

THE JOHN M. BARRY BOYS AND GIRLS CLUB
OF NEWTON, INC.
(A NON-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE TOTALS FOR
THE YEAR ENDED JUNE 30, 2017)

LOISELLE & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

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LOISELLE & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The John M. Barry Boys and Girls Club of Newton, Inc.

We have audited the accompanying financial statements of The John M Barry Boys and Girls Club of Newton, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 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.

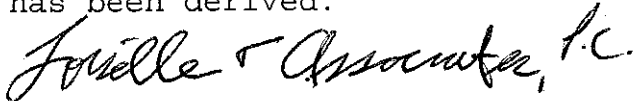
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The John M Barry Boys and Girls Club of Newton, Inc., as of June 30, 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.

Report on Summarized Comparative Information

We have previously audited The John M Barry Boys and Girls Club of Newton, Inc.'s financial statements for the year ended June 30, 2017 and our report dated November 1, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Loiselle & Associates, PC
Tyngsboro, Massachusetts
October 31, 2018

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2017)

ASSETS

| | <u>2018</u> | <u>2017</u> |
|---|------------------------|------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 94,472 | \$ 116,580 |
| Accounts and grants receivable (see Note B) | 10,452 | 40,582 |
| Prepaid expenses | <u>25,387</u> | <u>14,941</u> |
| Total current assets | <u>130,311</u> | <u>172,103</u> |
| PROPERTY AND EQUIPMENT - NET (See Note E) | <u>2,247,902</u> | <u>2,285,376</u> |
| OTHER ASSETS: | | |
| Cash - endowments | 8,013 | 29,347 |
| Endowment receivable | 2,000 | -0- |
| Investments (see Notes D and N) | 266,611 | 219,027 |
| Deferred financing cost - net of amortization of \$13,033 at 6/30/18 | <u>29,174</u> | <u>30,331</u> |
| Total other assets | <u>305,798</u> | <u>278,705</u> |
| TOTAL ASSETS | <u>\$2,684,011</u> | <u>\$2,736,184</u> |

See Accompanying Notes.

LIABILITIES AND NET ASSETS

| | <u>2018</u> | <u>2017</u> |
|--|--------------------|--------------------|
| CURRENT LIABILITIES: | | |
| Line of credit | \$ 45,000 | \$ 94,823 |
| Accounts payable and accrued expenses | 43,529 | 48,467 |
| Deferred revenues | 75,451 | 64,892 |
| Current maturities of long-term debt | <u>50,259</u> | <u>42,064</u> |
| Total current liabilities | <u>214,239</u> | <u>250,246</u> |
| OTHER LIABILITIES: | | |
| Security deposits | <u>6,300</u> | <u>6,300</u> |
| LONG-TERM LIABILITIES: | | |
| Long-term debt net of current maturities | <u>994,651</u> | <u>965,774</u> |
| Total liabilities | <u>1,215,190</u> | <u>1,222,320</u> |
| NET ASSETS: | | |
| Unrestricted | 1,176,356 | 1,271,149 |
| Temporarily restricted | 30,126 | 126 |
| Permanently restricted | <u>262,339</u> | <u>242,589</u> |
| Total net assets | <u>1,468,821</u> | <u>1,513,864</u> |
| | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$2,684,011</u> | <u>\$2,736,184</u> |

See Accompanying Notes.

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

| | 2018 | | | 2017 | | |
|--|----------------------------|---|---|---------------|---------------|--|
| | UNRESTRICTED NET ASSETS | TEMPORARILY RESTRICTED NET ASSETS | PERMANENTLY RESTRICTED NET ASSETS | TOTAL 2018 | TOTAL 2017 | |
| REVENUE, GAINS AND OTHER SUPPORT: | | | | | | |
| Grants and contributions | \$ 411,546 | \$ 30,000 | \$ 2,000 | \$ 443,546 | \$ 415,564 | |
| In kind donations | 27,472 | - | - | 27,472 | 34,510 | |
| Fundraising events, net of direct expenses of \$88,522 | 200,672 | - | - | 200,672 | 136,885 | |
| General programs and summer camp, net of discounts of \$30,041 | 241,922 | - | - | 241,922 | 281,051 | |
| Membership, net of discounts of \$14,000 | 31,223 | - | - | 31,223 | 28,140 | |
| Rental income | 108,690 | - | - | 108,690 | 96,335 | |
| Investment income/(loss) net | 1,030 | - | 17,750 | 18,780 | 13,041 | |
| Other income | 1,527 | - | - | 1,527 | 1,805 | |
| Total revenue, gains and other support | 1,024,082 | 30,000 | 19,750 | 1,073,832 | 1,007,331 | |
| EXPENSES: | | | | | | |
| Program Services: | | | | | | |
| Membership and program services | 735,822 | - | - | 735,822 | 749,342 | |
| Supporting services | | | | | | |
| General and administrative | 304,288 | - | - | 304,288 | 293,790 | |
| Fundraising | 78,765 | - | - | 78,765 | 77,440 | |
| Total supporting services | 383,053 | - | - | 383,053 | 371,230 | |
| Total expenses | 1,118,875 | - | - | 1,118,875 | 1,120,572 | |
| INCREASE/(DECREASE) IN NET ASSETS BEFORE NET ASSETS RELEASED FROM RESTRICTIONS | (94,793) | 30,000 | 19,750 | (45,043) | (113,241) | |
| NET ASSETS RELEASED FROM RESTRICTIONS | - | - | - | - | - | |
| NET ASSETS - BEGINNING OF YEAR | 1,271,149 | 126 | 242,589 | 1,513,864 | 1,627,105 | |
| NET ASSETS - END OF YEAR | \$ 1,176,356 | \$ 30,126 | \$ 262,339 | \$ 1,468,821 | \$ 1,513,864 | |

See Accompanying Notes.

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

2018

SUPPORTING SERVICES

| PROGRAM SERVICES | 2018 | | 2017 | |
|-------------------------------|----------------------------|-------------|---------------------|---------------------|
| | General and Administrative | Fundraising | Total Expenses 2018 | Total Expenses 2017 |
| Salaries and wages | \$ 341,713 | \$ 68,342 | \$ 525,712 | \$ 521,210 |
| Depreciation and amortization | 91,965 | - | 101,060 | 99,523 |
| Interest | 40,038 | - | 44,487 | 51,881 |
| Employee benefits | 37,503 | 3,409 | 68,187 | 55,758 |
| Utilities and telephone | 43,605 | 2,127 | 53,177 | 46,657 |
| Payroll taxes | 27,548 | 4,887 | 44,432 | 45,720 |
| Repairs and maintenance | 30,132 | - | 57,946 | 51,446 |
| Transportation expense | 21,766 | - | 21,766 | 54,633 |
| Professional fees | - | - | 16,581 | 15,984 |
| Insurance | 22,277 | - | 27,502 | 27,168 |
| Membership dues and licenses | 1,441 | - | 25,945 | 32,473 |
| Printing and reproduction | 1,059 | - | 10,762 | 14,208 |
| Office expense | - | - | 21,272 | 14,785 |
| Supplies | 41,876 | - | 54,266 | 48,741 |
| Postage | - | - | 3,914 | 2,904 |
| Advertising | 525 | - | 1,336 | 7,267 |
| Personnel administration | 3,084 | - | 3,570 | 3,765 |
| Conferences and meetings | 17,431 | - | 5,670 | 2,637 |
| Events and field trips | 12,776 | - | 17,431 | 16,137 |
| Instructor and referee fees | 1,083 | - | 12,776 | 6,025 |
| Scholarships and donations | - | - | 1,083 | 725 |
| Uncollectible pledges | - | - | - | 925 |
| Total expenses | \$ 735,822 | \$ 78,765 | \$ 1,118,875 | \$ 1,120,572 |

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | <u>\$ (45,043)</u> | <u>\$ (113,241)</u> |
| Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities: | | |
| Depreciation and amortization | 101,060 | 99,523 |
| Capitalized value of donated services | -0- | -0- |
| Realized and unrealized loss (gain) on investments, net | (12,981) | 6,445 |
| Uncollectible pledges | -0- | 925 |
| (Increase) decrease in assets: | | |
| Accounts/grants receivable | 30,130 | (33,432) |
| Prepaid expenses | (10,446) | (7,877) |
| Cash - endowments | 21,334 | 33,154 |
| Endowment receivable | (2,000) | 50,000 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (4,938) | (11,255) |
| Deferred revenues | <u>10,559</u> | <u>11,757</u> |
| Total adjustments | <u>132,718</u> | <u>149,240</u> |
| NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES | <u>87,675</u> | <u>35,999</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments net of sales proceeds | (34,602) | (113,298) |
| Purchase of fixed assets | <u>(62,430)</u> | <u>(15,975)</u> |
| NET CASH PROVIDED/(USED) IN INVESTING ACTIVITIES | <u>(97,032)</u> | <u>(129,273)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal payments on long-term debt | (42,928) | (36,602) |
| Advances on line of credit | 109,467 | 175,000 |
| Repayments to line of credit | (159,290) | (80,177) |
| Proceeds from commercial loan | <u>80,000</u> | <u>-0-</u> |
| NET CASH PROVIDED/(USED) IN FINANCING ACTIVITIES | <u>(12,751)</u> | <u>58,221</u> |

See Accompanying Notes.

| | <u>2018</u> | <u>2017</u> |
|---|------------------|-------------------|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (22,108) | (35,053) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>116,580</u> | <u>151,633</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 94,472</u> | <u>\$ 116,580</u> |
| SUPPLEMENTAL DISCLOSURES: | | |
| Cash paid during the year for interest | <u>\$ 44,554</u> | <u>\$ 53,018</u> |
| Cash paid during the year for income taxes | <u>\$ -0-</u> | <u>\$ -0-</u> |

See Accompanying Notes.

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

A. Organization

The John M. Barry Boys and Girls Club of Newton, Inc. (The Club) is a private nonprofit organization affiliated with the Boys and Girls Clubs of America. Recognizing that all youths are at risk, the Club provides a safe, nurturing environment where youth can optimize their potential. The Club offers programs and services which promote the health, social, educational, vocational and character development of boys and girls, ages six through seventeen, from the greater Newton community.

B. Summary of Significant Accounting Policies:

Basis of accounting:

The Club prepares its financial statements in accordance with generally accepted accounting principles. This basis of accounting involves the application of accrual accounting; consequently, program revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Functional allocation of expenses:

Functional expenses are allocated to program, fundraising, and administration based on estimates made by management.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation:

The Club reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor imposed restrictions.

Cash and cash equivalents:

For purposes of the statements of financial position and cash flows, the Club considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

B. Summary of Significant Accounting Policies (continued):

Cash - Restricted Endowment Fund:

Cash held in a restricted endowment fund has been restricted by donors and is not available for operating purposes.

Investments:

Investments in marketable equity securities with readily determinable fair values are stated at fair value.

Fair Value of Financial Instruments:

The carrying amounts of cash and current liability amounts approximate fair values because of the short term nature of these items.

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. No collateral is required. Based on management's assessment of the credit history with clients having outstanding balances and current relationships with them, it has concluded that no allowance for doubtful accounts is considered necessary.

Unconditional promises to give:

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Unconditional promises to give are recorded at net realizable value if expected to be collected in less than one year, and at fair value, using present value techniques and a discount rate of 6% if expected to be collected in more than one year.

Property and equipment

Property and equipment purchased are recorded at cost. Property and equipment donated are valued at fair value on the date of donation. Expenditures for repairs, maintenance, renewals and betterments which materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the respective assets. The estimated useful lives are as follows:

| | <u>Years</u> |
|---|--------------|
| Building | 37 to 40 |
| Vehicles/equipment/furniture & fixtures | 5 |

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

B. Summary of Significant Accounting Policies (continued):

Deferred financing costs:

Deferred financing costs are amortized using the straight-line method over the term of the related debt obligations.

Deferred revenue:

Deferred revenues consist of fees for programs and events held subsequent to year end.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions. Contributions which are restricted for use and whose restrictions are met in the same reporting period are reflected as unrestricted revenue. During the year ended June 30, 2018, unrestricted contributions includes \$44,460 in temporarily restricted contributions which were reclassified to unrestricted as the donor imposed restrictions became satisfied. In-kind donations are reflected at their fair value at the date of receipt.

Volunteers and other organizations contribute goods and services to the Club in support of its programs and supporting services. The value of these goods and specific services are reflected in the accompanying financial statements based on the estimated fair value assigned by management. The value of donated goods for the year ended June 30, 2018 was \$25,972 and is included as in kind donations revenue in the accompanying financial statements. The value of donated services included as in kind donation revenue is \$1,500 for the year ended June 30, 2018.

The Club recognizes donated services only if these services either create or enhance a non-financial asset, or if they require a specialized skill which the Club would have to purchase if they were not donated.

Income taxes:

The Club is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Club is however, subject to the tax on unrelated business income, if any such income exists. The Club may be subject to tax penalties for soliciting funds in states where it may not be registered.

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

B. Summary of Significant Accounting Policies (continued):

Income taxes (continued):

The Club recognizes and measures its unrecognized tax positions in accordance with FASB ASC 740, Income Taxes. Under that guidance, the Club assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax positions is adjusted when new information is available, or when an event occurs that requires a change. The Club adopted the provisions of this standard on July 1, 2009 and did not identify any uncertain tax positions. Interest and penalties associated with unrecognized income taxes, if any, are classified as additional income taxes in the statement of activities. The Club is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress. The Club believes it is no longer subject to income tax examinations prior to 2014. The Club's open audit periods are June 30, 2015 through June 30, 2018.

Advertising

Advertising costs are expensed as incurred. For the year ended June 30, 2018 the Club had total advertising expense of \$1,336.

C. Concentration of Credit:

The Federal Deposit Insurance Corporation (FDIC) insures each bank depositors' account(s) up to a maximum of \$250,000 per bank. At June 30, 2017, the Club did not have deposits in excess of the \$250,000 limit. In addition, the Club had cash deposited in several brokerage accounts totaling \$7,914 at June 30, 2018 which are not FDIC insured.

D. Investments:

Included in investments are publicly traded common stock recorded at their fair value of \$4,881 as of June 30, 2018. Also included in investments are two brokerage accounts that were set up by the Club during the years ended June 30, 2015 and 2014 to receive endowment funds and at June 30, 2018, they consisted of bond and stock funds of \$261,730.

At June 30, 2018, investment return consisted of dividends and interest of \$7,223 and net realized and unrealized gains totaling \$12,981. For the year ended June 30, 2018, investment fees were \$1,424.

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

E. Property and Equipment:

Property and equipment consists of the following at June 30, 2018:

| | |
|-------------------------------------|---------------------|
| Land and land improvements | \$ 160,000 |
| Furniture and fixtures | 21,400 |
| Buildings and building improvements | 3,555,742 |
| Vehicles | 69,086 |
| Equipment | 150,546 |
| Computers and office equipment | <u>114,974</u> |
| Total Property and Equipment | 4,071,748 |
| Accumulated depreciation | <u>(1,823,846)</u> |
| Net Property and Equipment | <u>\$ 2,247,902</u> |

Property and equipment are pledged to secure certain debt.

Depreciation expense was \$99,903 for the year ended June 30, 2018.

F. Line of Credit:

The Club has an available line of credit of \$175,000 at a local bank. The line is collateralized by the land and building at 675 Watertown Street, an assignment of leases and rents and bears interest at the bank's prime rate, currently 5.00%. At June 30, 2018, the credit line had an outstanding balance of \$45,000.

G. Deferred Revenue:

Deferred revenue consists of the following as of June 30, 2018:

| | |
|------------------------|------------------|
| Summer camp | \$ 42,015 |
| Golf Tournament | 25,575 |
| Athletic Summer League | 6,286 |
| Transportation | 1,100 |
| Curiosity Club | 350 |
| Membership | <u>125</u> |
| Total | <u>\$ 75,451</u> |

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

H. Long-term debt:

Long-term debt consists of the following as of June 30, 2018:

| | |
|---|-------------------|
| Tax-exempt revenue bonds issued by the Massachusetts Development Finance Agency and payable to a bank, interest fixed at 3.75%, principal and interest of \$5,941 due monthly through March 12, 2037 with a final payment due April 12, 2037, secured by a mortgage on the Club's property. | \$ 957,489 |
| Note payable - bank, due in 120 monthly installments of \$673 each including principal and interest at 6.875%, with a final payment due November 28, 2021. This note is secured by the Club's property. | 9,001 |
| Note payable - bank, due in 120 monthly installments of \$831 each including principal and interest at 4.5%, with a final payment due March 2028. This note is secured by the Club's property. | <u>78,420</u> |
| Total | 1,044,910 |
| Current maturities of long-term debt | (50,259) |
| Long-term debt net | <u>\$ 994,651</u> |

Maturities of long-term debt for each of the five years succeeding June 30, 2018 and thereafter are as follows:

| <u>Year ending June 30:</u> | |
|-----------------------------|-----------|
| 2019 | \$ 50,259 |
| 2020 | 45,535 |
| 2021 | 45,974 |
| 2022 | 47,790 |
| 2023 and thereafter | 855,352 |

The debt through the issuance of the tax-exempt revenue bonds may be prepaid, but penalties may exist if the debt is refinanced with another institution.

I. Lease Commitments:

The Club is obligated under two operating lease agreements for office equipment.

A five year non-cancelable lease of telephone equipment commencing in May 2014. Under the terms of the lease, the Club must make monthly payments of \$134.

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

I. Lease Commitments (continued):

A five year non-cancelable lease of a copy machine commencing in January 2015 under the terms of the lease. The Club must make monthly payments of \$279.

The following is a schedule by years of future minimum rental payments required under the operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2018:

Year ending June 30:

| | |
|------|-------|
| 2019 | 4,688 |
| 2020 | 1,674 |

J. Permanently Restricted Net Assets:

Permanently restricted net assets are restricted for the following purposes as of June 30, 2018:

| | |
|--------------------------------------|------------------|
| Corpus of Zani Fund | <u>\$ 10,808</u> |
| Corpus of Silverstein Athletic Fund | <u>\$ 20,711</u> |
| Crocetti Charitable Gift Endowment | <u>\$202,735</u> |
| DeNucci Campaign Committee Endowment | <u>\$ 28,085</u> |

K. Pension Plan:

The Club funds a pension contribution up to a maximum of 5% of eligible employee compensation. The plan is administered and contributions are determined by its national organization. Employees of the age of 21 who have completed one year of service are eligible. Total contributions made for the year ended June 30, 2018 was \$12,214.

L. Lease Agreement:

The Club leases the mezzanine area of its facilities to another entity under a lease expiring in August 2019. The following schedule by years of future minimum rental payments required under the lease that has a remaining term of one year or more as of June 30, 2018:

Year ending June 30:

| | |
|------|----------|
| 2019 | \$75,300 |
| 2020 | \$12,600 |

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

M. Related Party Transactions:

The Club purchases insurance through an insurance agency owned by the brother of a member of the Board of Directors. The amounts paid for these policies during the year ended June 30, 2018 was \$90,039.

Two members of the Board of Directors of the Club are affiliated with the financial institution where the Club maintains cash balances and long-term financing. Interest charges on these loans during the year ended June 30, 2018 were \$44,487.

N. Fair Value Measurements:

The Club uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Club's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value hierarchy

The Club groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value:

Level 1 - Valuation is based on quoted market prices in active markets for identical assets or liabilities that the Club has the ability to access at the measurement date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation must be based on quoted prices for similar assets or liabilities: quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

N. Fair Value Measurements (continued):

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A description of the valuation techniques applied to the Club's major categories of assets and liabilities measured at fair value on a recurring basis follows:

Level 1 - The securities measured at fair value in Level 1 are based on quoted market prices in an active exchange market. These securities include corporate stock securities and money market funds.

Level 2 - The Club did not have any assets or liabilities measured at fair value in Level 2 at June 30, 2018.

Level 3 - The Club did not have any assets or liabilities measured at fair value in Level 3 at June 30, 2018.

Assets and Liabilities Measured at Fair Value on a Recurring Basis:
The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|----------------------|-------------------|------------------|----------------|----------------|
| As of June 30, 2018: | | | | |
| Bond and stock funds | \$ 261,730 | \$261,730 | -0- | -0- |
| Common stock | 4,881 | 4,881 | -0- | -0- |
| | <u>\$ 266,611</u> | <u>\$266,611</u> | <u>\$ -0-</u> | <u>\$ -0-</u> |

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

O. Endowment:

The Club's endowments consist of four separate funds established for the purpose of satisfying donor imposed restrictions. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

The Board of Directors of the Club has interpreted Massachusetts General Law Chapter 180A, Management of Institutional Funds, as requiring 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. As a result of this interpretation, the Club classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The amounts generated from the donor-restricted endowment fund that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by Massachusetts General Law Chapter 180A. In accordance with Massachusetts General Law Chapter 180A, the Club considers the following facts in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of the Club and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Club
- 7) The investment policies of the Club

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

O. Endowment (continued):

Endowment Net Asset Composition by Type of Fund as of June 30, 2018

| | <u>Permanently Restricted</u> |
|--------------------------------------|-----------------------------------|
| Zani Camp Scholarship Fund | \$ 10,808 |
| Corpus of Silverstein Athletic Fund | 20,711 |
| Crocetti Charitable Gift Endowment | 202,735 |
| DeNucci Campaign Committee Endowment | <u>28,085</u> |
| Total | <u>\$262,339</u> |

Changes in Temporarily Restricted and Permanently Restricted Net Assets for the Year Ended June 30, 2018

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets- beginning of year | \$ 126 | \$ 242,589 | \$ 242,715 |
| Crocetti Charitable Gift Endowment | -0- | 2,000 | 2,000 |
| Tukka Rask Donation | 10,000 | -0- | 10,000 |
| Adobe Grant | 20,000 | -0- | 20,000 |
| Investment income/(loss) (Net of prof. mgmt fees of \$1,424) | -0- | 17,750 | 17,750 |
| Appropriated for expenditure | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Endowment net assets- end of year | <u>\$ 30,126</u> | <u>\$ 262,339</u> | <u>\$ 292,465</u> |

Return objectives and risk parameters:

Endowment assets include those assets of donor-restricted funds that the Club must hold in perpetuity or for a donor-specified period(s). The Club attempts to maintain the fair value of the endowment assets by investing in bond funds, stock funds and certificates of deposit from a local bank.

Strategies employed for achieving objectives:

The Club has been holding its assets in certificate of deposit accounts, bond funds, stock funds as a conservative measure in order to protect the principal of the endowment funds. As of February 2015, an investment committee has been established to supervise and direct the investment of the Crocetti Charitable Gift Endowment in a manner consistent with an investment policy approved by the Board of Directors.

THE JOHN M. BARRY BOYS AND GIRLS CLUB OF NEWTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

O. Endowment (continued):

Spending policy and how the investment objectives relate to spending policy:

Silverstein Athletic Fund - The Club has been accumulating the investment return in a temporarily restricted fund and will spend the funds in accordance with the donor imposed restriction of funding student athletic programs.

Zani Camp Scholarship Fund - The Club has been accumulating the investment return in a temporarily restricted fund and will spend these funds in accordance with donor imposed restrictions on funding camp scholarships.

Crocetti Charitable Gift Endowment - Beginning in February 2015, the Club is accumulating all investment returns (net of professional management costs) until its assets reach at least \$500,000, at which time the Board of Directors will determine the appropriate investment spending policy at least annually.

DeNucci Campaign Committee Endowment - Beginning in March 2017, the Club is accumulating investment returns on an initial gift of \$25,000. Future appropriations will be made in accordance with all donor imposed stipulations.

P. Prior-year summarized comparative information:

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Club's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Q. Subsequent events:

Subsequent events have been evaluated through October 31, 2018, which is the date the financial statements were available to be issued.