

**Madison Square Boys & Girls Club, Inc. and  
MSBGC-NYC Support Corporation**

Independent Auditor's Report and Consolidated Financial Statements

September 30, 2019



**Madison Square Boys & Girls Club, Inc. and MSBGC-NYC**  
**Support Corporation**  
September 30, 2019

**Contents**

**Independent Auditor’s Report..... 1**

**Consolidated Financial Statements**

Statement of Financial Position..... 3  
Statement of Activities ..... 4  
Statement of Functional Expenses..... 5  
Statement of Cash Flows ..... 6  
Notes to Consolidated Financial Statements ..... 8

**Supplementary Information**

Schedule of Changes in Net Assets with Donor Restrictions..... 32

## Independent Auditor's Report

Board of Trustees  
Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation  
New York, New York

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation, which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated 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 consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation as of September 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in *Note 2* to the financial statements, in 2019, Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### **Report on Summarized Comparative Information**

We have previously audited the September 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

#### ***Supplementary Information***

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

**BKD, LLP**

New York, New York  
May 6, 2020

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Consolidated Statement of Financial Position September 30, 2019

(With Summarized Financial Information for September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 534,148	\$ -	\$ 534,148	\$ 559,522
Investments	16,136,454	-	16,136,454	20,503,169
Government grants receivable	262,529	-	262,529	513,068
Contributions receivable	2,194,983	325,000	2,519,983	6,734,643
Accrued interest receivable	8,231	2,245	10,476	10,427
Prepaid expenses and other assets	242,143	-	242,143	234,885
<b>Total current assets</b>	<b>19,378,488</b>	<b>327,245</b>	<b>19,705,733</b>	<b>28,555,714</b>
Cash and cash equivalents	-	277,777	277,777	292,250
Investments	-	41,270,076	41,270,076	35,258,519
Contributions receivable (net of allowance of \$50,000 in 2019 and 2018)	1,123,373	5,763,029	6,886,402	8,361,454
Loan receivable	25,548,800	-	25,548,800	25,548,800
Beneficial interests in trusts	-	2,177,544	2,177,544	2,190,758
Limited use assets	945,492	-	945,492	9,003,411
Property and equipment, net	52,663,258	-	52,663,258	44,845,884
<b>Total assets</b>	<b>\$ 99,659,411</b>	<b>\$ 49,815,671</b>	<b>\$ 149,475,082</b>	<b>\$ 154,056,790</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 2,056,299	\$ -	\$ 2,056,299	\$ 1,401,554
Accounts payable, construction	665,370	-	665,370	2,149,506
Retainage payable	102,493	-	102,493	1,408,965
Lines of credit	944,360	-	944,360	1,044,360
Refundable advances	151,429	-	151,429	302,527
<b>Total current liabilities</b>	<b>3,919,951</b>	<b>-</b>	<b>3,919,951</b>	<b>6,306,912</b>
Long-term debt	36,326,228	-	36,326,228	36,147,563
<b>Total liabilities</b>	<b>40,246,179</b>	<b>-</b>	<b>40,246,179</b>	<b>42,454,475</b>
<b>Net Assets</b>				
Without donor restrictions	59,413,232	-	59,413,232	59,591,256
With donor restrictions				
Time and purpose	-	11,287,241	11,287,241	16,602,674
Endowment	-	38,528,430	38,528,430	35,408,385
<b>Net assets with donor restrictions</b>	<b>-</b>	<b>49,815,671</b>	<b>49,815,671</b>	<b>52,011,059</b>
<b>Total net assets</b>	<b>59,413,232</b>	<b>49,815,671</b>	<b>109,228,903</b>	<b>111,602,315</b>
<b>Total liabilities and net assets</b>	<b>\$ 99,659,411</b>	<b>\$ 49,815,671</b>	<b>\$ 149,475,082</b>	<b>\$ 154,056,790</b>

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Consolidated Statement of Activities

Year Ended September 30, 2019

(With Summarized Financial Information for the Year Ended September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>Revenues, Gains, Losses and Other Support</b>				
Contributions	\$ 2,392,469	\$ 639,927	\$ 3,032,396	\$ 4,939,583
Special events (includes in-kind contributions of \$236,244 in 2019 and \$308,554 in 2018)	3,372,005	-	3,372,005	3,658,715
Direct cost of special events	(894,469)	-	(894,469)	(989,462)
Income from trusts	100,924	-	100,924	102,480
Change in value of beneficial interest in trusts	-	(13,214)	(13,214)	37,270
United Way of New York City	326	-	326	278
New York State Office of Alcoholism and Substance Abuse Services	621,083	-	621,083	577,714
New York City Department of Youth and Community Development	450,000	-	450,000	461,786
New York State CACFP/Food Program	250,382	-	250,382	304,473
Boys & Girls Club of America - Office of Juvenile Delinquency Program	72,127	-	72,127	72,127
New York City Economic Development Corporation	-	-	-	47,203
Other government grants	273,267	-	273,267	269,973
Camping/program fees	202,976	-	202,976	163,452
Membership dues	11,633	-	11,633	12,340
Investment income	653,645	3,035,105	3,688,750	5,759,128
Loan interest income	370,969	-	370,969	370,969
Rental income	36,550	-	36,550	83,700
Net assets released from restrictions	5,857,206	(5,857,206)	-	-
<b>Total revenues, gains, losses and other support</b>	<b>13,771,093</b>	<b>(2,195,388)</b>	<b>11,575,705</b>	<b>15,871,729</b>
<b>Expenses</b>				
Program services				
Healthy Lifestyles	2,970,688	-	2,970,688	2,302,398
Good Character & Citizenship	1,611,906	-	1,611,906	1,869,940
Academic Success	4,328,855	-	4,328,855	3,548,456
<b>Total program services</b>	<b>8,911,449</b>	<b>-</b>	<b>8,911,449</b>	<b>7,720,794</b>
Supporting Services				
Management and general	3,678,738	-	3,678,738	1,357,986
Fund raising	1,358,930	-	1,358,930	1,283,642
<b>Total supporting services</b>	<b>5,037,668</b>	<b>-</b>	<b>5,037,668</b>	<b>2,641,628</b>
<b>Total expenses</b>	<b>13,949,117</b>	<b>-</b>	<b>13,949,117</b>	<b>10,362,422</b>
<b>Change in Net Assets</b>	<b>(178,024)</b>	<b>(2,195,388)</b>	<b>(2,373,412)</b>	<b>5,509,307</b>
<b>Net Assets, Beginning of Year</b>	<b>59,591,256</b>	<b>52,011,059</b>	<b>111,602,315</b>	<b>106,093,008</b>
<b>Net Assets, End of Year</b>	<b>\$ 59,413,232</b>	<b>\$ 49,815,671</b>	<b>\$ 109,228,903</b>	<b>\$ 111,602,315</b>

**Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation**  
**Consolidated Statement of Functional Expenses**  
**Year Ended September 30, 2019**  
**(With Summarized Financial Information for the Year Ended September 30, 2018)**

	Program Services				Supporting Services				Total	
	Healthy Lifestyles	Good		Total	Management and General	Fund Raising	Direct Cost of Special Events		2019	2018
		Character & Citizenship	Academic Success				Total	Total		
Salaries	\$ 1,311,785	\$ 768,340	\$ 2,386,014	\$ 4,466,139	\$ 679,715	\$ 789,291	\$ -	\$ 1,469,006	\$ 5,935,145	\$ 5,466,290
Payroll taxes and employee benefits	391,577	229,355	712,243	1,333,175	202,900	235,609	-	438,509	1,771,684	1,613,206
Total salaries and related expenses	1,703,362	997,695	3,098,257	5,799,314	882,615	1,024,900	-	1,907,515	7,706,829	7,079,496
Professional fees	36,375	33,950	50,925	121,250	2,205,672	116,669	-	2,322,341	2,443,591	169,344
Contract services	213,102	2,508	27,139	242,749	3,642	6,106	-	9,748	252,497	66,640
Supplies	255,245	34,715	189,660	479,620	7,911	6,147	-	14,058	493,678	443,355
Postage and shipping	833	1,195	1,901	3,929	1,781	1,110	-	2,891	6,820	6,818
Telephone	16,196	11,366	20,978	48,540	5,119	4,573	-	9,692	58,232	52,974
Occupancy	283,165	202,437	339,039	824,641	151,662	94,117	-	245,779	1,070,420	864,048
Insurance	62,728	43,249	72,639	178,616	59,358	4,795	-	64,153	242,769	200,646
Outside printing and artwork	851	475	938	2,264	1,843	54,912	-	56,755	59,019	52,288
Local transportation	7,159	9,058	19,616	35,833	1,006	188	-	1,194	37,027	33,783
Meetings and conferences	22,433	12,364	24,276	59,073	23,558	4,814	-	28,372	87,445	55,543
Subscriptions, publications and dues	19,520	17,090	31,102	67,712	18,077	233	-	18,310	86,022	53,699
Awards and scholarships	-	-	39,822	39,822	-	-	-	-	39,822	45,485
Staff development/training	5,635	7,195	11,504	24,334	8,837	13,346	-	22,183	46,517	34,912
Equipment rental	14,956	18,370	29,023	62,349	7,301	3,713	-	11,014	73,363	67,846
Catering, facility rental and entertainment (includes in-kind expenses of \$236,244 in 2019 and \$308,554 in 2018)	-	-	-	-	-	-	894,469	894,469	894,469	989,462
Interest and bank charges (includes interest of \$203,790 for 2019 and \$303,240 for 2018)	-	-	-	-	233,911	-	-	233,911	233,911	336,974
Bad debt expense	-	-	-	-	36,640	-	-	36,640	36,640	70,100
Depreciation	329,128	220,239	372,036	921,403	29,805	23,307	-	53,112	974,515	728,471
Total expenses	2,970,688	1,611,906	4,328,855	8,911,449	3,678,738	1,358,930	894,469	5,932,137	14,843,586	11,351,884
Less expenses deducted directly from revenues on the statement of activities										
Direct cost of special events	-	-	-	-	-	-	(894,469)	(894,469)	(894,469)	(989,462)
Total expenses reported by function on the statement of activities	\$ 2,970,688	\$ 1,611,906	\$ 4,328,855	\$ 8,911,449	\$ 3,678,738	\$ 1,358,930	\$ -	\$ 5,037,668	\$ 13,949,117	\$ 10,362,422

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Consolidated Statement of Cash Flows Year Ended September 30, 2019

(With Summarized Financial Information for the Year Ended September 30, 2018)

	2019	2018
<b>Operating Activities</b>		
Change in net assets	\$ (2,373,412)	\$ 5,509,307
Items not requiring (providing) operating cash flows		
Depreciation	974,515	728,471
Amortization of debt issuance costs included in interest expense	44,666	-
Net gain on investments	(3,292,405)	(5,665,860)
Contributions restricted for long-term use	(639,927)	(3,292,651)
Change in value of beneficial interest in trusts	13,214	(37,270)
Changes in		
Government grants receivable	250,539	448,133
Contributions receivable	880,297	7,066,378
Accrued interest receivable	(49)	(2,238)
Prepaid expenses and other assets	(7,258)	5,799
Accounts payable and accrued expenses	654,745	187,913
Refundable advances	(151,098)	28,672
Net cash (used in) provided by operating activities	(3,646,173)	4,976,654
<b>Investing Activities</b>		
Purchase of investments	(527,939)	(17,704,929)
Proceeds from sale of investments	6,175,502	9,058,500
Decrease in limited use assets	8,057,919	17,594,305
Purchase of fixed assets	(11,448,498)	(19,417,618)
Net cash provided by (used in) investing activities	2,256,984	(10,469,742)



# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Consolidated Statement of Cash Flows (Continued)

Year Ended September 30, 2019

(With Summarized Financial Information for the Year Ended September 30, 2018)

	2019	2018
<b>Financing Activities</b>		
Drawdowns on lines of credit	\$ 100,000	\$ -
Repayment of lines of credit	(200,000)	(200,000)
Proceeds from contributions restricted for long-term use	1,449,342	3,292,651
	1,349,342	3,092,651
<b>Net cash provided by financing activities</b>	<b>1,349,342</b>	<b>3,092,651</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(39,847)</b>	<b>(2,400,437)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>851,772</b>	<b>3,252,209</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 811,925</b>	<b>\$ 851,772</b>
<b>Reconciliation of Cash and Cash Equivalents</b>		
Cash and Cash Equivalents - current	\$ 534,148	\$ 559,522
Cash and Cash Equivalents - long term	277,777	292,250
	\$ 811,925	\$ 851,772
<b>Total</b>	<b>\$ 811,925</b>	<b>\$ 851,772</b>
<b>Supplemental Cash Flows Information</b>		
Cash paid for interest (net of amount capitalized)	\$ 203,790	\$ 303,240
Amortization of debt issuance costs included in fixed assets as capitalized interest	133,999	178,665
Property and equipment acquired through accounts payable construction and retainage payable (net increase (decrease))	(2,790,608)	724,538
Payment on pledge receivable restricted for long-term use through donated securities	4,000,000	-

# **Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation**

## **Notes to Consolidated Financial Statements**

**September 30, 2019**

**(With Summarized Financial Information as of and for the Year Ended September 30, 2018)**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

#### ***Nature of Operations***

Madison Square Boys & Girls Club, Inc. (Madison) was established for the purpose of providing services to youth. These services include physical education, social and recreational, and education and guidance. The mission of Madison Square Boys and Girls Club, Inc. is to save and enhance the lives of New York City boys and girls who, by means of economic and/or social factors, are most in need of its services. Madison Square Boys and Girls Club, Inc. is supported primarily through contributions, special events, government grants, and investment income.

MSBGC-NYC Support Corporation was established on February 17, 2017 for the purpose of supporting Madison Square Boys and Girls Club, Inc. primarily by participating in a New Markets Tax Credit (NMTC) financing transaction related to the construction of the Harlem Clubhouse (*Note 10*). MSBGC-NYC Support Corporation began operations on May 5, 2017. Madison Square Boys and Girls Club, Inc. is the sole member of MSBGC-NYC Support Corporation.

Both entities (collectively referred to as Madison) are not-for-profit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

#### ***Basis of Consolidation***

All material intercompany transactions and balances have been eliminated in the consolidation.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and 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 revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

Madison considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers.

At September 30, 2019, Madison's cash accounts exceeded federally insured limits by approximately \$1,263,000.

# **Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation**

## **Notes to Consolidated Financial Statements**

**September 30, 2019**

**(With Summarized Financial Information as of and for the Year Ended September 30, 2018)**

### ***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 with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Madison's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Madison maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Madison's investments with long-term maturities have been classified as long-term while the remaining investments have been classified as current based on the availability of these investments to fund current operations as needed.

### ***Accounts and Government Grants Receivable***

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. Government grants receivable are recorded when services are rendered or when expenses have been incurred on grant contracts in accordance with contract terms. Interest is not charged on overdue receivables. Madison provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### Limited Use Assets

In accordance with the terms of the NMTC, MSBGC-NYC Support Corporation was required to establish and maintain certain construction and other funded reserve accounts (*Note 7*). These reserves are held in cash accounts at PNC Bank. Any withdrawals require PNC Bank approval.

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	5-40 years
Equipment and furnishings	5-15 years

Madison capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred each year was:

	<u>2019</u>	<u>2018</u>
Interest costs capitalized	\$ 386,564	\$ 43,151
Interest costs charged to expense	<u>203,790</u>	<u>303,240</u>
Total interest incurred	<u>\$ 590,354</u>	<u>\$ 346,391</u>

### Long-Lived Asset Impairment

Madison evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended September 30, 2019 and 2018.

### Debt Issuance Costs

Deferred issuance costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the effective interest method.

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### **Refundable Advances**

Refundable advances represent grant funds advanced by various government agencies for future periods.

### **Net Assets**

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

Net assets without donor restrictions are available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions are subject to donor or grantor restrictions. Some 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 restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

### **Contributions**

Contributions are provided to Madison either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on Madison overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

# **Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation**

## **Notes to Consolidated Financial Statements**

**September 30, 2019**

**(With Summarized Financial Information as of and for the Year Ended September 30, 2018)**

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

### ***In-Kind Contributions***

In addition to receiving cash contributions, Madison receives in-kind contributions of auction items for their special events from various donors. It is the policy of Madison to record the estimated fair value of certain in-kind donations as an expense in its consolidated financial statements, and similarly increase contribution revenue by a like amount. For the years ended September 30, 2019 and 2018, \$236,244 and \$308,554, respectively, was received in in-kind contributions.

### ***Government Grants***

Support funded by grants is recognized as Madison performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

### ***Special Events***

Madison conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenues in the accompanying consolidated statement of activities.

### ***Rental Income***

Rental income is reported on the straight-line basis. Accrued rental income is recorded when material.

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

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Certain costs have been allocated among the program, management and general and fund raising categories proportional to their related, directly charged expenses.

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### **Rent Expense**

Rent expense is reported on the straight-line basis, taking into account rent concessions and escalations. Deferred rent is recorded when material.

### **Revisions**

Certain immaterial revisions have been made to the 2018 financial statements for the Level 3 Reconciliation in *Note 3* to record both interest and dividends earned and distributions made of \$100,924. These revisions did not have a significant impact on the financial statement line items impacted.

## **Note 2: Changes in Accounting Principle**

In 2019, Madison adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

### **Statement of Financial Position**

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

### **Statement of Activities**

- Investment income is shown net of external and direct internal investment expenses.

### **Statement of Functional Expenses**

- Expenses are reported by both nature and function in one location.
- Disclosure of the expenses netted against investment income is no longer required.

### **Notes to the Financial Statements**

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

This change had no impact on previously reported total change in net assets.

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### **Note 3: Investments and Investment Return and Disclosures About Fair Values of Assets**

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets



# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019 and 2018:

	Total	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
<b>September 30, 2019</b>			
Investments			
Equity securities			
Basic material	\$ 494,116	\$ 494,116	\$ -
Consumer discretionary	5,117,964	5,117,964	-
Consumer staples	1,005,372	1,005,372	-
Financial	4,372,694	4,372,694	-
Healthcare	1,862,174	1,862,174	-
Industrial goods	3,081,076	3,081,076	-
Technology	3,642,329	3,642,329	-
Communications	6,442,892	6,442,892	-
Energy	151,232	151,232	-
Utilities	87,233	87,233	-
Real estate	75,634	75,634	-
Mutual funds			
Equity funds	17,164,139	17,164,139	-
Bond funds	7,481,355	7,481,355	-
Exchange traded funds			
Fixed income funds	1,312,094	1,312,094	-
Equity funds	<u>1,660,048</u>	<u>1,660,048</u>	<u>-</u>
Total investments reported on the fair value hierarchy	53,950,352	53,950,352	-
Money market fund	<u>3,456,178</u>		
Total investments	57,406,530		
Beneficial interest in perpetual trusts	<u>2,177,544</u>	<u>-</u>	<u>2,177,544</u>
Total	<u>\$ 59,584,074</u>	<u>\$ 53,950,352</u>	<u>\$ 2,177,544</u>

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

	<u>Fair Value Measurements Using</u>		
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>September 30, 2018</b>			
Investments			
Equity securities			
Basic material	\$ 336,218	\$ 336,218	\$ -
Consumer discretionary	8,656,425	8,656,425	-
Consumer staples	873,551	873,551	-
Financial	6,062,151	6,062,151	-
Healthcare	1,611,608	1,611,608	-
Industrial goods	2,461,687	2,461,687	-
Technology	8,411,197	8,411,197	-
Communications	754,638	754,638	-
Energy	816,970	816,970	-
Utilities	133,889	133,889	-
Real estate	196,893	196,893	-
Mutual funds			
Equity funds	12,099,175	12,099,175	-
Bond funds	4,511,958	4,511,958	-
Exchange traded funds			
Fixed income funds	1,562,974	1,562,974	-
Equity funds	3,443,905	3,443,905	-
Total investments reported on the fair value hierarchy	51,933,239	51,933,239	-
Money market fund	3,828,449		
Total investments	55,761,688		
Beneficial interest in perpetual trusts	2,190,758	-	2,190,758
Total	\$ 57,952,446	\$ 51,933,239	\$ 2,190,758

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### **Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

### **Beneficial Interest in Perpetual Trust**

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

### **Level 3 Reconciliation**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statement of financial position using significant unobservable (Level 3) inputs:

	<b>Beneficial Interest in Perpetual Trusts</b>
<b>Beneficial Interest in Perpetual Trusts</b>	
Balance, October 1, 2017	\$ 2,153,488
Interest and dividends	102,480
Change in value	37,270
Distributions	(102,480)
Balance, September 30, 2018	2,190,758
Interest and dividends	100,924
Change in value	(13,214)
Distributions	(100,924)
Balance, September 30, 2019	\$ 2,177,544
Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	
Year ended September 30, 2019	\$ (13,214)
Year ended September 30, 2018	37,270

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### Note 4: Contributions Receivable

Contributions receivable consisted of the following:

	September 30, 2019			
	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Endowment	
Due within one year	\$ 2,194,983	\$ 325,000	\$ -	\$ 2,519,983
Due in one to five years	1,201,750	487,500	1,000,000	2,689,250
Due in more than five years	-	-	5,100,000	5,100,000
	<u>3,396,733</u>	<u>812,500</u>	<u>6,100,000</u>	<u>10,309,233</u>
Less				
Allowance for uncollectible contributions	(50,000)	-	-	(50,000)
Unamortized discount	<u>(28,377)</u>	<u>(12,683)</u>	<u>(811,788)</u>	<u>(852,848)</u>
	<u>\$ 3,318,356</u>	<u>\$ 799,817</u>	<u>\$ 5,288,212</u>	<u>\$ 9,406,385</u>
	September 30, 2018			
	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Endowment	
Due within one year	\$ 885,877	\$ 1,856,027	\$ 4,042,739	\$ 6,784,643
Due in one to five years	-	2,202,604	121,000	2,323,604
Due in more than five years	-	-	6,100,000	6,100,000
	<u>885,877</u>	<u>4,058,631</u>	<u>10,263,739</u>	<u>15,208,247</u>
Less				
Allowance for uncollectible contributions	(50,000)	-	-	(50,000)
Unamortized discount	<u>-</u>	<u>(59,777)</u>	<u>(2,373)</u>	<u>(62,150)</u>
	<u>\$ 835,877</u>	<u>\$ 3,998,854</u>	<u>\$ 10,261,366</u>	<u>\$ 15,096,097</u>

Discount rates of 2 percent were used for 2019 and 2018.

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### Note 5: Grant Commitments

Madison receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of Madison are prepared on the accrual basis, all earned portions of the grants not yet received as of September 30, 2019, have been recorded as receivables. The following are the grant commitments that extend beyond September 30, 2019:

Madison has received the following conditional promises to give at September 30 that are not recognized in the financial statements:

Grant	Term	Grant Amount	Earned as of September 30, 2019	Funding Available
Clubhouse renovations and operations	2017 - 2020	\$ 1,950,000	\$ 1,450,000	\$ 500,000

### Note 6: Beneficial Interest in Trusts

Under the terms of the trusts, the income generated from the trusts is payable to Madison. The contribution is classified as net assets with donor restrictions and the annual distributions from the trusts are reported as investment income that increases net assets without donor restrictions. The balance at September 30, 2019 and 2018 was \$2,177,544 and \$2,190,758, respectively.

### Note 7: Limited Use Assets

During 2017, under the terms of the NMTC financing agreements, reserve accounts were required to be established and deposits held with a trustee to be used for construction purposes and NMTC financing related expenses. Funds will be withdrawn to satisfy expenses incurred during the construction phase of the project and to pay certain interest and fees on the NMTC loans.

The following table represents limited use asset balances by source at September 30, 2019 and 2018:

	2019	2018
Construction reserve - cash	\$ 20,841	\$ 7,892,806
Interest reserve - cash	2	2
CDE fee reserves - cash	924,649	1,110,603
Total assets limited as to use	\$ 945,492	\$ 9,003,411

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### Note 8: Property and Equipment

Property and equipment consists of:

	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net</b>
Land	\$ 5,672,517	\$ -	\$ 5,672,517
Building and improvements	59,520,281	13,864,179	45,656,102
Equipment and furnishings	1,594,478	259,839	1,334,639
Construction in progress	-	-	-
	<u>\$ 66,787,276</u>	<u>\$ 14,124,018</u>	<u>\$ 52,663,258</u>
Administration	\$ 76,367	\$ 41,592	\$ 34,775
Building improvements	32,609	25,192	7,417
Bronx Club - Columbus building	4,474,663	2,078,300	2,396,363
Bronx Club - Joel E. Smilow Clubhouse	6,915,217	4,237,892	2,677,325
Navy Yard Boys' Club	5,035,397	3,990,081	1,045,316
Thomas S. Murphy Clubhouse	6,581,643	3,494,179	3,087,464
Elbaum Family Clubhouse	1,593	-	1,593
Harlem Club - Pinkerton Clubhouse	43,669,787	256,782	43,413,005
	<u>\$ 66,787,276</u>	<u>\$ 14,124,018</u>	<u>\$ 52,663,258</u>
	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net</b>
Land	\$ 370,734	\$ -	\$ 370,734
Land - Future Harlem Clubhouse	5,301,783	-	5,301,783
Building and improvements	20,258,530	13,014,807	7,243,723
Equipment and furnishings	2,127,973	1,456,795	671,178
Construction in progress	31,258,466	-	31,258,466
	<u>\$ 59,317,486</u>	<u>\$ 14,471,602</u>	<u>\$ 44,845,884</u>
Administration	\$ 770,952	\$ 746,017	\$ 24,935
Building improvements	32,609	20,247	12,362
Bronx Club - Columbus building	3,804,019	2,025,643	1,778,376
Bronx Club - Joel E. Smilow Clubhouse	6,653,413	4,207,481	2,445,932
Navy Yard Boys' Club	4,918,635	4,125,476	793,159
Thomas S. Murphy Clubhouse	6,212,278	3,346,738	2,865,540
Future Harlem Clubhouse site	36,925,580	-	36,925,580
	<u>\$ 59,317,486</u>	<u>\$ 14,471,602</u>	<u>\$ 44,845,884</u>

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### Note 9: Line of Credit

On December 5, 2012, Madison established a line of credit with JP Morgan Chase Bank, N.A. for an amount not to exceed \$6,500,000. The line of credit was to expire on December 31, 2014 but was extended through August 31, 2020. The line of credit is collateralized by the investments held by JP Morgan Chase Bank, N.A., which totaled \$9,505,239 at September 30, 2019 and \$10,019,641 at September 30, 2018. As of September 30, 2019 and 2018, Madison's outstanding balance on this account totaled \$944,360 and \$1,044,360, respectively. The interest rate at September 30, 2019 and 2018 is based upon the one-month LIBOR two days prior to the payment due date plus 1.40 percent. The interest rate at September 30, 2019 and 2018 was 3.46 percent and 3.65 percent, respectively, and interest expense was \$40,089 and \$34,346 for the years ended September 30, 2019 and 2018.

On June 16, 2017, Madison established a second line of credit for an amount not to exceed \$3,200,000. The line of credit is payable on demand and is collateralized by certain investments, which totaled \$7,511,398 and \$7,936,734 at September 30, 2019 and 2018, respectively. As September 30, 2019 and 2018, there were no amounts outstanding on this account. The interest rate at September 30, 2019 and 2018 is based upon the 30-day LIBOR plus 2 percent. The interest rate at September 30, 2019 and 2018 was 4 percent and 4.25 percent, respectively, and there was no interest expense for the years ended September 30, 2019 and 2018, respectively.

### Note 10: Long-Term Debt and Loan Receivable

In May 2017, Madison entered into a debt transaction to access additional funds through the New Markets Tax Credit (NMTC) Program. These funds were used towards the construction of Madison's new Clubhouse in Harlem, NY. The NMTC program permits taxpayers to claim a credit against federal income taxes for Qualified Equity Investments (QEIs) in designated Community Development Entities (CDEs), such as the Harlem Clubhouse. These designated CDEs must use substantially all (85 percent) of the proceeds to make Qualified Low-Income Community Investments (QLICIs). The Investor is provided with a tax credit, which is claimed over a seven-year compliance period, in exchange for their capital contribution to the QEI. Madison has partnered with an investor, PNC Bank, to utilize the NMTC Program.

PNC Bank established a special-purpose entity called Harlem Clubhouse Investment Fund, LLC (HCIF) to raise the capital for the transaction. PNC Bank owns 99 percent of HCIF. HCIF was funded with \$12,931,200 of equity from PNC Bank, and a \$25,548,800 leverage loan from Madison. The \$25,548,800 leverage loan from Madison to HCIF requires quarterly interest-only payments at 1.452 percent until December 2024. Starting in January 2025, HCIF will make quarterly principal and interest payments to Madison in the amount of \$389,737 until September 2043. At September 30, 2019 and 2018, the balance of the note was \$25,548,800, and interest income was \$370,969 and \$370,969 in 2019 and 2018, respectively. There was no accrued interest under the note as of September 30, 2019 and 2018.

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

The capital raised by HCIF was used to make a \$38,000,000 QEI in four separate CDEs - NFF New Markets Fund XXIX, LLC (NFF), NYCNCC Sub-CDE 2 LLC (NYNCC), Empowerment Reinvestment Fund XXV, LLC (ERF), and PNC CDE 74, LP (PNC), each owned 99.99 percent by HCIF. The CDEs then loaned these funds, net of fees paid to the CDEs, to MSBGC-NYC Support Corporation in the form of twelve loans. The loans all mature on December 31, 2051. Principal is payable in quarterly installments commencing in March 2025. Interest is payable quarterly on the loans and commenced May 2017.

Loans payable related to the NMTC financing reflected on the consolidated statements of financial position as of September 30, 2019 and 2018 are as follows:

	Original Principal Balance	Balance as of September 30, 2019	Balance as of September 30, 2018	Interest Rate
NFF CDE Loan A (Building)	\$ 913,617	\$ 913,617	\$ 913,617	1%
NFF CDE Loan A (Project)	5,576,383	5,576,383	5,576,383	1%
NFF CDE Loan B (Project)	<u>3,210,000</u>	<u>3,210,000</u>	<u>3,210,000</u>	1%
Total NFF CDE	<u>9,700,000</u>	<u>9,700,000</u>	<u>9,700,000</u>	
NYCNCC CDE Loan A (Building)	1,384,553	1,384,553	1,384,553	1%
NYCNCC CDE Loan A (Project)	9,034,447	9,034,447	9,034,447	1%
NYCNCC CDE Loan B (Project)	<u>4,281,000</u>	<u>4,281,000</u>	<u>4,281,000</u>	1%
Total NYCNCC CDE	<u>14,700,000</u>	<u>14,700,000</u>	<u>14,700,000</u>	
ERF CDE Loan A (Building)	542,519	542,519	542,519	1%
ERF CDE Loan A (Project)	3,445,081	3,445,081	3,445,081	1%
ERF CDE Loan B (Project)	<u>1,772,400</u>	<u>1,772,400</u>	<u>1,772,400</u>	1%
Total ERF CDE	<u>5,760,000</u>	<u>5,760,000</u>	<u>5,760,000</u>	
PNC CDE Loan A (Building)	659,311	659,311	659,311	1%
PNC CDE Loan A (Project)	3,992,889	3,992,889	3,992,889	1%
PNC CDE Loan B (Project)	<u>2,347,800</u>	<u>2,347,800</u>	<u>2,347,800</u>	1%
Total PNC CDE	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	
Subtotal	37,160,000	37,160,000	37,160,000	
Less: unamortized debt issuance costs	<u>(1,250,657)</u>	<u>(833,772)</u>	<u>(1,012,437)</u>	
Total loans payable	<u>\$ 35,909,343</u>	<u>\$ 36,326,228</u>	<u>\$ 36,147,563</u>	

Interest related to the NMTC financing was \$550,265, including \$178,665 of amortization of debt issuance costs, of which \$386,564 has been capitalized as part of construction in progress in 2019 and \$550,265, including \$178,665 of amortization of debt issuance costs, of which \$281,371 has been capitalized as part of construction in progress in 2018. The effective interest rate was 1.5 percent in 2019 and 2018.



# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

The seven-year compliance period for the NMTCs will end December 2025, at which time PNC Bank may exit the transaction through the exercise of a call/put agreement which it has entered into with Madison. Under the agreement, PNC Bank may “put” its interest in HCIF to Madison for a purchase price of \$1,000. In the event that PNC Bank has not exercised this put option Madison has 180 days to exercise its call option to purchase PNC Bank’s entire interest in HCIF for a purchase price equal to the appraised value of PNC Bank’s interest. To exercise the call option, Madison must be current on all payments under the twelve notes payable and must not owe any additional amounts to HCIF or PNC Bank. Madison will realize its savings from the NMTC transactions through the exercise of this put or call option, at which time it will control HCIF and can effectively forgive the QLICI Loan Bs. No amounts have been recorded in the accompanying consolidated financial statements related to these put and call options.

### Note 11: Net Assets

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions at September 30, 2019 and 2018 are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose		
100th Anniversary Fund		
Clubhouse Service Fund	\$ 4,560,189	\$ 4,638,879
Remedial Education Fund	2,325,809	2,365,942
Staff Development Training Fund	163,547	166,369
Camp and Outdoor Education Fund	77,094	78,424
Campaign for the 90s and 29th St. Property	-	2,677,849
Capital Campaign	-	1,303,527
Scholarship funds		
Eugenia Woodward Hitt Scholarship Fund	150,191	166,436
Joseph Golding Fund	123,305	136,642
Monroe and Rose Levinger Fund	11,375	12,606
Dana, Freeman, Harkness, Maxwell, Guzman, Dibemardo Fund	256,145	283,849
Program Operating Grants	1,442,042	453,000
	9,109,697	12,283,523
Endowments		
Perpetual in nature - endowment corpus	32,507,473	33,217,627
Subject to NFP endowment spending policy and appropriation		
Accumulated investment gains restricted by donors for clubhouse operations	6,020,957	4,319,151
Total endowments	38,528,430	37,536,778
Not subject to spending policy or appropriation		
Beneficial interests in perpetual trusts	2,177,544	2,190,758
	\$ 49,815,671	\$ 52,011,059

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### ***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<b>2019</b>
Satisfaction or purpose restrictions	
Scholarships	\$ 37,600
Clubhouse services	2,874,003
Remedial education	146,546
Staff development training	10,305
Camp and outdoor education	4,857
Music Program operations	268,968
Capital Campaign related costs	1,568,327
	4,910,606
 Restricted purpose spending-rate distributions and appropriations	
Clubhouse operations	946,600
	946,600
	\$ 5,857,206

### **Note 12: Endowment**

Madison's governing body is subject to the State of New York Prudent Management of Institutional Funds Act (NYPMIFA). As a result, Madison classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with NYPMIFA, Madison considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of Madison and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of Madison
7. Investment policies of Madison

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

Madison's endowment consists of a fund established by donors to provide income to fund its future operations related to its clubhouses. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at September 30, 2019 and 2018 was:

	<b>With Donor Restrictions</b>	
	<b>2019</b>	<b>2018</b>
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 32,507,473	\$ 33,217,627
Accumulated investment gains	6,020,957	4,319,151
Total endowment funds	\$ 38,528,430	\$ 37,536,778

Change in endowment net assets for the years ended September 30, 2019 and 2018 were:

	<b>With Donor Restrictions</b>	
	<b>2019</b>	<b>2018</b>
Endowment net assets, beginning of year	\$ 37,536,778	\$ 32,049,491
Investment return, net	2,648,406	3,400,274
Contributions	(710,154) *	87,013
Appropriation of endowment assets for expenditures	(946,600)	-
Other changes		
Reclassification based upon donor intent	-	2,000,000
Endowment net assets, end of year	\$ 38,528,430	\$ 37,536,778

\*There were \$99,261 of new contributions and a change in estimate of \$(809,415) in 2019.

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### ***Investment and Spending Policies***

The objective of Madison is to maintain the principal endowment funds at the original amount designated by the donor while generating income for Madison's programs. The investment policy to achieve this objective is to invest in a diversified investment portfolio. Investment income earned in relation to the endowment funds is recorded as net assets with donor restrictions and released from restriction upon expenditures for the programs for which the endowment was established. For the years ended September 30, 2019 and 2018, up to 4 percent of the five years quarterly average (or since inception if less than five years) will be drawn annually for use in operations.

### ***Underwater Endowments***

Madison does not have any underwater endowment funds.

### **Note 13: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2019, comprise the following:

Financial assets	
Cash and cash equivalents	\$ 811,925
Investments	57,406,530
Government grants receivable	262,529
Contributions receivable	9,406,385
Accrued interest receivable	<u>10,476</u>
Total financial assets	<u>67,897,845</u>
Donor imposed restrictions	
Restricted funds	(11,287,241)
Endowments	<u>(38,528,430)</u>
Total donor imposed restrictions	<u>(49,815,671)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 18,082,174</u>

Madison's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

To help manage unanticipated liquidity needs, Madison has committed lines of credit in the amount of \$9,700,000 which it could draw upon.

Madison manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

### Note 14: Operating Leases

On September 2, 2014, Madison entered into a lease for its administrative offices which commenced on August 12, 2014. The lease includes rent concessions at inception and rent escalations during the term of the lease. The lease is set to expire on December 30, 2021.

Future minimum rental payments are as follows:

2020	\$	396,312
2021		396,312
2022		<u>99,078</u>
Total	\$	<u>891,702</u>

Madison rents storage space on a month-to-month basis.

In addition, Madison leases three vehicles. The leases expire in January and October of 2020. Lease expense for these vehicles for the years ended September 30, 2019 and 2018 was \$11,648 and \$17,315, respectively.

Future minimum lease payments as of September 30, 2019 are as follows:

2020	\$	6,811
2021		<u>392</u>
Total	\$	<u>7,203</u>

Total lease and rent expense for the years ended September 30, 2019 and 2018 was \$402,321 and \$406,375, respectively.

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### Note 15: Pension and Other Postretirement Benefit Plans

Madison participates in the Boys and Girls Club of America Pension Trust (the Plan). The Plan is a defined contribution plan which covers substantially all full-time employees. Madison contributes 10 percent of participating employees' annual salaries. Employees are fully vested after three years of employment. Pension expense was \$390,197 and \$397,549 for the years ended September 30, 2019 and 2018, respectively.

### Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### ***Investments***

Madison invests in various investment securities. Investment securities 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 at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

#### ***Litigation***

The New York Child Victims Act (CVA), signed into law on February 14, 2019 by Governor Cuomo, created a one-year claim-revival window, which opened on August 14, 2019, during which adult survivors of child sexual abuse are permitted to file civil actions for damages resulting from such abuse, even if the statute of limitations for their claim(s) had already expired. As of the date of this report, Madison has been named as a defendant in eight pending lawsuits brought by a total of 28 different individuals, each alleging they were sexually abused when they were children between 1948 and 1980.

Most of the claims allege abuse by Dr. Reginald Archibald, an endocrinologist who conducted growth disorder studies on children at Rockefeller University in the 1950s, 1960s and 1970s. Dr. Archibald joined Madison's Board of Trustees in 1961, and appears to have been a volunteer at Madison beginning in 1940. Most of these plaintiffs claim that abuse occurred on Madison's premises; some allege that abuse occurred at Rockefeller University. Dr. Archibald has been deceased since 2007. Some plaintiffs claim abuse by Nicholas "Lefty" Antonucci, who appears to have been a basketball coach at Madison, during the 1950s, 1960s and 1970s. One plaintiff claims abuse by a camp counselor named Robert St. John in 1953 and 1954. In addition, Madison has also been contacted at various times by counsel for other putative plaintiffs who allege abuse and may bring additional lawsuits against Madison in the future.

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

None of the plaintiffs or putative plaintiffs has alleged that they or anyone acting on their behalf notified anyone at Madison (including Madison's senior management, Board of Trustees, or other Madison employee) before 2019 that he or she was abused.

At this stage, it is impossible to predict the outcomes of these litigations, and management is unable to reasonably estimate the impact such claims might have on the consolidated financial statements.

### Note 17: Capital Campaign

In connection with the purchase of the property in Harlem in 2012, Madison began a capital campaign to raise funds for the construction of a future clubhouse and to create an endowment to support Madison's activities. A total of \$76,167,779 and \$76,032,848 has been raised as of September 30, 2019, and 2018 respectively, of which \$25,000 are non-enforceable pledges as of September 30, 2019 and \$50,000 are non-enforceable pledges as of September 30, 2018. In accordance with generally accepted accounting principles the non-enforceable pledges are not recorded in Madison's financial statements as of September 30, 2019 and 2018. A discount of \$840,165 and \$62,150 has been recorded against future contributions receivable (*Note 4*) as of September 30, 2019 and 2018, respectively. Payments of \$67,408,377 were received as of September 30, 2019.

Madison started construction of the future Harlem Clubhouse in February 2017 and commenced operations at the clubhouse in July 2019. Retainage payable was \$102,493 and \$1,408,965 at September 30, 2019 and 2018, respectively.

### Note 18: Subsequent Event

Subsequent events have been evaluated through May 6, 2020, which is the date the financial statements were available to be issued.

There has been significant volatility in the investment markets both nationally and globally since September 30, 2019 resulting in an overall market decline which has resulted in a substantial decline in the value of Madison's investment portfolio.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, changes in net assets and cash flows of Madison. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Notes to Consolidated Financial Statements

September 30, 2019

(With Summarized Financial Information as of and for the Year Ended September 30, 2018)

### Note 19: Future Change in Accounting Principle

#### ***Grants and Contributions***

ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

The Financial Accounting Standards Board (FASB) expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. For all non-public entities, the standard will be effective for reporting periods beginning on or after December 15, 2018.

#### ***Revenue Recognition***

FASB amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities, and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities. Madison is in the process of evaluating the impact the amendment will have on the financial statements.



# **Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation**

## **Notes to Consolidated Financial Statements**

**September 30, 2019**

**(With Summarized Financial Information as of and for the Year Ended September 30, 2018)**

### ***Accounting for Leases***

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2020, and any interim periods within annual reporting periods that begin after December 15, 2020.

## **Supplementary Information**

# Madison Square Boys & Girls Club, Inc. and MSBGC-NYC Support Corporation

## Schedule of Changes in Net Assets with Donor Restrictions Year Ended September 30, 2019

	Net Assets - Beginning of Year	Support, Gains and Losses	Net Assets Released from Restrictions	Net Assets - End of Year
100th Anniversary Fund				
Clubhouse Service Fund	\$ 4,638,879	\$ 208,642	\$ (287,332)	\$ 4,560,189
Remedial Education Fund	2,365,942	106,413	(146,546)	2,325,809
Staff Development Training Fund	166,369	7,483	(10,305)	163,547
Camp and Outdoor Education Fund	78,424	3,527	(4,857)	77,094
Total 100th Anniversary Fund	<u>7,249,614</u>	<u>326,065</u>	<u>(449,040)</u>	<u>7,126,639</u>
Campaign for the 90s and 29th St. Property Sale	<u>2,677,849</u>	<u>(91,178)</u>	<u>(2,586,671)</u>	<u>-</u>
Capital Campaign 2012	<u>1,303,527</u>	<u>264,800</u>	<u>(1,568,327)</u>	<u>-</u>
Eugenia Woodward Hitt Scholarship Fund	166,436	(5,807)	(10,438)	150,191
Joseph Golding Fund	136,642	(4,767)	(8,570)	123,305
Monroe and Rose Levinger Fund	12,606	(440)	(791)	11,375
Dana, Freeman, Harkness, Maxwell, Guzman, Dibernardo Fund	283,849	(9,903)	(17,801)	256,145
Total Scholarship Funds	<u>599,533</u>	<u>(20,917)</u>	<u>(37,600)</u>	<u>541,016</u>
Program Operating Grants	<u>453,000</u>	<u>1,258,010</u>	<u>(268,968)</u>	<u>1,442,042</u>
Endowment				
Perpetual in nature - endowment corpus	33,217,627	(710,154)	-	32,507,473
Unappropriated earnings on endowment funds	4,319,151	2,648,406	(946,600)	6,020,957
Total Endowment	<u>37,536,778</u>	<u>1,938,252</u>	<u>(946,600)</u>	<u>38,528,430</u>
Perpetual Trusts				
Ruby Fleming Trust	1,225,581	4,529	-	1,230,110
Glessner B. Childs Trust	965,177	(17,743)	-	947,434
Total Perpetual Trusts	<u>2,190,758</u>	<u>(13,214)</u>	<u>-</u>	<u>2,177,544</u>
Total Net Assets With Donor Restrictions	<u>\$ 52,011,059</u>	<u>\$ 3,661,818</u>	<u>\$ (5,857,206)</u>	<u>\$ 49,815,671</u>