Audited Financial Statements

BOYS & GIRLS CLUBS OF METRO LOS ANGELES

December 31, 2018

Quigley & Miron

Boys & Girls Clubs of Metro Los Angeles
Audited Financial Statements
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December 31, 2018

Quigley & Miron

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Independent Auditor's Report

Board of Directors
Boys & Girls Clubs of Metro Los Angeles
Los Angeles, CA

We have audited the accompanying financial statements of Boys & Girls Clubs of Metro Los Angeles, a nonprofit organization, which comprise the statement of financial position as of December 31, 2018, and the related statement 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boys & Girls Clubs of Metro Los Angeles as of December 31, 2018, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of the Boys & Girls Clubs of Metro Los Angeles as of December 31, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Quigley & Miron

Los Angeles, California
June 13, 2019

Boys & Girls Clubs of Metro Los Angeles
Statement of Financial Position
December 31, 2018
(with comparative totals for 2017)

	2018 Under ASU 2016-14	2017 Under ASU 2016-14
Assets		
Cash and cash equivalents	$ 1,641,500	$ 850,887
Contracts and grants receivable—Note 3	818,649	814,207
Other receivables	18,262	4,247
Prepaid expenses	49,812	25,675
Buildings and land leases—Note 4	8,163,981	8,223,264
Property and equipment, Net—Note 5	13,005,940	12,424,206
Total Assets	**$ 23,698,144**	**$ 22,342,486**
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 523,167	$ 66,788
Employee benefits payable—Note 6	179,126	183,756
Deposits	53,045	53,045
Note payable—Note 7	38,487	74,518
Deferred revenue		26,523
Total Liabilities	**793,825**	**404,630**
Net Assets		
Without donor restrictions	12,694,064	12,292,218
With donor restrictions—Note 8	10,210,255	9,645,638
Total Net Assets	**22,904,319**	**21,937,856**
Total Liabilities and Net Assets	**$ 23,698,144**	**$ 22,342,486**

See notes to financial statements.

Boys & Girls Clubs of Metro Los Angeles
Statement of Activities
Year Ended December 31, 2018
(with comparative totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Public Support and Revenue				
Grants and contributions	$ 1,418,071	$ 2,650,411	$ 4,068,482	$ 3,575,131
Government grants	351,891		351,891	338,093
United Way	47,500		47,500	46,863
In-kind contribution of buildings and land leases—Note 4	409,817		409,817	412,702
In-kind contributions—Note 12	7,713		7,713	12,651
Fee for service	37,017		37,017	59,907
Membership income	88,849		88,849	50,812
Net assets released from restrictions	2,085,794	(2,085,794)		
Total Public Support and Revenue	**4,446,652**	**564,617**	**5,011,269**	**4,496,159**
Expenses				
Program services	3,106,368		3,106,368	3,044,947
Supporting services				
Management and general	711,628		711,628	702,537
Fund development	541,333		541,333	343,708
Total Expenses	**4,359,329**		**4,359,329**	**4,091,192**
Change in Net Assets from Operations	**87,323**	**564,617**	**651,940**	**404,967**
Nonoperating Activities				
Rental income—Note 13	283,960		283,960	286,760
Other income	30,563		30,563	768
Total Nonoperating Activities	**314,523**		**314,523**	**287,528**
Change in Net Assets	**401,846**	**564,617**	**966,463**	**692,495**
Net Assets at Beginning of Year	**11,951,383**	**9,986,473**	**21,937,856**	**21,245,361**
Effect of adopting ASU 2016-14—Note 9	340,835	(340,835)		
Net Assets at Beginning of Year after adoption of ASU 2016-14	**12,292,218**	**9,645,638**	**21,937,856**	**21,245,361**
Net Assets at End of Year	**$ 12,694,064**	**$ 10,210,255**	**$ 22,904,319**	**$ 21,937,856**

See notes to financial statements.

Boys & Girls Clubs of Metro Los Angeles
Statement of Functional Expenses
Year Ended December 31, 2018
(with comparative totals for 2017)

		Supporting Services			
	Program Services	**Management and General**	**Fund Development**	**2018 Total**	**2017 Total**
Salaries	$ 1,362,497	$ 364,190	$ 358,876	$ 2,085,563	$ 1,948,163
Employee benefits	186,322	49,803	49,077	285,202	221,760
Payroll taxes	182,232	48,710	47,999	278,941	153,391
Total Personnel Expenses	**1,731,051**	**462,703**	**455,952**	**2,649,706**	**2,323,314**
Occupancy and utilities	664,155	36,897	36,898	737,950	749,898
Depreciation and amortization	175,433	9,746	9,746	194,925	156,879
Program supplies	170,923			170,923	154,153
Office	129,890	7,216	7,216	144,322	110,784
Professional and consulting fees	73,317	51,002	14,702	139,021	301,785
Insurance		108,393		108,393	73,624
Repairs and maintenance	67,707	3,761	3,761	75,229	61,220
Travel and transportation	21,268	5,685	5,602	32,555	39,341
Property taxes	24,725	1,374	1,374	27,473	31,438
Equipment rental	20,783	1,155	1,155	23,093	15,620
Conferences and training	10,361	2,769	2,729	15,859	4,913
Scholarship awards and youth incentives	8,407			8,407	7,860
Supplies	3,364	900	886	5,150	31,104
Interest		5,856		5,856	9,035
Printing and publications	3,445	921	907	5,273	1,978
Bank charges		5,087		5,087	8,925
Licenses and permits		5,755		5,755	5,447
Miscellaneous	1,539	412	405	2,356	750
Advertising		1,996		1,996	3,124
Total Expenses	**$ 3,106,368**	**$ 711,628**	**$ 541,333**	**$ 4,359,329**	**$ 4,091,192**

See notes to financial statements.

Boys & Girls Clubs of Metro Los Angeles
Statement of Cash Flows
Year Ended December 31, 2018
(with comparative totals for 2017)

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 966,463	$ 692,495
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	194,925	156,879
Changes in operating assets and liabilities:		
Contracts and grants receivable	(4,442)	(92,863)
Other receivables	(14,015)	(4,247)
Prepaid expenses	(24,137)	4,665
Buildings and land lease	59,283	56,398
Accounts payable and accrued expenses	456,379	(219,461)
Employee benefits payable	(4,630)	123,625
Deposits		3,045
Deferred revenue	(26,523)	26,523
Net Cash Provided by Operating Activities	**1,603,303**	**747,059**
Cash Flows from Investing Activities		
Purchases of property and equipment	(863,440)	(864,915)
Disposals of property and equipment	86,781	
Net Cash Used in Investing Activities	**(776,659)**	**(864,915)**
Cash Flows from Financing Activities		
Repayments on note payable	(36,031)	(33,994)
Net Cash Used in Financing Activities	**(36,031)**	**(33,994)**
Net Increase (Decrease) in Cash and Cash Equivalents	**790,613**	**(151,850)**
Cash and Cash Equivalents at Beginning of Year	**850,887**	**1,002,737**
Cash and Cash Equivalents at End of Year	**$ 1,641,500**	**$ 850,887**
Supplementary Disclosures		
Income taxes paid	$ -	$ -
Interest paid	$ 5,856	$ 9,035

See notes to financial statements.

Boys & Girls Clubs of Metro Los Angeles
Notes to Financial Statements
December 31, 2018

Note 1—Organization and Summary of Significant Accounting Policies

Organization—Boys & Girls Clubs of Metro Los Angeles (BGCMLA) is a California not-for-profit corporation chartered by the Boys & Girls Clubs of America, Inc. BGCMLA was created in 2015 to consolidate existing Boys & Girls Clubs and to expand services through the creation of new Clubs and through partnerships with city and county government. The collective of clubs includes: Bell Gardens Boys & Girls Club, Challengers Boys & Girls Club (Challengers), Jordan Downs Boys & Girls Club, Boys & Girls Club of Nickerson Gardens, and Watts/Willowbrook Boys & Girls Club (Watts/Willowbrook). BGCMLA's mission is focused on promoting the health, life skills, and educational, vocational, and character development of Los Angeles youth ages 6-18. Each of the program sites (Clubs) facilitates programs designed to meet the physical, emotional, cultural, and social needs of the participants. Because these core areas are integrated, it is not practical to separate expenses into program categories. BGCMLA's principal funding sources are contributions, grants, government contracts and rentals.

Financial Statement Presentation—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. BGCMLA has adopted ASU 2016-14 for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. BGCMLA's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of BGCMLA and changes therein are presented and reported as follows:

> Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of BGCMLA. These net assets may be used at the discretion of BGCMLA's management and the board of directors.
>
> Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of BGCMLA and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit BGCMLA to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Note 1—Organization and Summary of Significant Accounting Policies—*Continued*

Income Taxes—BGCMLA is a nonprofit entity, exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes in the financial statements. In addition, BGCMLA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered *'more likely than not'* to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2018 and 2017. Generally, BGCMLA's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of BGCMLA's program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature; BGCMLA did not engage in any reportable nonoperating activities during the year ended December 31, 2018.

Cash Equivalents—BGCMLA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment—Property and equipment are stated at cost when purchased or estimated fair market value at the date of gift or bequest. Depreciation is provided for property and equipment in excess of $5,000 on the straight-line method over the useful lives of the related assets.

Concentration of Credit Risk—Financial instruments which potentially subject BGCMLA to concentrations of credit risk consist of cash and cash equivalents and receivables. BGCMLA places its cash and cash equivalent balances with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. In the normal course of operations, such cash balances may exceed the FDIC insurance limits. Receivables are due from well-known charitable organizations with substantial assets, government entities and other entities well-known to BGCMLA. BGCMLA's management has assessed the credit risk associated with the cash and cash equivalents balances and receivables outstanding at December 31, 2018 and 2017 and has determined that an allowance for potential uncollectible amounts is not necessary.

Donated Services—BGCMLA records contributed rent, goods, and services at fair value at the date of contribution. Contributions of services are recognized if they (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Note 1—Organization and Summary of Significant Accounting Policies—*Continued*

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Salaries, payroll taxes, employee benefits, travel and transportation, conferences and training, supplies, printing and publications, and miscellaneous are allocated based on time and effort of employees and are used to allocate all indirect expenses. Program supplies, professional and consulting fees, insurance, scholarship awards and youth incentives, interest, bank charges, licenses and permits, and advertising directly allocated. Occupancy and utilities, depreciation and amortization, office, repairs and maintenance, equipment rental, and property taxes are allocated based on space estimates.

Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications—Certain amounts in 2017 have been reclassified to conform with the 2018 financial statement presentation.

Note 2—Availability and Liquidity

BGCMLA's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $1,000,000). Subsequent to year-end, BGCMLA opened a revolving line of credit in the amount of $350,000, which is available to assist in meeting cash flow needs.

The following represents the availability and liquidity of BGCMLA's financial assets without donor restrictions at December 31, 2018 and 2017 to cover operating expenses for the next fiscal year:

	2018	2017
Cash and cash equivalents	$ 318,512	$ 190,525
Contracts and grants receivable	95,364	52,195
Other receivables	18,262	4,247
Totals	**$ 432,138**	**$ 246,967**

The above table does not reflect the underwater endowment totaling $340,835, which is expected to be funded from on-going operations (see Note 9).

Note 3—Contracts and Grants Receivable

Contracts and grants receivable of $818,649 and $814,207 at December 31, 2018 and 2017, respectively consist of amounts pledged by charitable organizations and are all due within one year.

Note 4—Buildings and Land Leases

In April 2000, Watts/Willowbrook entered into a 54-year lease agreement (Lease) with the Compton Unified School District, requiring annual payments of $100, for the use of 27,500 square feet of land and buildings. Accordingly, Watts/Willowbrook recorded the present value of the land and buildings rent of $5,134,421 as *buildings and land lease* on the statement of financial position and as a corresponding donor-restricted contribution on the statement of activities for the year ended June 30, 2000, based upon annual rental expense of $275,000 and a discount rate of 5%. The Lease was acquired by BGCMLA through its acquisition of Watts/Willowbrook during the year ended December 31, 2016. The value of the Lease at December 31, 2018 and 2017 was $4,568,279 and $4,613,627, respectively.

In April 2016, BGCMLA entered into a 55-year lease agreement (Lease) with the City of Bell Gardens, requiring annual payments of $1, for the use of 12,940 square feet of land and buildings. Accordingly, BGCMLA recorded the present value of the land and buildings rent of $3,631,370 as *buildings and land lease* on the statement of financial position and as a corresponding donor-restricted contribution on the statement of activities for the year ended December 31, 2016, based upon annual rental expense of $194,100 and a discount rate of 5%. The value of the Lease at December 31, 2018 and 2017 was $3,595,702 and $3,609,637, respectively.

Future contributions receivable related to the leases are as follows:

Year Ending December 31,		
2019	$	62,317
2020		65,504
2021		68,856
2022		72,378
2023		76,081
Thereafter		7,818,845
Total	**$**	**8,163,981**

During the years ended December 31, 2018 and 2017, BGCMLA recognized in-kind contributions related to the leases in the amount of $409,817 and $412,702, respectively.

Note 5—Property and Equipment, Net

Net property and equipment consists of the following at December 31, 2018 and 2017:

	2018	2017
Building and improvements	$ 7,309,137	$ 6,539,016
Furniture and equipment	142,398	127,860
Vehicles	93,160	101,160
	7,544,695	6,768,036
Less accumulated depreciation and amortization	(454,215)	(259,290)
Depreciable Property and Equipment, Net	**7,090,480**	**6,508,746**
Land	5,915,460	5,915,460
Property and Equipment, Net	**$ 13,005,940**	**$ 12,424,206**

Total depreciation expense and amortization recorded for the years ended December 31, 2018 and 2017 was $194,926 and $156,879.

Note 6—Retirement Plan

BGMLA participates in a defined contribution retirement plan sponsored by the Boys & Girls Clubs of America (Plan). The plan covers qualified full-time employees. Contributions are made to the Plan based upon a board-approved contribution rate applied to each employee's qualified salaries and wages.

As a result of the acquisition of Watts/Willowbrook during the year ended December 31, 2016, BGCMLA assumed a liability representing the amount owed by Watts/Willowbrook to the Plan. The value of the liability at December 31, 2018 and 2017 was $39,157 and $51,038, respectively and is reported in the employee benefits payable caption of the statement of financial position.

Effective January 1, 2017, BGCMLA adopted and executed a 401(k)-defined contribution plan, which provides for employer contributions of 3% of eligible wages. Employees become eligible to participate in the defined contribution plan after the first day of the calendar month following the employee's commencement date**.** The plan requires plan participants to be 21 years old; employees are eligible for employer matching after 1 year and 1000 hours worked. BGMLA's contributions to the 401(k)-plan for the year-ended December 31, 2018 and 2017 amounted to $39,665 and $2,886, respectively.

Note 7—Note Payable

BGCMLA has a note payable to a bank bearing interest at 5.75%, requiring monthly payments of principal and interest in the amount of $3,285. The balance at December 31, 2018 and 2017 amounted to $38,487 and $74,518, respectively.

Note 8—Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2018 and 2017 consist of the following:

	2018	2017
Purpose Restrictions		
Building and land lease	$ 8,163,981	$ 8,223,264
Capital Improvements and Renovations	829,271	
Tennis Academy	377,223	614,087
At Risk Youth	300,000	
Sports and Healthy Lifestyles Programs	147,503	25,000
Passenger Vans	50,000	
Management Agreement	30,000	
Data Collection Systems	27,195	46,275
Youth Scholarships	19,258	
Other	39,414	
Total Purpose Restrictions	**9,983,845**	**8,908,626**
Time-Restricted for Future Periods	**226,410**	**737,012**
Held in Perpetuity		
Endowment Fund	340,835	340,835
Underwater endowment	(340,835)	(340,835)
Total Subject to Appropration and Expenditure		
Total Net Assets With Donor Restrictions	**$ 10,210,255**	**$ 9,645,638**

Net assets released from donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Satisfaction of Purpose Restrictions		
Capital Improvements and Renovations	$ 721,728	$ 776,783
Tennis Academy	511,864	79,081
Building and land lease	59,283	56,398
Capacity Building	43,000	102,087
Sports and Healthy Lifestyles Youth Programs	42,498	440,000
Youth Scholarships	40,743	
Data Collection Systems	19,080	3,725
Software Upgrades		30,000
Other	55,586	340,000
Total Purpose Restrictions	**1,493,782**	**1,828,074**
Satisfaction of Time Restrictions	**592,012**	**1,115,000**
Total Net Assets Released from Restrictions	**$ 2,085,794**	**$ 2,943,074**

Note 9—Endowment Net Assets

In January 2009, the State of California adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The Board is aware that there is an implicit understanding that the market value of the donor-restricted endowment may, from time to time, fall below the fair value of the original gift as of the gift date due to market conditions or continued prudent expenditures by the Board of certain amounts of the endowment. If such a temporary deficit condition occurs, the Board would take all prudent steps, given ongoing market conditions, to restore the fair value of the fund to an amount at or above the amount of the original gift.

As a result of the acquisition of Challengers during the year ended December 31, 2016, BGCMLA acquired a permanently restricted endowment fund in the amount of $340,835. Prior to the acquisition date, Challengers liquidated the investment funds associated with the endowment and borrowed these funds to fund operations.

As a result of the adoption of ASU 2016-14 described in note 1, net assets without donor restrictions was retrospectively increased by $340,835 and net assets with donor restrictions was decreased by the same amount at December 31, 2016.

BGCMLA is aware of its obligations under UPMIFA. Subsequent to year-end, with the purpose in mind of developing a plan to restore the endowment funds in a way that honored the terms of the original agreement with the donor, BCMLA's Board of Directors opened brokerage accounts to re-establish a segregated account for endowment funds. As there were no investable assets to support the endowment funds and no new contributions were received during the years ended December 31, 2018 and 2017, there were no investment returns or appropriations made from the fund.

Note 10—Leases

BGCMLA has a 65-month non-cancelable operating lease for office space that began on August 31, 2016. BGCMLA also leases office equipment under another non-cancelable operating lease. Future minimum annual rental payments payable under these lease agreements are as follows:

Year Ending December 31,	
2019	$ 78,008
2020	74,936
2021	77,185
Total	**$ 230,129**

Rental expenses related to these operating leases amounted to $83,664 and $82,239 for the years ended December 31, 2018 and 2017, respectively.

Note 11—Commitments and Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although it is considered a possibility, BGCMLA deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of the grantor under the provisions of the gift.

From time to time, BGCMLA is subject to litigation that arises in the normal course of conducting its operations. In management's opinion, the resolution of litigation matters, if any, would not have a material effect on the financial position of the BGCMLA at December 31, 2018 and 2017.

Note 12—In-Kind Contributions

In-kind contributions of $7,713 and $12,651 for the years ended December 31, 2018 and 2017, respectively, have been recorded in the in-kind contributions caption of the statement of activities at their fair value and included in the statement of functional expenses as follows:

	2018	2017
Program supplies	$ 5,543	$ 802
Professional and consulting fees	2,000	
Office	170	
Supplies		11,849
Totals	**$ 7,713**	**$ 12,651**

Note 13—Rental Income

In August 2011, Challengers signed a 15-year agreement with a lessor for classroom space through August 2026. Additionally, in January 2018, BGCMLA signed a five-year agreement with a lessor for office space through December 2022. Rental income associated with these leases amounted to $283,960 and $286,760 for the years ended December 31, 2018 and 2017, respectively. Total future rental income to be received is as follows:

Year Ending December 31,	
2019	$ 288,182
2020	291,410
2021	296,427
2022	299,704
2023	291,719
Thereafter	776,417
Total	**$ 2,243,859**

Note 14—Recent Accounting Pronouncements

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2019, with early adoption permitted. BGCMLA is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Restricted Cash—In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities will be required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one-line item. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. BGCMLA is currently evaluating the impact that the adoption of ASU 2016-18 will have on its financial statements.

Contributions—In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) will account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. ASU 2018-08 is effective for resource recipients with fiscal years beginning after December 15, 2018, and for resource providers with fiscal years beginning after December 15, 2019; early adoption is permitted. BGCMLA is currently evaluating the impact that the adoption of ASU 2018-08 will have on its financial statements.

Note 14—Recent Accounting Pronouncements—*Continued*

Revenue Recognition—In May 2014, FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. 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 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 guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2018; early adoption is permitted for fiscal years beginning after December 15, 2016. The guidance permits the use of either a retrospective or cumulative effect transition method. BGCMLA is evaluating whether this will have a material impact on its financial statements.

Note 15—Subsequent Events

Subsequent to year-end, BGCMLA entered into negotiations to acquire another Boys & Girls Club in the Los Angeles area.

Management has evaluated subsequent events through June 13, 2019, which is the date the financial statements were available to be issued, and concluded that, other than the line of credit described in Note 2, the restoration plan for the endowment net assets in Note 8, and the additional acquisition described above, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosures in the notes to the financial statements.