This change amounted to $13,983 and $242,749 for the years ended June 30, 2019 and 2018, respectively.

Note 15. Subsequent Events

The Organization has evaluated subsequent events through November 14, 2019, the date on which the financial statements were available to be issued.