Audited Financial Statements

BOYS & GIRLS CLUBS
OF METRO LOS ANGELES

December 31, 2019

Quigley & Miron

Boys & Girls Clubs of Metro Los Angeles
Audited Financial Statements
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December 31, 2019

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, 2019, 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, 2019, 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, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Quigley & Miron

Los Angeles, California
July 30, 2020

Boys & Girls Clubs of Metro Los Angeles
Statement of Financial Position
December 31, 2019
(with comparative totals for 2018)

	2019	2018
Assets		
Cash and cash equivalents	$ 362,420	$ 1,641,500
Contracts and grants receivable—Note 3	129,898	818,649
Other receivables	17,254	18,262
Prepaid expenses	24,888	49,812
Buildings and land leases—Note 4	8,101,665	8,163,981
Property and equipment, Net—Note 5	13,657,408	13,005,940
Total Assets	**$ 22,293,533**	**$ 23,698,144**
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 579,172	$ 523,167
Employee benefits payable—Note 6	205,534	179,126
Line of credit—Note 7	120,000	
Note payable—Note 7		38,487
Deposits	53,045	53,045
Deferred revenue	31,630	
Total Liabilities	**989,381**	**793,825**
Net Assets		
Without donor restrictions	12,306,237	12,694,064
With donor restrictions—Note 8	8,997,915	10,210,255
Total Net Assets	**21,304,152**	**22,904,319**
Total Liabilities and Net Assets	**$ 22,293,533**	**$ 23,698,144**

See notes to financial statements.

Boys & Girls Clubs of Metro Los Angeles
Statement of Activities
Year Ended December 31, 2019
(with comparative totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Operating Activities				
Public Support and Revenue				
Grants and contributions	$ 787,989	$ 685,421	$ 1,473,410	$ 4,068,482
Government grants	239,245	20,000	259,245	351,891
United Way	19,770	25,000	44,770	47,500
Special events				
Gross revenue	125,350		125,350	
Less cost of direct benefits to donors	(15,319)		(15,319)	
Special Events, Net	**110,031**		**110,031**	
In-kind contribution of buildings and land leases—Note 4	406,784		406,784	409,817
In-kind contributions—Note 12	7,920		7,920	7,713
Fee for service	299,218		299,218	37,017
Membership income	138,106		138,106	88,849
Interest income	4,027		4,027	
Gain (loss) on disposal of property and equipment	(30,465)		(30,465)	30,563
Rental income—Note 13	302,933		302,933	283,960
Net assets released from restrictions	1,942,761	(1,942,761)		
Total Public Support and Revenue	**4,228,319**	**(1,212,340)**	**3,015,979**	**5,325,792**
Expenses				
Program services	3,458,780		3,458,780	3,106,368
Supporting services				
Management and general	750,946		750,946	711,628
Fund development	406,420		406,420	541,333
Total Expenses	**4,616,146**		**4,616,146**	**4,359,329**
Change in Net Assets from Operations	**(387,827)**	**(1,212,340)**	**(1,600,167)**	**966,463**
Net Assets at Beginning of Year	**12,694,064**	**10,210,255**	**22,904,319**	**21,937,856**
Net Assets at End of Year	**$ 12,306,237**	**$ 8,997,915**	**$ 21,304,152**	**$ 22,904,319**

See notes to financial statements.

Boys & Girls Clubs of Metro Los Angeles
Statement of Functional Expenses
Year Ended December 31, 2019
(with comparative totals for 2018)

	Program Services	Supporting Services: Management and General	Supporting Services: Fund Development	Cost of Benefits	2019 Total	2018 Total
Salaries	$ 1,529,989	$ 297,498	$ 297,498	$	$ 2,124,985	$ 2,085,563
Employee benefits	191,953	37,324	37,324		266,601	285,202
Payroll taxes	126,156	24,531	24,530		175,217	278,941
Total Personnel Expenses	**1,848,098**	**359,353**	**359,352**		**2,566,803**	**2,649,706**
Occupancy and utilities	690,212	29,371	14,685		734,268	737,950
Depreciation and amortization	238,412	8,625			247,037	194,925
Legal settlement—Note 14		225,000			225,000	
Program supplies	197,513				197,513	160,070
Professional and consulting fees	63,355	79,059	12,315		154,729	139,021
Office	112,441	4,785	2,392		119,618	142,940
Insurance	91,027	3,874	1,937		96,838	108,393
Repairs and maintenance	84,817	3,609	1,805		90,231	75,229
Equipment rental	38,796	1,651	825		41,272	23,093
Travel and transportation	22,251	4,327	4,327		30,905	32,555
Property taxes	27,656	1,177	588		29,421	27,473
Dues and subscriptions	19,752	3,841	3,841		27,434	22,657
Program awards and youth incentives	16,284				16,284	8,407
Cost of direct benefits to donors				15,319	15,319	
Bank charges and interest		14,025			14,025	10,944
Conferences and training	7,811	1,519	1,519		10,849	15,859
Licenses and permits		7,512			7,512	5,755
Advertising	355	3,218	99		3,672	1,996
Donor stewardship			2,735		2,735	2,356
Total Expenses by Function	**3,458,780**	**750,946**	**406,420**	**15,319**	**4,631,465**	**4,359,329**
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors				(15,319)	(15,319)	
Total Expenses	**$ 3,458,780**	**$ 750,946**	**$ 406,420**	**$**	**$ 4,616,146**	**$ 4,359,329**

See notes to financial statements.

Boys & Girls Clubs of Metro Los Angeles
Statement of Cash Flows
Year Ended December 31, 2019
(with comparative totals for 2018)

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ (1,600,167)	$ 966,463
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	247,037	194,925
Changes in operating assets and liabilities:		
Contracts and grants receivable	688,751	(4,442)
Other receivables	1,008	(14,015)
Prepaid expenses	24,924	(24,137)
Buildings and land lease	62,316	59,283
Accounts payable and accrued expenses	56,005	456,379
Employee benefits payable	26,408	(4,630)
Deferred revenue	31,630	(26,523)
Net Cash Provided by (Used in) Operating Activities	**(462,088)**	**1,603,303**
Cash Flows from Investing Activities		
Purchases of property and equipment	(930,005)	(863,440)
Disposals of property and equipment	31,500	86,781
Net Cash Used in Investing Activities	**(898,505)**	**(776,659)**
Cash Flows from Financing Activities		
Repayments on note payable	(38,487)	(36,031)
Proceeds from line of credit	120,000	
Net Cash Provided by (Used in) Financing Activities	**81,513**	**(36,031)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(1,279,080)**	**790,613**
Cash and Cash Equivalents at Beginning of Year	**1,641,500**	**850,887**
Cash and Cash Equivalents Cash at End of Year	**$ 362,420**	**$ 1,641,500**
Supplementary Disclosures		
Income taxes paid	$ -	$ -
Interest paid	$ 1,268	$ 5,856

See notes to financial statements.

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—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.

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.

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

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, 2019 and 2018. 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.

Recently Adopted Accounting Principle—In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) are to 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 are to 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 No. 2018-08 has been adopted by BGCMLA for the year ended December 31, 2019, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements and noted that there was no material effect on the financial statements.

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

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 to promote the health, social, educational, vocational and character development of youth throughout the Los Angeles area 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, 2019.

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.

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

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, 2019 and 2018 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.

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 2018 have been reclassified to conform with the 2019 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).

The following represents the availability and liquidity of BGCMLA's financial assets without donor restrictions at December 31, 2019 and 2018 to cover operating expenses for the next fiscal year:

Financial assets:		
Cash and cash equivalents	$	362,420
Contracts and grants receivable		129,898
Other receivables		17,254
Total Financial Assets		**509,572**
Less amounts not available to be used within one year:		
Cash with purpose restrictions		(816,079)
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	**$**	**(306,507)**

BGCMLA also has a revolving line of credit in the amount of $350,000, of which $120,000 was drawn upon at year end, which is available to assist in meeting cash flow needs. As of July 30, 2020, which is the date the financial statements were available to be issued, $350,000 was available.

Note 3—Contracts and Grants Receivable

Contracts and grants receivable of $129,898 and $818,649 at December 31, 2019 and 2018, 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, 2019 and 2018 was $4,520,611 and $4,568,279, respectively.

Note 4—Buildings and Land Leases—*Continued*

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, 2019 and 2018 was $3,581,054 and $3,595,702, respectively.

Future contributions receivable related to the leases are as follows:

Year Ending December 31,		
2020	$	65,504
2021		68,856
2022		72,378
2023		76,081
2024		79,974
Thereafter		7,738,872
Total	**$**	**8,101,665**

During the years ended December 31, 2019 and 2018, BGCMLA recognized in-kind contributions related to the leases in the amount of $406,784 and $409,817, respectively.

Note 5—Property and Equipment, Net

Net property and equipment consists of the following at December 31, 2019 and 2018:

		2019		**2018**
Building and improvements	$	8,180,267	$	7,309,137
Furniture and equipment		201,273		142,398
Vehicles		61,660		93,160
		8,443,200		7,544,695
Less accumulated depreciation and amortization		(701,252)		(454,215)
Depreciable Property and Equipment, Net		**7,741,948**		**7,090,480**
Land		5,915,460		5,915,460
Property and Equipment, Net	**$**	**13,657,408**	**$**	**13,005,940**

Total depreciation expense and amortization recorded for the years ended December 31, 2019 and 2018 was $247,037 and $194,926.

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, 2019 and 2018 was $22,506 and $39,157, 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, 2019 and 2018 amounted to $41,220 and $39,665, respectively.

Note 7—Line of Credit and Note Payable

During the year ended December 31, 2019, BGCMLA opened a revolving line of credit in the amount of $350,000 to assist in meeting cash flow needs, requiring monthly payments of interest, bearing an interest rate equal to the fluctuating daily LIBOR rate plus 2.5%, and a maturity date of April 30, 2020. The balance on the line of credit at December 31, 2019 was $120,000. Subsequent to year-end, BGCMLA paid off the line of credit in full before the maturity date and renewed the line which now holds a maturity date of April 30, 2021.

During the year ended December 31, 2019 and 2018, BGCMLA held 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, 2019 and 2018 amounted to $0 and $38,487, respectively.

Interest expense related to the note payable and line of credit amounted to $1,268 and $5,856 for the years ended December 31, 2019 and 2018, respectively.

Note 8—Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2019 and 2018 consist of the following:

	2019	2018
Subject to expediture for specified purpose:		
Tennis Academy	$ 311,551	$ 377,223
Capital improvements and renovations	284,780	829,271
Teen Center	121,092	
Passenger vans	50,000	50,000
Club acquisition costs	23,990	
Training program	10,500	
Sports and healthy lifestyles programs	10,000	147,503
Other	4,166	39,414
At risk youth		300,000
Management agreement		30,000
Data collection systems		27,195
Youth scholarships		19,258
Subject to time restrictions:		
Building and land lease	8,101,665	8,163,981
Future period pledges	80,171	226,410
Held in perpetuity:		
Endowment fund	340,835	340,835
Underwater endowment	(340,835)	(340,835)
Total Net Assets With Donor Restrictions	**$ 8,997,915**	**$ 10,210,255**

Note 8—Net Assets with Donor Restrictions—*Continued*

Net assets released from donor restrictions for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Satisfaction of purpose restrictions:		
Tennis Academy	$ 340,672	$ 511,864
Capital improvements and renovations	644,491	721,728
Teen Center	72,908	
Club acquisition costs	15,260	
Training program	6,500	
Sports and healthy lifestyles programs	157,502	42,498
Other	40,248	55,586
At risk youth	300,000	
Management agreement	30,000	
Data collection systems	27,195	19,080
Youth scholarships	19,258	40,743
Capacity building		43,000
Satisfaction of passage of time		
Building and land lease	62,317	59,283
Future period pledges	226,410	592,012
Total Net Assets Released from Donor Restrictions	**$ 1,942,761**	**$ 2,085,794**

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 an endowment fund held in perpetuity 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.

BGCMLA is aware of its obligations under UPMIFA. As there were no investable assets to support the endowment funds and no new contributions were received during the years ended December 31, 2019 and 2018, 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 this lease agreements are as follows:

Year Ending December 31,		
2020	$	95,869
2021		98,117
2022		60,096
2023		20,933
Total	**$**	**275,015**

Rental expenses related to this operating leases amounted to $93,687 and $83,664 for the years ended December 31, 2019 and 2018, 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.

Note 12—In-Kind Contributions

In-kind contributions of $7,920 and $7,713 for the years ended December 31, 2019 and 2018, 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:

		2019		**2018**
Professional and consulting fees	$	7,920	$	2,000
Program supplies				5,543
Office				170
Totals	**$**	**7,920**	**$**	**7,713**

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 $302,933 and $283,960 for the years ended December 31, 2019 and 2018, respectively. Total future rental income to be received is as follows:

Year Ending December 31,		
2020	$	291,410
2021		296,427
2022		299,704
2023		291,719
2024		295,046
Thereafter		481,371
Total	**$**	**1,955,677**

Note 14—Legal Settlement

During the year ended December 31, 2019, BGCMLA reached an employment related settlement resulting largely from the acquisition of a club during the year ended December 31, 2017. The settlement amounted to $225,000 and has been recorded in the *Legal Settlement* caption on the statement of functional expenses. The terms of the settlement require two equal payments of $112,500, with the first payment due upon the Court's final approval of the settlement, estimated to be July 2021. The second payment is due six months after the first payment.

Note 15—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, 2020, with early adoption permitted. BGCMLA is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Note 15—Recent Accounting Pronouncements

Revenue Recognition—In May 2014, FASB issued 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, 2019. 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 16—Subsequent Events

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, is being severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. In response, the federal government developed a Paycheck Protection Program (PPP) to provide a direct incentive for small businesses to keep their workers on the payroll. On May 6, 2020, BGCMLA received $427,512 of PPP funding through a bank from the Small Business Administration. While these funds carry loan repayment terms, it is the opinion of management that all funds received will be forgiven under the present terms of PPP. No adjustments have been made to these financial statements as a result of this uncertainty.

In April 2020, BGMLA received a $1,555,000 loan for operations. The loan is secured by a lien position deed of trust recorded against one of BGMLA's properties. The loan matures in May 2025, and carries an interest rate of 7.99%.

Subsequent events were evaluated through July 30, 2020, which is the date the financial statements were available to be issued, and concluded that, other than as noted above, no other material subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.