FUNDING AGREEMENT BETWEEN THE CITY OF FRANKLIN AND

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE

COF Contract No. 2019-0195

This Funding Agreement is effective on July 1, 2019, between and among the City of Franklin, Tennessee, a political subdivision of the State of Tennessee (the "City") and BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE (the "Agency"), a Tennessee nonprofit corporation.

RECITALS

WHEREAS, Tennessee Code Annotated ("TCA") Section 6-54-111, as amended, authorizes a municipality's governing body to appropriate funds for the financial aid of any nonprofit charitable organization that provides year-round services benefiting the general welfare of the residents of the municipality or any nonprofit civic organization working to maintain and increase employment opportunities in the municipality; and

WHEREAS, the TCA also provides for the Comptroller of the Treasury to establish standard procedures to assist the municipal governing body in the disposition of funds so appropriated; and

WHEREAS, the municipality wishes to comply with the following laws and rules:

1. A municipality may appropriate funds for only those nonprofit charitable organizations that provide year-round services benefiting the general welfare of the residents of the municipality, or any nonprofit civic organization classified under Sections 501(c)(4) or (6) of the Internal Revenue Code working to maintain and increase employment opportunities in the municipality.

2. The governing body of each municipality shall adopt an adequate agreement stating the purpose for which the funds are being appropriated, for each nonprofit organization that is to receive municipal funds.

3. The budget document of the municipality shall include the name of each nonprofit organization and the specific amount appropriated for each organization.

4. Municipal payments to nonprofit organizations shall be limited to the amounts appropriated for such purposes and in keeping with the municipality's guidelines for how the appropriated funds may be spent.

5. Pursuant to Tennessee Code Annotated §6-54-111(c), the Agency shall file with the City a copy of the annual report of its business affairs and transactions that includes, but is not limited to:

(a) Either a copy of the Agency's most recently completed annual audit or an annual report detailing all receipts and expenditures in a form prescribed by the comptroller of the treasury (a blank copy of which is attached as Exhibit A) and certified by the chief financial officer of the Agency;
(b) A description of the program that serves the residents of the municipality (a blank copy of which is attached as Exhibit B); and
(c) The proposed use of the municipal assistance (a blank copy of which is attached as Exhibit C).

The report filed shall be open for public inspections during regular business hours of the City.

6. For appropriations to nonprofit civic organizations, notices shall be published in a newspaper of general circulation in the municipality of the intent to make an appropriation, specifying the intended amount and purpose; and

WHEREAS, the City and the Agency intend to enter into this agreement for the purpose of defining the Agency's use of the monies received from the City in fiscal year 2019-2020.

NOW, THEREFORE, in consideration of the mutual covenants and promises, the parties agree as follows:

1. TERM

This agreement shall be effective from and after the effective date and shall extend through June 30, 2020, unless otherwise terminated in accordance herewith.

2. OBLIGATIONS OF CITY OF FRANKLIN

2.1 In accordance with City guidelines after all administrative costs are deducted therefrom, the City will contribute to the Agency the amount of EIGHTEEN THOUSAND and 00/100 DOLLARS ($18,000.00).

2.2 Payments will be made in quarterly installments, payable at or near the beginning of each quarter and will begin only after this Agreement has been executed.

3. OBLIGATIONS OF THE AGENCY

3.1 **Use of Funds.** The Agency shall use the City funds for the sole and limited purpose of community and economic development of the City of Franklin according to the Statement of Work and Program Objectives provided in Exhibit B, a copy of which is attached hereto and incorporated by reference herein.

3.2 **Work Plan.** In order to accomplish the objective(s) set forth in paragraph 3.1, the agency shall submit to the City a Work Plan that describes, in detail, the efforts to be undertaken by the Agency to accomplish the performance objectives set forth in Exhibit B, a copy of which is attached hereto as Exhibit C and incorporated by reference herein. At a minimum, the Work Plan shall include that information required by Exhibit B. The Agency shall coordinate its performance under this Agreement with the City. The Agency shall advise and consult with the City Administrator or his/her designee, with respect to its performance under this Agreement.

3.3 **Annual Budget.** The Agency shall submit an annual budget in a form and on a schedule acceptable to the City. The annual budget shall contain a detailed analysis of the project administrative expenses for operations and reasonable estimates of the projected amounts to be spent for the services to be provided and Work Plan to be implemented for the calendar year. The budget shall be submitted to the City with this agreement.

3.4 **Reporting.** Pursuant to Tennessee Code Annotated §6-54-111(c), the Agency shall file with the City a copy of the annual report of its business affairs and transactions that includes, but is not limited to:

(a) Either a copy of the Agency's most recently completed annual audit or an annual report detailing all receipts and expenditures in a form prescribed by the comptroller of the treasury (a blank copy of which is attached as Exhibit A) and certified by the chief financial officer of the Agency;
(b) A description of the program that serves the residents of the municipality; and
(c) The proposed use of the municipal assistance.

The report filed shall be open for public inspections during regular business hours of the City.

3.5 **Insurance.** The Agency shall maintain professional liability and general liability insurance coverages as are reasonably necessary to cover any liability arising out of the acts or omissions of the Agency and its employees. The Agency shall maintain workers' compensation insurance as required by the laws of the State of Tennessee.

The Agency shall require all third parties utilized by the Agency ("Contractors") to maintain professional liability and general liability insurance coverages as are reasonably necessary to cover any liability arising out of the acts or omissions of the Contractors and its employees. The Agency shall require contractors to maintain workers' compensation as required by the State of Tennessee. The contractor's general liability insurance shall be of sufficient limits to provide defense and settlement expenses for Agency that result from the contractor liability. To the extent permissible, the Agency shall require each Contractor to endorse the Agency as an additional insured on the Contractor's general liability policies.

To the extent permitted by law, the Agency shall require such Contractor to indemnify and hold the Agency harmless against any liability caused by acts or omissions of the Contractor and its employees.

Insurance information will be provided to the City upon request. The Agency shall notify the City immediately of incidents that could lead to a major claim against the Agency.

4. RESTRICTION ON USE OF FUNDS

The Agency does hereby warrant and represent that the City Funds shall not be utilized by either the Agency or any of its Contractors for the following purposes:

4.1 Any claim or litigation against the City or any department or division of the City.

4.2 Any political or levy campaigning purposes.

5. RECORDS AND AUDITS

5.1 **Accounting.** The Agency shall maintain full, accurate and complete financial and accounting books, records and reports ("Records") of all direct and indirect uses and expenditures of the City Funds consistent with generally accepted accounting principles (GAAP).

5.2 **Maintenance of Records.** The Agency shall keep records relating to all uses and expenditures of the City Funds received pursuant to this Agreement. The Agency shall maintain a system of bookkeeping adequate for its operations hereunder and shall submit reports from such system to the City and the Agency on an annual basis for review and approval. The Agency shall keep and preserve for at least seven (7) years following each calendar year all sales slips, rental agreements, purchase orders, sales books, cash register tapes, credit card invoices, payroll records, duplicate deposit tapes and invoices, bank accounts, cash receipts and cash disbursements, bank books and other evidence of receipts and expenditures for such period.

5.3 **Audit.** The City or the City's designated representative, at the City's cost and expense, shall have the right to audit the Agency's Records at any time but shall not unreasonably interfere with the Agency's business or operations in connection with any such audit. The Agency acknowledges that this Agreement may be subject to audit by the Auditor of the State of Tennessee.

5.4 **Repayment.** If an audit discloses the Agency has received or retained City Funds in error or in excess of those to which the Agency is entitled under this Agreement or has used the City Funds for a purpose not authorized by this Agreement, the Agency agrees to promptly repay to the City the full amount of such City Funds, with interest thereon at the rate equal to the 90-day U.S. Treasury Note at the time. In the event the Agency fails to promptly repay to the City the full amount of such City Funds, the City may elect to withhold said City Funds from any future payments to the Agency.

5.5 **Additional Remedies.** In addition to the repayment remedy set forth in paragraph 5.4 herein, the City may elect to terminate this Agreement as set forth in section 6, herein with a minimum of 30 days written notice to the Agency's President and Chair of the Board with opportunity to cure any breach.

6. TERMINATION

If either party hereto breaches any term, condition, representation, warranty or covenant contained in this Agreement, or if the Agency engages in any malfeasance or misfeasance with respect to the City Funds, the non-breaching party may elect to terminate this Agreement with a minimum of 30 days written notice to the other party with opportunity to cure any breach.

7. MISCELLANEOUS PROVISIONS

7.1 The Agency and the City agree that, as a condition to this Agreement, they shall not discriminate against any employee on the basis of race, color, sex, religion, natural origin, handicap, or any other factor specified in Title VI of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, the Americans with Disabilities Act, and subsequent amendments thereto, and all other federal and state laws regarding such discrimination.

7.2 The Agreement may be amended at any time, or any provision hereof may be waived, by written consent of all parties hereto.

7.3 This Agreement shall be governed by and construed under the laws of the State of Tennessee.

7.4 The Agency and the City shall conform to the requirements of all applicable laws and regulations of the State of Tennessee governing the execution of their respective duties under this Agreement.

(Signatures on next page)

IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS Agreement as of this 1 day of July, 2019 by

BOYS AND GIRLS CLUBS OF MIDDLE TENNESSEE

By: Denise Carothers

Name: Denise Carothers

Title: Director of Resource Development Williamson County

Date: 7-1-19

CITY OF FRANKLIN

By : Eric S. Stuckey
Eric S. Stuckey, City Administrator

Date: 07-09-19

Approved as to form:

By: Shauna R. Billingsley
Shauna R. Billingsley, City Attorney

EXHIBIT A

Annual Reporting Form for Nonprofit Organizations

Seeking Financial Assistance from Local Governments

Audit enclosed

____

Name of Nonprofit Organization

____

Street Address City County State Zip

Annual Financial Report of Cash Receipts, Disbursements, and Balances

For the Fiscal Year from ______ through ______

Report Required by Title 5, Chapter 9, Part 1,

And Title 6, Chapter 54, Part 1, *Tennessee Code Annotated*

Receipts		
Federal Grants	$______________	
State Grants	______________	
Financial Assistance from Local Governments	______________	
Donations and Gifts from Citizens	______________	
Membership Dues	______________	
Fees/Charges for Services	______________	
Fundraising Events		
Sale of Assets	______________	
Loans-Borrowed Funds	______________	
Investment Income	______________	
Other Receipts	______________	
Total Receipts		$ ____________(A)

Disbursements

Grants and Other Assistance Paid to Other Organizations and Individuals	$________	
Salaries and Wages	________	
Employee Benefits	________	
Payroll Taxes	________	
Fees for Services (non-employee)	________	
Advertising and Promotion	________	
Office Expenses	________	
Leases/Rentals	________	
Maintenance and Repairs	________	
Supplies	________	
Travel	________	
Utilities	________	
Insurance	________	
Conferences, Conventions and Meetings	________	
Interest	________	
Purchase of Capital Assets – Vehicles and Equipment	________	
Purchase of capital Assets – Property and Buildings	________	
Loan Payments	________	
Other	________	
Total Disbursements		$ ________(B)
Cash Receipts Less Disbursements for the fiscal Year (A-B=C)		$ ________(C)
Cash Balance - at the beginning of the fiscal year		$ ________(D)
Cash Balance - at the end of the fiscal year (C+D=E)		$ ________(E)

Details of Cash Balance - at the end of the fiscal year

Cash on Hand	$________
Cash in Bank – Checking	________
Cash in Bank – Savings Accounts	________

Cash in Bank – Certificates of Deposits ____________________

Other Cash ____________________

Total Cash - at the end of the fiscal year $ ______________(E)

Please Explain Proposed Use of the Financial Assistance from Local Governments.

I certify that this report accurately presents the cash receipts, disbursements, and balances of the

__________________________________ for the fiscal year noted above.

Name of Nonprofit Organization

Person Preparing Report ______________________________ ______________________________

Printed Name **Signature**

Phone Number ______________ **Email Address** ________________________ **Date** ____________

EXHIBIT B

STATEMENT OF WORK AND PROGRAM OBJECTIVES

The Agency 2019-2020 Statement of Work and Program Objectives (description of the program) shall include:

1. Provide academic enrichment with a focus on science, technology, engineering, the arts, math and technology to increase the abilities of lower performing students along with other academic activities.

2. Provide methods to increase parental participation with their children.

3. To provide an intense intervention program for those residing in economically and socially disadvantaged neighborhoods.

EXHIBIT C

WORK PLAN

The Agency 2019-2020 Annual Work Plan (how the funds will be used) shall include:

1. To reach the outcome of Academic Success, we will provide each member the opportunity to receive tutoring to correctly complete school assignments and recognition for achievement through the Power Hour program. In addition each member participates in the KidzLit reading program. Other programs offered in the area of Academic Success are Career Launch focusing on resume writing and job applications, NetSmartz and Skill Tech which focus on computer technology and Science Buddies.

2. To reach the outcome of Good Character and Citizenship we enable youth to become productive, caring, and responsible citizens. Club members ages 11-13 and 14 to 19 participate in either Torch or Keystone Clubs. These are small group leadership Clubs focusing on service to Club and community; education; health and fitness; and social recreation.

3. The outcome of Healthy Lifestyles is reached through the use of programs such as: SMART Moves, Passport to Manhood, and SMART Girls. These programs encourage youth to resist alcohol and drug use, make healthy relationship choices, and avoid peer pressure. The gender targeted programs (Passport to Manhood and SMART Girls) assist adolescent youth to navigate the space between childhood and adulthood. SMART Moves and Passport to Manhood run for consecutive 12 week sessions.

EXHIBIT D

Budget for Current Year

EXPENDITURES	
Employee Salaries and Benefits	334,924
Payroll Taxes	24,517
Service Fees	14,115
Office Expenses	1,800
Information Technology	6,959
Occupancy	33,892
Travel	2,700
Conferences and Meetings	1,410
Payment to Affiliates	13,380
Depreciation	17,000
Insurance	15,585
Program Supplies, Transportation, etc.	149,608
Total Budget	615,891

REVENUES: (include any fund raising events)	
Williamson County Government	$8,960
City of Franklin Government	$18,000
United Way	94,500
Other Government	$113,060
Fundraising	$185,655
Other Contributions	$65,240
Program Service Fees	$89,952
Membership dues	$7,075
TOTAL REVENUES	$582,442

2018

Financial Statements

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Independent Auditor's Report Thereon)

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
FINANCIAL STATEMENTS
DECEMBER 31, 2018

CONTENTS

PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys & Girls Clubs of Middle Tennessee

We have audited the accompanying financial statements of the Boys & Girls Clubs of Middle Tennessee (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

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

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

Opinion

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

Patterson Hardee & Ballentine

May 1, 2019

1889 General George Patton Drive, Suite 200 Franklin, TN 37067 phone: 615-750-5537 fax: 615-750-5543

www.phbcpas.com

Grants and contracts receivable	294,996
Prepaid expenses and deposits	51,716
Investments	400,229
Total current assets	1,932,631
Property and Equipment, net	1,294,523
Membership rights, net	17,333
	1,311,856
Assets Held for Sale, net	21,965
Assets Whose Use is Limited:	
Cash	99,570
Grants receivable	57,257
Restricted pledges, net	65,557
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	31,139
Investments	938,498
Total assets whose use is limited	1,192,021
	$ 4,458,473

LIABILITIES AND NET ASSETS

Current Liabilities:	
Note payable - current portion	$ [illegible]
Accounts payable	[illegible]
Accrued expenses	[illegible]
Total current liabilities	[illegible]
Note payable - long-term portion	[illegible]
Total liabilities	[illegible]
Net Assets:	
Without donor restrictions	[illegible]
With donor restrictions	1,192,021
Total Net Assets	[illegible]
	$ [illegible]

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

	2018
Current Assets:	
Cash and cash equivalents	$ 1,185,690
Grants and contracts receivable	294,996
Prepaid expenses and deposits	51,716
Investments	400,229
Total current assets	1,932,631
Property and Equipment, net	1,294,523
Membership rights, net	17,333
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Assets Whose Use is Limited:	
Cash	99,570
Grants receivable	57,257
Restricted pledges, net	65,557
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	31,139
Investments	938,498
Total assets whose use is limited	1,192,021
	$ 4,458,473

LIABILITIES AND NET ASSETS

Current Liabilities:	
Note payable - current portion	$ 47,050
Accounts payable	73,450
Accrued expenses	99,670
Total current liabilities	220,170
Note payable - long-term portion	173,583
Total liabilities	393,753
Net Assets:	
Without donor restrictions	2,872,699
With donor restrictions	1,192,021
Total Net Assets	4,064,720
	$ 4,458,473

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restriction	Total
Public Support and Revenue:			
Gross special events revenue	$ 673,998	$ -	$ 673,998
Less direct cost of special events	(276,745)	-	(276,745)
Net special events revenue	397,253	-	397,253
Individual gifts and contributions	708,137	3,384	711,521
Grants and contracts	1,322,961	9,000	1,331,961
United Way grants, allocations, and designations	60,982	48,257	109,239
Program service fees	659,549	-	659,549
Gain on sale of asset	1,500	-	1,500
Donated rent	138,646	-	138,646
Net investment loss	(7,718)	(65,618)	(73,336)
Miscellaneous revenue	26,760	-	26,760
Net assets released from restrictions	28,390	(28,390)	-
Total public support	2,939,207	(33,367)	2,905,840
Total public support and revenue	3,336,460	(33,367)	3,303,093
Expenses:			
Program Services:			
Comprehensive Youth Development	2,817,868	-	2,817,868
Supporting Services:			
Management and General	415,662	-	415,662
Fundraising	231,497	-	231,497
Total supporting services	647,159	-	647,159
Total expenses	3,465,027	-	3,465,027
Decrease in net assets	(128,567)	(33,367)	(161,934)
Net assets at beginning of year	3,001,266	1,225,388	4,226,654
Net assets at end of year	$ 2,872,699	$ 1,192,021	$ 4,064,720

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		
	Comprehensive Youth Development	Management and General	Fundraising	Total
Salaries	$ 1,459,793	$ 259,497	$ 109,831	$ 1,829,121
Employee taxes & benefits	218,551	47,310	20,194	286,055
Total payroll & related expenses	1,678,344	306,807	130,025	2,115,176
Awards and grants	6,125	-	-	6,125
Communications	20,824	1,956	-	22,780
Depreciation & amortization	121,819	2,486	26,000	150,305
Equipment rental and maintenance	21,919	6,922	-	28,841
Field trips & other youth events	59,791	-	-	59,791
In-kind expense	76,790	-	61,856	138,646
Interest expense	11,399	-	-	11,399
Marketing	11,719	-	5,023	16,742
Membership dues	28,300	4,426	-	32,726
Miscellaneous	16,908	10,230	3,726	30,864
Postage	668	1,791	597	3,056
Professional fees	126,741	28,692	2,785	158,218
Special events	97,754	-	178,991	276,745
Supplies	281,623	17,026	153	298,802
Training and conferences	21,848	16,939	-	38,787
Transportation	99,403	-	-	99,403
Travel and mileage	10,534	1,693	1,269	13,496
Utilities and occupancy costs	223,113	16,694	63	239,870
Total expenses by function	2,915,622	415,662	410,488	3,741,772
Less expenses included with revenues on the statement of activities:				
Direct cost of special events	(97,754)	-	(178,991)	(276,745)
Total expenses included in the expense section on the statement of activities	$ 2,817,868	$ 415,662	$ 231,497	$ 3,465,027

See accompanying notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows From Operating Activities:	
Decrease in net assets	$ (161,934)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation and amortization	150,305
Realized gain on investments	(52,624)
Unrealized losses on investments	145,953
Change in value of beneficial interest in agency endowment fund	1,825
Changes in:	
Grants and contracts receivable	120,318
Contributions receivable	2,615
Prepaid expenses and deposits	(35,142)
Assets whose use is limited	31,542
Accounts payable	26,683
Accrued expenses	19,994
Total adjustments	411,469
Net cash provided by operating activities	249,535
Cash Flows From Investing Activities:	
Proceeds from sale of investments	252,357
Purchase of investments	(329,571)
Purchase of property and equipment	(45,376)
Purchase of intangible asset	(26,000)
Net cash used in investing activities	(148,590)
Cash Flows From Financing Activities:	
Payments on long-term debt	(44,917)
Net cash used in financing activities	(44,917)
Net increase in cash	56,028
Cash and cash equivalents - beginning of year	1,129,662
Cash and cash equivalents - end of year	$ 1,185,690

Supplemental Cash Flow Information

Interest paid during the year ended December 31, 2018 was $11,399.

NOTE 1 – Summary of Significant Accounting Policies

Nature of Activities

In these notes, the terms "Organization", "we", "us" or "our" mean Boys & Girls Clubs of Middle Tennessee. We have chosen to present our name how it is recognized nationally as "Boys & Girls Clubs of Middle Tennessee," rather than our official name of "Boys and Girls Clubs of Middle Tennessee" in accordance with the Secretary of State. We are a nonprofit organization affiliated with the Boys & Girls Clubs of America. Founded in 1903, the Boys & Girls Clubs of Middle Tennessee consist of nine Club facilities throughout the region. The goal of the organization is to enable all young people, especially those who need us most, to reach their full potential as productive, caring, and responsible citizens. We strive to improve each child's life by instilling in them a sense of competence, usefulness, belonging, and power/influence. We focus on three priority outcomes: academic success, healthy lifestyles, good character and citizenship.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Revenue

We recognize revenue as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organizations.

Cash Equivalents

For the purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance to be a cash equivalent. At December 31, 2018, we had cash equivalents in the amount of $90,112.

NOTE 1 – Summary of Significant Accounting Policies (continued)

Contributions Receivable

Unconditional promises to give (pledges) are recognized as contribution revenue when the donor's commitment is received. Pledges with payments due to us in future periods are recorded as increases in temporarily restricted or permanently restricted net assets at the estimated present value of future cash flows, net of an allowance for estimated uncollectible promises. Allowance is made for uncollectible contributions receivable based upon our analysis of past collection experience and other judgmental factors. At December 31, 2018, no allowance was considered necessary.

In contrast to unconditional promises as described above, conditional promises are not recorded until donor contingencies are substantially met.

Grant Receivable

We recognize grant revenue when the grant is awarded. At December 31, 2018, no allowance was considered necessary for uncollectible grant receivables based upon our analysis of past collection experience with grantors.

Prepaid expenses

Prepaid expenses consist of insurance premiums paid by us in advance.

Property and Equipment

Property and equipment is recorded at cost, or, if donated, at the estimated fair market value at the date of donation. Our capitalization policy is to capitalize any expenditure over $5,000 for property and equipment, and any expenditure over $500 for leasehold improvements. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2018, no assets were considered to be impaired.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses and support services that can be identified specifically with the Comprehensive Youth Development program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs or supporting functions are allocated based on various relationships. Multiple expenses have been allocated on the basis of estimates of time and effort.

Marketing

Marketing is expensed as incurred. Total marketing expense for the year ended December 31, 2018, was $16,742.

NOTE 1 – Summary of Significant Accounting Policies (continued)

Donated Services and Goods

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by us if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

We received donated rent for the year ended December 31, 2018, of $76,790. See NOTE 13.

Income Taxes

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to short maturities of these instruments. The fair value of the note payable approximates the carrying amount and is estimated based on current rates offered to us. All of our financial instruments are categorized as level 1 in the fair value hierarchy.

New Accounting Pronouncement

On August 8, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *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. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively and has not affected the beginning balance of net assets.

NOTE 2 – Contributions Receivable

Contributions receivable consisted of the following at December 31, 2018:

Due in less than one year	$ 6,952
Due in one or more years	58,605
	80,000
Less: discounts to net present value	(14,443)
Less: allowance for doubtful accounts	-
Net contributions receivable	$ 65,557

Contributions receivable as shown on the Statement of Financial Position as follows at December 31, 2018:

Restricted pledges, net	65,557
Net contributions receivable	$ 65,557

Gross restricted pledges receivable of $100,000 for golf membership renewal rights in 2018 have been discounted for the time value of money using a discount rate of 4.65%. The rate was determined using the interest method after an allowance had been established. The net restricted pledges for the golf membership rights at December 31, 2018 was $65,557.

NOTE 3 – Investments

Investments consisted of the following at December 31, 2018:

	Market Value	Cost
LLC Ownership	$ 129,978	$ 133,506
Equity	792,016	706,071
Fixed Income Taxable	309,991	319,831
Real Estate	94,092	86,763
Commodities	12,650	13,323
	1,338,727	$ 1,259,494
Less: restricted investments	(938,498)	
	$ 400,229	

NOTE 3 – Investments (continued)

The net Investment loss included the following for the year ended December 31, 2018:

Interest and dividend income	$	39,773
Realized gain (loss) - net		53,601
Unrealized gain - net		(149,070)
Investment fees		(15,043)
Miscellaneous fees		(2,597)
Net investment loss	$	(73,336)

At December 31, 2018, our investments were held in a trust, we are the sole beneficiary of this trust.

At December 31, 2018, we owned units of ownership in a limited liability company (LLC). Our ownership is a result of a contribution made in 2010.

We have elected to report other investments that do not have a readily determinable value, at carrying value, except those for which the fair value option has been elected.

We have recognized our LLC ownership interest at fair market value in accordance with generally accepted accounting principles under the fair value option. The fair value of the ownership interest is measured annually based on the values of the underlying investment held in the LLC. As of December 31, 2018, the fair value of this ownership interest was $129,978.

NOTE 4 – Fair Value Measurements

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs not corroborated by market data.

NOTE 4 – Fair Value Measurements (continued)

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31, 2018:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Common Stocks-Public	$ 792,016	$ 792,016	$ 792,016	$ -	$ -
LLC Ownership	129,978	129,978	-	129,978	-
Fixed Income Taxable	309,991	309,991	309,991	-	-
Real Estate	94,092	94,092	94,092	-	-
Commodities	12,650	12,650	12,650	-	-
Beneficial interest in agency endowment fund	31,139	31,139	-	-	31,139
	$ 1,369,866	$ 1,369,866	$ 1,208,749	$ 129,978	$ 31,140

As shown on the financial statements as follows at December 31, 2018:

Unrestricted investments	$ 400,229
Restricted investments	938,498
	1,338,727
Beneficial interest in agency endowment fund	31,139
	$ 1,369,866

There were no transfers between Level 1, Level 2, and Level 3 investments during the year ended December 31, 2018.

A reconciliation of changes in the amounts reported for the asset valued using Level 3 inputs is included in NOTE 9.

NOTE 5 – Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended	
Cash and cash equivalents	$ 1,168,357
Grants and contracts receivable	294,996
	1,463,353

The Organization has certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded in the qualitative information above.

NOTE 5 – Availability and Liquidity (continued)

In the next fiscal year, we plan to receive the same level of contributions, and consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in four bank accounts. This cash is readily available.

We manage our 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. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

NOTE 6 – Property and Equipment

Property and equipment consisted of the following at December 31, 2018:

Land	$ 26,530
Buildings and improvements	2,007,719
Vehicles	687,871
Furniture, equipment and software	504,890
	3,227,010
Less accumulated depreciation	(1,932,487)
Net property and equipment	$ 1,294,523

Total depreciation expense for the year ended December 31, 2018, was $124,305.

The Thompson Lane facility is not currently in use and has a net book value of $21,965 as of December 31, 2018. This fixed asset is segregated on the face of the financials. See NOTE 18.

NOTE 7 – Membership Rights

In 2017, we renewed a membership purchase agreement with the Golf Club of Tennessee for $260,000 for an additional 10 years. In the agreement, the Club allowed for 10 $26,000 annual payments to cover the cost. See NOTE 2 for the pledge receivable and NOTE 7 for the inclusion of membership rights, net of amortization. The amortization expense for December 31, 2018 is $26,000.

NOTE 8 – Net Assets With Restrictions

Net assets with restrictions consisted of the following at December 31, 2018:

Scholarship - Youth of the Year	$ 30,174
United Way of Williamson County	48,257
City of Franklin grant	9,000
Ray White Fund	20,388
Golf Membership Renewal	48,000
Restricted pledges	65,557
Beneficial interest in agency endowment fund	31,139
Endowment fund	938,498
Scholarships	1,008
	$ 1,192,021

NOTE 9 – Beneficial Interest in Agency Endowment Fund

In the year ended December 31, 2018, the Community Foundation of Middle Tennessee, (the Foundation) a non-profit organization, is in control of an endowment fund for us. The endowment has been recorded as permanently restricted. The Foundation has ultimate authority and control over all property of the fund and the income derived therefrom. The endowment is considered a reciprocal transfer and is therefore recorded as an asset on our Statement of Financial Position.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Since the Foundation has control over the fund and the earnings, we have not established an investment policy for the fund nor have we established policies for expenditures from the fund. We are not aware of any deficiencies in the fair value of assets in the fund as compared to the required amounts by the donors. We recognize contribution income when the Foundation makes a distribution to us. We recognize investment earnings and fees in the Statement of Activities, as they are reported to us by the Foundation.

NOTE 9 – Beneficial Interest in Agency Endowment Fund (continued)

The following is the balance and activity reported in our financial statements for the year ended December 31, 2018:

Balance - beginning of period	$ 32,964
Change in value of beneficial interest in agency endowment fund:	
Contributions	-
Investment income	(1,607)
Administrative expenses	(218)
Total change in value of beneficial interest in agency endowment fund	(1,825)
Balance - end of period	$ 31,139

NOTE 10 – Endowment Funds

Our endowment consists of funds established by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. Our permanently restricted endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about our endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not we are subject to UPMIFA.

Interpretation of applicable law - The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy - we have a policy of appropriating for distribution each year a payout equal to the total earnings from the funds. Funds released from restriction as of December 31, 2018, were $(28,390).

Investment return objective, risk parameters and strategies - The objective of our endowment portfolio is a balanced approach between equities and fixed income securities. The investment horizon is long-term and balances the need for income and growth. The portfolio allows for a 30% to 70% investment in equities and a 30% to 70% investment in fixed income.

NOTE 10 – Endowment Funds (continued)

At December 31, 2018, our investments were held in a trust, We are the sole beneficiary of this trust.

A schedule of endowment net asset composition (including both the cash and investments) by type of fund as of December 31, 2018, is as follows:

	Without Restriction	With Restriction	Total
Endowment funds	$ 360,363	$ 938,498	$ 1,298,861

NOTE 11 – Changes in Endowment Fund Net Assets

The following is a schedule of changes in endowment net assets for the year ended December 31, 2018:

	Without Restriction	With Restriction	Total
Endowment net assets, December 31, 2017	$ 424,157	$ 938,498	$ 1,362,655
Investment income	-	39,240	39,240
Administrative expenses	-	(14,825)	(14,825)
Net depreciation (realized and unrealized)	-	(88,209)	(88,209)
Amounts released from restriction	(63,794)	63,794	-
Endowment net assets, December 31, 2018	$ 360,363	$ 938,498	$ 1,298,861

NOTE 12 – Joint Costs

During the year ended December 31, 2018, we had certain joint costs pertaining to special events that have been allocated between fundraising and program expense as follows:

	Program	Fundraising	Total
Special events	$ 97,754	$ 178,991	$ 276,745

All criteria required to allocate joint costs were met during the year ended December 31, 2018.

NOTE 13 – Leases

We have an agreement with another organization to lease administrative office space and reimburse certain operating costs through June 2018. The agreement calls for a reimbursement of actual costs to operate the facility including association fees, utilities, janitorial costs, insurance, maintenance and other items. Operating costs reimbursable under the agreement include a prorata share of an office services associate, telephone and internet service, consumable supplies and other items. An accounting of the actual costs is prepared on a semi-annual basis and any adjustment from the projected cost to the actual cost is reimbursed at that time. For the year ended December 31, 2018, expenses under this agreement totaled $24,408.

On December 1, 2007, we entered into a lease agreement for a club facility that has been extended and expires October 31, 2019. Expenses under this agreement totaled $13,200 for the year ended December 31, 2018.

We currently have a variable lease for 3 of our locations. The rent expense as of December 31, 2018, totaled $13,663. The monthly rent charged is calculated as follows: $2.80 per week per child based on the average number of children in attendance each week.

We also lease various office equipment under operating lease agreements. Equipment rental expense for the year ended December 31, 2018, was $8,025, which is included in equipment rental and maintenance on the Statement of Functional Expenses.

Expenses incurred under operating leases for the year ended December 31, 2018, were $61,007, not including donated rent of $76,790 from four club locations that we do not have a lease agreement with and one with whom we do. As of the date of this report, the lease for one of the office spaces has not been renewed but has been properly accrued for since it is expected to be renewed.

The following is a schedule of future minimum lease payments:

Year Ending December 31,		
2019	$	9,035
2020		3,138
2021		2,040
2022		1,530
	$	15,743

NOTE 14 – Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, and various grant, contract and contributions receivables. Grant, contract and contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

Three donors represent 73% of total receivables at December 31, 2018. Two vendors represent 43% of total accounts payable at December 31, 2018.

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe this exposes us to any significant credit risk on our cash. At December 31, 2018, we had $895,580 of uninsured cash and cash equivalents.

NOTE 14 – Concentrations of Credit Risk (continued)

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of the Organization's securities is covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to $500,000, including up to $250,000 in cash. The SIPC does not insure against market risk.

NOTE 15 – Employee Benefit Plan

Substantially all of our employees are covered by a defined contribution money purchase plan known as the Boys & Girls Clubs of America Master Pension Plan and Trust (the "Plan"). We fund our share of pension expense for the year in quarterly contributions to the Plan.

The plan provides for elective employer contributions. We contribute five percent of eligible employees' annual compensation to the Plan. Employees become eligible to participate on the plan anniversary date if they are at least 21 years of age and have worked at least 1,000 hours in the immediately preceding twelve months. Employee benefits are fully vested after six years of service as a plan participant.

For the year ended December 31, 2018, we contributed $62,627 to the plan, which is included in employee taxes and benefits on the Statement of Functional Expenses.

We have an HRA plan that is administered by a third party. Various times we have been underfunded and overfunded by an amount immaterial to the financial statements as a whole. Due to the amounts being immaterial, we expense the amounts as bills are due.

NOTE 16 – Related Parties

We are a locally governed affiliate that is required to pay membership dues to the national organization. In return, we receive support from the national organization which helps fund our programs. During the year ended December 31, 2018, we remitted a total of $10,485 respectively, in membership dues and received $361,330 in funding. As of December 31, 2018, we were due $19,022 from our national affiliate, which is grouped with grants and contract receivable.

We are also part of the Tennessee Alliance which is a collective of all Boys & Girls Clubs of Tennessee which raises money to distribute to the Tennessee clubs. During the year ended December 31, 2018, we remitted $22,241 in membership dues and received funding of $196,708. As of December 31, 2018, we were due $28,759 from Tennessee Alliance, which is grouped with grants and contracts receivable.

NOTE 17 – Contingencies

From time to time, we may be and have been named as a defendant in lawsuit. At December 31, 2018, we do not believe that any claims have merit and intend to vigorously defend our position. At December 31, 2018, we have not accrued any legal fees.

NOTE 18 – Assets Held for Sale

At December 31, 2017, we included assets in property, plant, and equipment on the statement of financial position that are held for sale. As of December 31, 2018 the assets were not sold. Accounting principles generally accepted in the United States of America require that assets that are held for sale be recorded as a separate line item on the statement of financial position. The net book value of these assets at December 31, 2018, was $21,965.

NOTE 19 – Note Payable

In April 2016, we entered into an agreement to purchase four vehicles for $335,930. The vehicles are secured by a loan which bears interest annually at 4.650% annually. Until maturity, the loan requires a minimum monthly payment of $4,693, which will be applied to the monthly interest calculation with any excess applied to principal. The note matures in April 2023, with any unpaid principal due at that time.

Year ending December 31,	
2019	$ 47,050
2020	49,285
2021	51,627
2022	54,079
2023	18,592
Thereafter	0
Total	220,633
Less: current maturities	(47,050)
	$ 173,583

NOTE 20 – New Pronouncements

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 21 – Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2018. As of May 1, 2019, the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.