

**Boys and Girls Republic, Inc.**

Financial Statements

June 30, 2019

## **Independent Auditors' Report**

### **Board of Directors Boys and Girls Republic, Inc.**

We have audited the accompanying financial statements of Boys and Girls Republic, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' 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 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.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Republic, Inc. as of June 30, 2019, 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.

***Other Matters***

***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, Boys and Girls Republic, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

We have previously audited Boys and Girls Republic, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

January 30, 2020

**Boys and Girls Republic, Inc.**

Statement of Financial Position  
June 30, 2019  
(with comparative amounts at June 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 91,424	\$ 331,715
Investments (Note 3)	1,963,145	2,128,957
Due from contracting agencies	263,928	359,896
Prepaid expenses	13,637	1,981
Fixed assets, net (Note 4)	<u>289,872</u>	<u>168,310</u>
	<u>\$ 2,622,006</u>	<u>\$ 2,990,859</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 37,540	\$ 11,315
Due to Henry Street Settlement	<u>54,133</u>	<u>404,206</u>
Total Liabilities	<u>91,673</u>	<u>415,521</u>
 Net Assets		
Without donor restrictions	7,793	92,662
With Donor Restrictions		
Temporary in nature (Note 6)	710,824	670,960
Permanent in nature (Note 7)	<u>1,811,716</u>	<u>1,811,716</u>
Total Net Assets	<u>2,530,333</u>	<u>2,575,338</u>
	<u>\$ 2,622,006</u>	<u>\$ 2,990,859</u>

See notes to financial statements

**Boys and Girls Republic, Inc.**

Statement of Activities  
 Year Ended June 30, 2019  
 (with summarized totals for the year ended June 30, 2018)

	Without Donor Restrictions			With Donor Restrictions	Total	
	Operating Fund	Plant Fund	Total		2019	2018
<b>REVENUE, GAINS AND OTHER SUPPORT</b>						
Contributions	\$ 130	\$ -	\$ 130	\$ 193,695	\$ 193,825	\$ 149,818
Grants and fees from contracting agencies	1,148,235	-	1,148,235	-	1,148,235	1,170,253
Grant from Henry Street Settlement	50,000	-	50,000	-	50,000	50,000
Program service fees	24,600	-	24,600	-	24,600	1,300
Realized (loss) gain on investments	-	-	-	(306)	(306)	235,761
Unrealized gain (loss) on investments	-	-	-	22,930	22,930	(184,047)
Interest and dividends	62	-	62	52,240	52,302	54,158
Donated occupancy (Note 8)	312,000	-	312,000	-	312,000	312,000
Rental revenue	7,000	-	7,000	-	7,000	5,600
Net assets released from restrictions (Note 6)	228,695	-	228,695	(228,695)	-	-
<b>Total Revenue, Gains and Other Support</b>	<u>1,770,722</u>	<u>-</u>	<u>1,770,722</u>	<u>39,864</u>	<u>1,810,586</u>	<u>1,794,843</u>
<b>EXPENSES</b>						
Program services - Youth Programs	1,640,232	27,848	1,668,080	-	1,668,080	1,732,257
Management and general	186,549	962	187,511	-	187,511	183,158
With Donor Restrictions	1,826,781	28,810	1,855,591	-	1,855,591	1,915,415
<b>Change in Net Assets Before Other Changes</b>	(56,059)	(28,810)	(84,869)	39,864	(45,005)	(120,572)
<b>OTHER CHANGES</b>						
Transfer to plant fund	(150,372)	150,372	-	-	-	-
<b>Change in Net Assets</b>	(206,431)	121,562	(84,869)	39,864	(45,005)	(120,572)
<b>NET ASSETS (DEFICIT)</b>						
Beginning of year	(75,648)	168,310	92,662	2,482,676	2,575,338	2,695,910
End of year	<u>\$ (282,079)</u>	<u>\$ 289,872</u>	<u>\$ 7,793</u>	<u>\$ 2,522,540</u>	<u>\$ 2,530,333</u>	<u>\$ 2,575,338</u>

See notes to financial statements

## Boys and Girls Republic, Inc.

### Statement of Functional Expenses Year Ended June 30, 2019 (with summarized totals for the year ended June 30, 2018)

	Program Services - Youth Programs	Management and General	Total	
			2019	2018
Salaries	\$ 825,798	\$ 105,554	\$ 931,352	\$ 899,105
Payroll taxes and employee benefits	172,831	25,679	198,510	207,270
Total Salaries and Related Expenses	998,629	131,233	1,129,862	1,106,375
Professional fees and contract service payments	75,440	28,885	104,325	128,418
Supplies	104,177	6,964	111,141	101,622
Telephone	23,471	2,305	25,776	18,826
Postage and shipping	1,107	3,802	4,909	5,655
Occupancy	385,681	1,330	387,011	443,233
Equipment rental and maintenance	21,819	3,049	24,868	31,599
Transportation	19,667	838	20,505	25,879
Insurance	-	574	574	636
Bank charges and custodial fees	569	3,560	4,129	10,237
Food	4,101	3,372	7,473	6,297
Membership fees and conferences	5,545	637	6,182	6,655
Depreciation	27,848	962	28,810	22,810
Miscellaneous With Donor Restrictions	26	-	26	7,173
	<u>\$ 1,668,080</u>	<u>\$ 187,511</u>	<u>\$ 1,855,591</u>	<u>\$ 1,915,415</u>

See notes to financial statements

**Boys and Girls Republic, Inc.**

Statement of Cash Flows  
Year Ended June 30, 2019

(with comparative amounts for the year ended June 30, 2018)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (45,005)	\$ (120,572)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	28,810	22,810
Realized loss (gain) on investments	306	(235,761)
Unrealized (gain) loss on investments	(22,930)	184,047
Changes in operating assets and liabilities		
Due from contracting agencies	95,968	131,167
Contribution receivable	-	20,000
Prepaid expenses	(11,656)	12,894
Accounts payable and accrued expenses	26,225	4,846
Refundable advances	-	(5,733)
Due to Henry Street Settlement	(350,073)	(16,976)
Net Cash from Operating Activities	(278,355)	(3,278)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(150,372)	(5,122)
Purchase of investments	(607,247)	(988,129)
Proceeds from the sale of investments	795,683	995,984
Net Cash from Investing Activities	38,064	2,733
Net Change in Cash	(240,291)	(545)
 <b>CASH</b>		
Beginning of year	331,715	332,260
End of year	\$ 91,424	\$ 331,715

See notes to financial statements

## **Boys and Girls Republic, Inc.**

Notes to Financial Statements  
June 30, 2019

### **1. Organization and Tax Status**

Boys and Girls Republic, Inc. (“BGR”) operates programs devoted to teaching the principles of self-government to young boys and girls. The programs include the city clubhouse, which provides comprehensive athletic, recreational and educational supportive programming, correlated with extensive intra-community activity. BGR is funded primarily by contributions, grants and fees from contracting agencies, and a grant from Henry Street Settlement (the “Settlement”).

BGR is a membership corporation. The Settlement is the sole member and appoints the Board of Directors of the corporation. The Settlement is a nonprofit organization exempt from federal income tax under Internal Revenue Service Code Section 501(c)(3). The Settlement receives cash and expends funds on behalf of BGR. Administrative overhead costs are allocated from the Settlement.

BGR is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation and Use of Estimates***

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

#### ***Change in Accounting Principle***

On July 1, 2018, BGR adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires BGR to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires BGR to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for unrestricted net assets were reclassified to net assets without donor restrictions and prior year amounts for temporarily restricted and permanently restricted net assets were reclassified to net assets with donor restrictions.

Additionally, the new guidance allows for the reporting of investment income net of external and direct internal investment expenses on the statement of activities, without additional note disclosure.



## Boys and Girls Republic, Inc.

Notes to Financial Statements  
June 30, 2019

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Net Asset Presentation***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

*Net Assets Without Donor Restrictions* – net assets available for use in general operations and not subject to donor-imposed restrictions.

- The Plant Fund is a component of net assets without donor restrictions and was created by an action of BGR's Board of Directors. The balance consists of the accumulated balance which is used to fund any fixed asset acquisitions which have not been otherwise funded and deficits in the Operating Fund when necessary and if approved by the Board of Directors.

*Net Assets With Donor Restrictions* – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2019 and 2018, net assets of \$2,522,540 and \$2,482,676 had donor-imposed restrictions.

#### ***Summarized Financial Information***

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity U.S. GAAP. Accordingly, such information should be read in conjunction with BGR's financial statements as of and for the year ended June 30, 2018, from which the summarized information was derived.

#### ***Fair Value Measurement***

BGR follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

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.

## Boys and Girls Republic, Inc.

Notes to Financial Statements  
June 30, 2019

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Fair Value Measurement (continued)***

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient is not categorized within the fair value hierarchy.

#### ***Investments Valuation***

Investments are carried at fair value.

#### ***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

#### ***Due from Contracting Agencies and Allowance for Doubtful Accounts***

BGR records revenue and receivables for grants from contracting agencies based on claims for expense reimbursements and program utilization at contracted rates. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. Receivables are charged to the allowance when they are determined to be uncollectible based upon a periodic review of the accounts by management. Interest is not accrued or recorded on outstanding accounts receivables. Management has determined that an allowance was not required as of June 30, 2019 or 2018.

#### ***Fixed Assets***

BGR capitalizes all expenditures for its fixed assets in excess of \$5,000 and a useful life of more than one year. Maintenance and repairs of a routine nature are charged to expense, while those that extend the life of existing assets are capitalized. Depreciation is provided over the estimated useful lives of each class of depreciable assets and is computed using the straight-line method. The estimated lives by asset class are as follows:

Building and building improvements	10-40 years
Furniture and equipment	10-20 years

## **Boys and Girls Republic, Inc.**

Notes to Financial Statements  
June 30, 2019

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Impairment of Long-Lived Assets***

Long-lived assets such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. BGR records impairment losses on long lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment charges were recognized during the years ended June 30, 2019 and 2018.

#### ***Conditional Asset Retirement Obligations***

BGR accounts for Conditional Asset Retirement Obligations (“CARO”) in accordance with U.S. GAAP, which defines a CARO as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The fair value of the CARO is recorded on a discounted basis and accreted over time for the change in fair value. Management has determined that there are no CARO liabilities that are required to be recorded.

#### ***Contributions***

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### ***Grants and Fees from Contracting Agencies***

BGR receives funding for many of its programs through contracts principally entered into with New York State and New York City. Certain governmental revenues are recorded based on estimated expenditures incurred and are subject to audit and adjustment by regulatory agencies. Third-party reimbursement adjustments are recorded when reasonably determinable. Revenues from fee-for-service and reimbursement contracts with New York State and New York City are recorded at rates established by the governmental payors. Revenues are recorded based on estimated allowable costs and are subject to audit and adjustment by governmental payors. The effects of such adjustments are recorded when reasonably determinable.

## **Boys and Girls Republic, Inc.**

Notes to Financial Statements  
June 30, 2019

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Donated Occupancy***

BGR records various types of in-kind support, including rent. Contributions of donated rent are recognized at fair value. The amounts reflected in the accompanying financial statements as donated occupancy are offset by like amounts included in expenses.

#### ***Rentals***

All leases are operating leases and are reflected on the straight-line basis when there are material step-ups in the required payments under the lease.

#### ***Functional Allocation of Expenses***

The costs of providing BGR's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a time and effort methodology.

#### ***Accounting for Uncertainty in Income Taxes***

BGR recognizes the effect of tax positions only when they are more likely than not to be sustained. Management has determined that BGR had no uncertain tax positions that would require financial statement recognition or disclosure. BGR is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2016.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 30, 2020.

## Boys and Girls Republic, Inc.

### Notes to Financial Statements June 30, 2019

### 3. Investments

The following are major categories of investments measured at fair value on a recurring basis at June 30, 2019 and 2018, grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

	June 30, 2019		June 30, 2018	
	Level 1	Total	Level 1	Total
Short-term investments	\$ 494,855	\$ 494,855	\$ 429,293	\$ 429,293
Common and Preferred Stock				
U.S. large cap equity	430,699	430,699	369,771	369,771
U.S. mid cap equity	130,572	130,572	115,352	115,352
International equity	449,938	449,938	552,390	552,390
	<u>1,011,209</u>	<u>1,011,209</u>	<u>1,037,513</u>	<u>1,037,513</u>
Mutual Funds				
Intermediate-term bonds	-	-	8,317	8,317
Large cap-blend	-	-	40,224	40,224
Large cap-growth	-	-	21,486	21,486
Large cap-value	-	-	26,243	26,243
Medium cap-growth	-	-	45,898	45,898
Medium cap-value	-	-	24,985	24,985
Small cap-value	-	-	3,867	3,867
Real estate and commodities	74,055	74,055	177,464	177,464
	<u>74,055</u>	<u>74,055</u>	<u>348,484</u>	<u>348,484</u>
Investment in limited partnerships (1)	-	383,026	-	313,667
	<u>\$ 1,580,119</u>	<u>\$ 1,963,145</u>	<u>\$ 1,815,290</u>	<u>\$ 2,128,957</u>

(1) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in the total column of this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

## Boys and Girls Republic, Inc.

Notes to Financial Statements  
June 30, 2019

### 3. Investments (continued)

There were no transfers between levels of the fair value hierarchy during 2019 and 2018.

Information regarding alternative investments measured at NAV using the practical expedient is as follows at June 30:

	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long/short hedge funds (a)	\$ 200,346	\$ -	varies	7-70 days
Private equity (b)	182,680	107,914	N/A	N/A
	\$ 383,026	\$ 107,914		
	2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long/short hedge funds (a)	\$ 169,672	\$ -	varies	7-70 days
Private equity (b)	143,995	87,465	N/A	N/A
	\$ 313,667	\$ 87,465		

(a) This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. Investments representing approximately 10 percent of the value of the investments in this category cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 to 18 months after acquisition.

(b) This category includes several private equity funds that invest primarily in foreign technology companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. Management has estimated that the underlying assets of the fund will be liquidated over 10 to 11 years.

At June 30, 2019, two individual investments represented 50% and 25% of total investments. At June 30, 2018, two individual investments represented 10% and 7% of total investments.

## Boys and Girls Republic, Inc.

Notes to Financial Statements  
June 30, 2019

### 4. Fixed Assets

The components of fixed assets, including accumulated depreciation, are as follows at June 30:

	<u>2019</u>	<u>2018</u>
Building and building improvements	\$ 352,440	\$ 596,796
Furniture and equipment	151,605	235,305
Construction in progress	<u>131,292</u>	<u>-</u>
	635,337	832,101
Accumulated depreciation	<u>(345,465)</u>	<u>(663,791)</u>
	<u>\$ 289,872</u>	<u>\$ 168,310</u>

During the year ended June 30, 2019, BGR had disposals of fixed assets totaling \$347,136 related to the sleepaway camp.

### 5. Concentration of Credit Risk

Financial instruments which potentially subject BGR to a concentration of credit risk consist primarily of cash, investments, and due from contracting agencies. At times, the cash balance may be in excess of the Federal Deposit Insurance Corporation's insurance limit. At June 30, 2019 and 2018, there were no uninsured portions of these balances.

The investment portfolio is diversified by type of investment and industry concentrations so that no individual group of investments represents a significant concentration of risk. Amounts due from contracting agencies are expected to be collected in the normal course of business operations.

### 6. Donor Restricted Net Assets

Donor restricted net assets are available for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Youth programs	\$ 710,824	\$ 670,960
Endowment funds	<u>1,811,716</u>	<u>1,811,716</u>
Total	<u>\$ 2,522,540</u>	<u>\$ 2,482,676</u>

## Boys and Girls Republic, Inc.

Notes to Financial Statements  
June 30, 2019

### 6. Donor Restricted Net Assets *(continued)*

Net assets were released from donor restrictions by satisfying the purpose or time restrictions for the years ended June 30, as follows:

	2019	2018
Youth Programs		
Program restrictions	\$ 128,695	\$ 107,000
Income distribution	100,000	100,000
	<u>\$ 228,695</u>	<u>\$ 207,000</u>

### 7. Endowment Fund

#### *General*

BGR's net assets with donor restrictions consist of three endowment fund assets to be held in perpetuity. The income from the assets can be used to support the youth programs.

#### *Interpretation of Law*

The Board of Directors of BGR has adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. BGR is now governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years' balances. As a result of this interpretation, BGR classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 retained in perpetuity is subject to appropriation for expenditure by BGR in a manner consistent with the standards of prudence prescribed by NYPMIFA.

#### *Return Objectives and Strategies Employed*

The objective of BGR is to maintain the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in low-risk securities. Interest earned in relation to the endowment funds is recorded as with donor restricted income and released from restriction upon expenditure for the program for which the endowment fund was established.



## Boys and Girls Republic, Inc.

Notes to Financial Statements  
June 30, 2019

### 7. Endowment Fund (continued)

#### **Funds with Deficiencies**

BGR does not have any funds with deficiencies.

#### **Spending Policy**

The Board of Directors, in compliance with the applicable state regulations, will appropriate as much of net appreciation as is prudent considering BGR's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. Under the BGR's spending policy, the adjusted average market value of certain investments measured at March 31 of each of the three immediately preceding years is made available on each July 1 to support current operations of the BGR and certain non-operating activities as designated by the Board of Directors.

The following is a reconciliation of the activity in the donor restricted endowment funds portion of the investment portfolio for the years ended June 30, 2019 and 2018:

	Temporary in Nature	Permanent in Nature	Total
Balance, June 30, 2017	\$ 647,652	\$ 1,811,716	\$ 2,459,368
Interest and dividends	54,095	-	54,095
Investment gain, net	51,714	-	51,714
Appropriation for expenditure	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Balance, June 30, 2018	653,461	1,811,716	2,465,177
Interest and dividends	52,240	-	52,240
Investment gain, net	22,624	-	22,624
Appropriation for expenditure	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Balance, June 30, 2019	<u>\$ 628,325</u>	<u>\$ 1,811,716</u>	<u>\$ 2,440,041</u>

### 8. Donated Occupancy

The BGR Clubhouse is located at 888 East 6th Street, New York, New York in a building provided by the City of New York without a rental charge. In accordance with U.S. GAAP, the value of donated occupancy of \$312,000 in each of the years ended 2019 and 2018 is included in donated occupancy and occupancy expense in the financial statements to reflect the estimated fair value.

### 9. Pension Expense

BGR provides a 403(b) defined-contribution plan and contributes 5% of base salary for eligible employees. Pension expense for the years ended June 30, 2019 and 2018 was \$21,513 and \$23,294.

**Boys and Girls Republic, Inc.**

Notes to Financial Statements  
June 30, 2019

**10. Liquidity and Availability of Financial Assets**

The following represents BGR's financial assets available for general expenditure, that is, without restriction limiting their use, within one year of June 30, 2019 are as follows:

	<u>2019</u>
Financial assets:	
Cash	\$ 91,424
Investments	1,963,145
Due from contracting agencies	<u>263,928</u>
	<u>2,318,497</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(2,522,540)
Less net assets with donor restrictions expected to be met in less than one year	<u>82,500</u>
	<u>(2,440,040)</u>
Financial assets available to meet general operating expenditures over the next twelve months	<u>\$ (121,543)</u>

The Settlement has a line of credit available to meet cash flow needs in the amount of \$5 million, which has been increased to \$7 million during fiscal year 2020. BGR can borrow from the Settlement as necessary to meet the financial needs of BGR. As of June 30, 2019, \$246,352 was available for drawdown on this line of credit. BGR relies on grants and fees from contracting agencies in order to fund operations.

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