# West End House, Inc.

D/B/A West End House Boys and Girls Club of Allston-Brighton

# and
# West End House Support, Inc.

Consolidated Financial Report
December 31, 2018

## Contents

RSM US LLP

## Independent Auditor's Report

Board of Directors
West End House, Inc. d/b/a West End House Boys and Girls Club of Allston-Brighton
and West End House Support, Inc.

**Report on the Financial Statements**
We have audited the accompanying consolidated financial statements of West End House, Inc. d/b/a West End House Boys and Girls Club of Allston-Brighton and West End House Support, Inc. (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 audits. We conducted our audits 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 Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the Organization adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, during the year ended December 31, 2018. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and disclosures relating to net assets. The adoption was retrospectively applied to January 1, 2017; the earliest year presented. Our opinion is not modified with respect to this matter.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets, and cash flows of the individual organizations and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Boston, Massachusetts
June 26, 2019

**West End House, Inc. d/b/a West End House Boys and Girls Club of Allston-Brighton and West End House Support, Inc.**

**Consolidated Statements of Financial Position**
**December 31, 2018 and 2017**

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| **Assets** | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** | Without Donor Restrictions | With Donor Restrictions | Total |
| Current assets: | | | | | | |
| Cash and cash equivalents | **$ 644,084** | **$ 666,952** | **$ 1,311,036** | $ 416,075 | $ 464,049 | $ 880,124 |
| Assets limited as to use | **1,299,657** | **-** | **1,299,657** | 6,144,537 | - | 6,144,537 |
| Current portion of pledges, grants, and other receivables, net | **290,574** | **486,247** | **776,821** | 245,031 | 2,300,548 | 2,545,579 |
| Contracts receivable | **98,185** | **-** | **98,185** | 77,529 | - | 77,529 |
| Prepaid expenses | **6,850** | **-** | **6,850** | 30,711 | - | 30,711 |
| **Total current assets** | **2,339,350** | **1,153,199** | **3,492,549** | 6,913,883 | 2,764,597 | 9,678,480 |
| Pledges and grants receivable, net of current portion and discount | **-** | **1,099,690** | **1,099,690** | - | 703,144 | 703,144 |
| Investments | **279,903** | **2,241,109** | **2,521,012** | 338,648 | 3,383,534 | 3,722,182 |
| Property and equipment, net of accumulated depreciation | **12,195,276** | **-** | **12,195,276** | 13,001,057 | - | 13,001,057 |
| Note receivable | **8,210,000** | **-** | **8,210,000** | 8,210,000 | - | 8,210,000 |
| **Total assets** | **$ 23,024,529** | **$ 4,493,998** | **$ 27,518,527** | $ 28,463,588 | $ 6,851,275 | $ 35,314,863 |
| **Liabilities and Net Assets** | | | | | | |
| Current liabilities: | | | | | | |
| Current portion of mortgage payable | **$ 29,210** | **$ -** | **$ 29,210** | $ 27,589 | $ - | $ 27,589 |
| Current portion of notes payable, net of deferred financing costs | **223,228** | **-** | **223,228** | 1,833,284 | - | 1,833,284 |
| Accounts payable and accrued expenses | **1,190,158** | **-** | **1,190,158** | 2,776,441 | - | 2,776,441 |
| **Total current liabilities** | **1,442,596** | **-** | **1,442,596** | 4,637,314 | - | 4,637,314 |
| Line of credit | **-** | **-** | **-** | 300,000 | - | 300,000 |
| Mortgage payable, net of current portion | **1,348,518** | **-** | **1,348,518** | 1,377,728 | - | 1,377,728 |
| Notes payable, net of current portion and deferred financing costs | **11,817,010** | **-** | **11,817,010** | 12,696,007 | - | 12,696,007 |
| **Total liabilities** | **14,608,124** | **-** | **14,608,124** | 19,011,049 | - | 19,011,049 |
| Net assets: | | | | | | |
| Without donor restrictions: | | | | | | |
| Operating | **372,075** | **-** | **372,075** | 130,687 | - | 130,687 |
| Board designated | **99,312** | **-** | **99,312** | 107,156 | - | 107,156 |
| Capital reserve | **494,977** | **-** | **494,977** | 494,048 | - | 494,048 |
| Real estate | **7,450,041** | **-** | **7,450,041** | 8,720,648 | - | 8,720,648 |
| **Total net assets without donor restrictions** | **8,416,405** | **-** | **8,416,405** | 9,452,539 | - | 9,452,539 |
| With donor restrictions: | | | | | | |
| Purpose restricted | **-** | **1,070,580** | **1,070,580** | - | 1,019,435 | 1,019,435 |
| Time restricted | **-** | **-** | **-** | - | 72,930 | 72,930 |
| Comprehensive campaign | **-** | **1,422,825** | **1,422,825** | - | 3,597,057 | 3,597,057 |
| Funds acting as endowment | **-** | **2,000,593** | **2,000,593** | - | 2,161,853 | 2,161,853 |
| **Total net assets with donor restrictions** | **-** | **4,493,998** | **4,493,998** | - | 6,851,275 | 6,851,275 |
| **Total net assets** | **8,416,405** | **4,493,998** | **12,910,403** | 9,452,539 | 6,851,275 | 16,303,814 |
| **Total liabilities and net assets** | **$ 23,024,529** | **$ 4,493,998** | **$ 27,518,527** | $ 28,463,588 | $ 6,851,275 | $ 35,314,863 |

See notes to consolidated financial statements

**West End House, Inc. d/b/a West End House Boys and Girls Club of Allston-Brighton**
**and West End House Support, Inc.**

**Consolidated Statements of Activities and Changes in Net Assets**
**Years Ended December 31, 2018 and 2017**

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating revenue and support: | | | | | | |
| Corporate/foundation grants and contributions | **$ 1,402,664** | **$ 254,679** | **$ 1,657,343** | $ 854,958 | $ 185,430 | $ 1,040,388 |
| Campaign releases appropriated for operations | **311,916** | **-** | **311,916** | 1,018,185 | - | 1,018,185 |
| Government grants | **270,549** | **41,463** | **312,012** | 282,118 | 38,095 | 320,213 |
| Individual contributions | **308,946** | **115,275** | **424,221** | 277,719 | 35,000 | 312,719 |
| Investment earnings appropriated for operations | **100,728** | **-** | **100,728** | 104,460 | - | 104,460 |
| Rental fees and other | **153,914** | **-** | **153,914** | 84,819 | - | 84,819 |
| Interest income | **98,979** | **-** | **98,979** | 98,751 | - | 98,751 |
| In-kind contributions | **17,828** | **-** | **17,828** | 31,853 | - | 31,853 |
| Group events and membership dues | **3,351** | **-** | **3,351** | 1,533 | - | 1,533 |
| Net assets released from purpose restrictions | **427,525** | **(427,525)** | **-** | 330,197 | (330,197) | - |
| | **3,096,400** | **(16,108)** | **3,080,292** | 3,084,593 | (71,672) | 3,012,921 |
| Special events: | | | | | | |
| Event contributions and support | **879,076** | **-** | **879,076** | 478,494 | - | 478,494 |
| Campaign releases appropriated for special events | **79,495** | **-** | **79,495** | 86,000 | - | 86,000 |
| Net assets released from time restrictions | **-** | **-** | **-** | 41,500 | (41,500) | - |
| | **958,571** | **-** | **958,571** | 605,994 | (41,500) | 564,494 |
| Less direct expenses | **166,650** | **-** | **166,650** | 109,843 | - | 109,843 |
| **Net special events** | **791,921** | **-** | **791,921** | 496,151 | (41,500) | 454,651 |
| **Total operating revenue and support** | **3,888,321** | **(16,108)** | **3,872,213** | 3,580,744 | (113,172) | 3,467,572 |
| Operating expenses: | | | | | | |
| Program services | **3,147,272** | **-** | **3,147,272** | 2,895,286 | - | 2,895,286 |
| General and administrative | **262,083** | **-** | **262,083** | 248,505 | - | 248,505 |
| Fundraising | **404,521** | **-** | **404,521** | 388,135 | - | 388,135 |
| **Total operating expenses** | **3,813,876** | **-** | **3,813,876** | 3,531,926 | - | 3,531,926 |
| **Change in net assets from operations before depreciation and amortization** | **74,445** | **(16,108)** | **58,337** | 48,818 | (113,172) | (64,354) |
| Depreciation | **311,486** | **-** | **311,486** | 269,847 | - | 269,847 |
| Amortization of deferred financing costs | **79,216** | **-** | **79,216** | 58,092 | - | 58,092 |
| **Change in net assets from operations** | **(316,257)** | **(16,108)** | **(332,365)** | (279,121) | (113,172) | (392,293) |
| Other revenue (expenses): | | | | | | |
| Comprehensive campaign contributions | **-** | **866,865** | **866,865** | - | 883,886 | 883,886 |
| Capital contributions | **20,000** | **-** | **20,000** | - | - | - |
| In-kind contributions - capital | **140,662** | **-** | **140,662** | - | - | - |
| Other contributions | **-** | **-** | **-** | - | 50,000 | 50,000 |
| Investment (loss) return, net | **(11,371)** | **(84,338)** | **(95,709)** | 35,895 | 270,378 | 306,273 |
| Scholarship fund contributions | **-** | **14,036** | **14,036** | - | 7,740 | 7,740 |
| Comprehensive campaign expenses | **(8,000)** | **-** | **(8,000)** | - | - | - |
| Loss on disposal of property | **(3,506,761)** | **-** | **(3,506,761)** | - | - | - |
| New market tax credit expenses | **-** | **-** | **-** | (48,307) | - | (48,307) |
| Investment earnings appropriated for operations | **(100,728)** | **-** | **(100,728)** | (104,460) | - | (104,460) |
| Campaign releases appropriated for operations | **(391,411)** | **-** | **(391,411)** | (1,104,185) | - | (1,104,185) |
| Net assets released from time restrictions | **96,636** | **(96,636)** | **-** | 100,404 | (100,404) | - |
| Net assets released from comprehensive campaign - capital | **2,649,685** | **(2,649,685)** | **-** | 4,372,936 | (4,372,936) | - |
| Net assets released from comprehensive campaign - other | **391,411** | **(391,411)** | **-** | 1,104,185 | (1,104,185) | - |
| **Total other revenue (expenses)** | **(719,877)** | **(2,341,169)** | **(3,061,046)** | **4,356,468** | **(4,365,521)** | **(9,053)** |
| **Change in net assets** | **(1,036,134)** | **(2,357,277)** | **(3,393,411)** | 4,077,347 | (4,478,693) | (401,346) |
| Net assets: | | | | | | |
| Beginning of year | **9,452,539** | **6,851,275** | **16,303,814** | 5,375,192 | 11,329,968 | 16,705,160 |
| End of year | **$ 8,416,405** | **$ 4,493,998** | **$ 12,910,403** | $ 9,452,539 | $ 6,851,275 | $ 16,303,814 |

See notes to consolidated financial statements.

**West End House, Inc. d/b/a West End House Boys and Girls Club of Allston-Brighton and West End House Support, Inc.**

**Consolidated Statements of Functional Expenses**
**Years Ended December 31, 2018 and 2017**

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Program Services** | **General and Administrative** | **Fundraising** | **Total** | Program Services | General and Administrative | Fundraising | Total |
| Salaries and related: | | | | | | | | |
| Salaries | **$ 1,570,723** | **$ 106,737** | **$ 289,470** | **$ 1,966,930** | $ 1,577,088 | $ 89,610 | $ 291,060 | $ 1,957,758 |
| Employee benefits | **277,515** | **19,150** | **52,313** | **348,978** | 210,249 | 12,398 | 40,522 | 263,169 |
| Payroll taxes | **134,862** | **9,164** | **24,723** | **168,749** | 132,634 | 7,755 | 25,280 | 165,669 |
| Contract services | **8,600** | **-** | **-** | **8,600** | 27,890 | - | - | 27,890 |
| Staff development | **31,448** | **-** | **1,681** | **33,129** | 48,160 | - | - | 48,160 |
| Stipends | **19,686** | **-** | **-** | **19,686** | 16,523 | - | - | 16,523 |
| **Total salaries and related** | **2,042,834** | **135,051** | **368,187** | **2,546,072** | 2,012,544 | 109,763 | 356,862 | 2,479,169 |
| Occupancy: | | | | | | | | |
| Utilities | **171,640** | **4,477** | **5,478** | **181,595** | 172,594 | 5,450 | 3,634 | 181,678 |
| Repairs and maintenance | **185,450** | **5,387** | **17,324** | **208,161** | 155,136 | 4,400 | 15,219 | 174,755 |
| Interest | **211,200** | **5,869** | **5,569** | **222,638** | 136,805 | 7,200 | - | 144,005 |
| Insurance | **28,427** | **1,912** | **912** | **31,251** | 27,346 | 1,439 | - | 28,785 |
| **Total occupancy** | **596,717** | **17,645** | **29,283** | **643,645** | 491,881 | 18,489 | 18,853 | 529,223 |
| Other: | | | | | | | | |
| Professional fees | **120,700** | **105,985** | **-** | **226,685** | 76,550 | 92,043 | - | 168,593 |
| Program supplies and other | **102,623** | **-** | **-** | **102,623** | 84,354 | - | 60 | 84,414 |
| Food | **92,407** | **-** | **-** | **92,407** | 84,553 | - | - | 84,553 |
| Bad debts | **50,000** | **-** | **-** | **50,000** | - | 25,000 | - | 25,000 |
| Scholarships | **33,667** | **-** | **-** | **33,667** | 36,250 | - | - | 36,250 |
| Dues and subscriptions | **22,575** | **875** | **601** | **24,051** | 18,349 | 1,365 | 1,755 | 21,469 |
| Miscellaneous | **21,255** | **907** | **597** | **22,759** | 18,136 | 671 | 382 | 19,189 |
| Telephone | **17,328** | **555** | **552** | **18,435** | 15,759 | 498 | 331 | 16,588 |
| Postage and printing | **4,460** | **128** | **4,721** | **9,309** | 9,354 | 310 | 9,229 | 18,893 |
| Office supplies | **5,285** | **140** | **353** | **5,778** | 7,031 | 222 | 163 | 7,416 |
| Transportation | **19,593** | **797** | **227** | **20,617** | 8,672 | 144 | 500 | 9,316 |
| Donated goods and services | **17,828** | **-** | **-** | **17,828** | 31,853 | - | - | 31,853 |
| **Total other** | **507,721** | **109,387** | **7,051** | **624,159** | 390,861 | 120,253 | 12,420 | 523,534 |
| **Total expenses before depreciation and amortization** | **3,147,272** | **262,083** | **404,521** | **3,813,876** | 2,895,286 | 248,505 | 388,135 | 3,531,926 |
| Depreciation | **292,793** | **9,346** | **9,346** | **311,486** | 256,355 | 8,095 | 5,397 | 269,847 |
| Amortization of deferred financing costs | **79,216** | **-** | **-** | **79,216** | 58,092 | - | - | 58,092 |
| **Total operating expenses** | **$ 3,519,281** | **$ 271,429** | **$ 413,867** | **$ 4,204,578** | $ 3,209,733 | $ 256,600 | $ 393,532 | $ 3,859,865 |

See notes to consolidated financial statements.

**West End House, Inc. d/b/a West End House Boys and Girls Club of Allston-Brighton and West End House Support, Inc.**

**Consolidated Statements of Cash Flows**
**Years Ended December 31, 2018 and 2017**

| | **2018** | 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | **$ (3,393,411)** | $ (401,346) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | **311,486** | 269,847 |
| Amortization of deferred financing costs | **79,216** | 58,092 |
| Loss on disposal of property | **3,506,761** | - |
| Bad debts | **50,000** | 25,000 |
| Realized and unrealized (gain) loss on investments, net | **204,799** | (269,237) |
| Donated stock | **(512,220)** | (118,038) |
| Proceeds from donated stock | **512,220** | 118,043 |
| Changes in operating assets and liabilities: | | |
| Pledges, grants, and other receivables | **1,322,212** | 2,196,407 |
| Contracts receivable | **(20,656)** | (82,814) |
| Prepaid expenses | **23,861** | (5,667) |
| Accounts payable and accrued expenses | **234,386** | (77,634) |
| **Net cash provided by operating activities** | **2,318,654** | 1,712,653 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | **(4,833,135)** | (4,898,920) |
| Purchases of assets limited as to use | **-** | (6,144,537) |
| Release of assets limited as to use | **4,844,880** | - |
| Notes receivable issued | **-** | (8,210,000) |
| Proceeds from sale of investments | **1,610,152** | 2,074,283 |
| Purchase of investments | **(613,781)** | (2,112,228) |
| **Net cash provided by (used in) investing activities** | **1,008,116** | (19,291,402) |
| Cash flows from financing activities: | | |
| Principal payments on notes and mortgage payable | **(2,697,274)** | (2,877,460) |
| Proceeds from notes and mortgage payable | **101,416** | 17,916,622 |
| Financing costs incurred | **-** | (549,974) |
| Proceeds from line of credit | **100,000** | 300,000 |
| Payment on line of credit | **(400,000)** | - |
| **Net cash (used in) provided by financing activities** | **(2,895,858)** | 14,789,188 |
| **Net change in cash and cash equivalents** | **430,912** | (2,789,561) |
| Cash and cash equivalents: | | |
| Beginning of year | **880,124** | 3,669,685 |
| End of year | **$ 1,311,036** | $ 880,124 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | **$ 218,958** | $ 144,005 |
| Construction in progress included in accounts payable | **$ -** | $ 2,657,595 |
| Property and equipment included in accounts payable | **$ 836,926** | $ - |

See notes to consolidated financial statements.

## Note 1. Nature of Activities and Summary of Significant Accounting Policies

**Organization and purpose:** The mission of West End House, Inc. d/b/a West End House Boys and Girls Club of Allston-Brighton (the Club) is to inspire and enable young people, especially those from disadvantaged backgrounds, to realize their full potential as productive, responsible and caring citizens. The Club is an independent Boys and Girls Club in Boston that provides outcome-driven programs to Boston youth residing in the most underserved neighborhoods. These high-impact programs provide opportunities in critical areas of youth development, ensuring that young people most in need are succeeding academically, exploring the arts, developing career readiness skills, and adopting healthy lifestyles.

With 75% of the Club's families earning less than $25,000 per year and 70% of the young people served coming from single-parent households, the Club is truly reaching the children and teens most in need. The membership fee is only $15 annually, to ensure there are no financial barriers to participation. Even with such a low fee, more than half of the young people are provided scholarships by the Club.

The Club offers its 1,500 members an integrated array of programs across four broad areas: leadership and career development; academic and college success; fitness and nutrition; and visual and performing arts. In support of these programs, the Club also serves nearly 2,000 healthy hot meals to members every week. The Club offers services during the school day through a partnership with the Jackson/Mann K-8 School (Jackson/Mann), a Boston public school. The program originated after the Jackson/Mann was selected to be in the City of Boston's Mayor's Extended Learning Time (ELT) initiative. For three days per week, during the school day, in three one-hour blocks (one hour per student group), all 1st through 8th grade students, including a group of students with autism, from Jackson/Mann are served through this initiative. Students arrive at the Club during the school day to engage in the programming led and delivered by the Club staff including educational enrichment, visual arts, life skills, fitness, music, and video.

A key tool used by the Club to ensure the continuing, consistent and customized attention is WISDOM: The Club's Internal System for Developmental Outcomes Measurement. This system allows staff members to create and monitor a nuanced picture of how each child is doing. If necessary, an intervention plan is developed to address any issues or problems, so no child falls through the cracks. Data is also aggregated and analyzed to inform program development and resource allocation. The WISDOM tool currently tracks 275 Club members, with plans to increase to 350 over the next three years.

During the year ended December 31, 2017, West End House Support, Inc. (WEHS), a supporting organization of the Club, was created for the benefit of, to perform the function of, and to carry out the purpose of the Club with respect to its long-term facility needs, including securing funds to support those needs.

During the year ended December 31, 2017, the Club integrated New Markets Tax Credits (NMTC) into the financing of the Comprehensive Campaign, and related expansion and renovations of the Club’s building facility. Due to the location of the property and the measureable economic and community benefits of the project, the Club qualified for this special federal and state tax funding. The ownership of the Club’s property was transferred to WEHS.

The Club and WEHS are exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Club and WEHS are also exempt from state income taxes. Contributions made to the Club are deductible by donors within the requirements of the IRC.

## Note 1. Summary of Significant Accounting Policies (Continued)

The financial statements include the consolidated accounts of the Club and WEHS, which are affiliated through common management (collectively the Organization). Intercompany transactions and accounts have been eliminated upon consolidation.

**Basis of accounting:** The financial statements of the Organization have been prepared on the accrual basis of accounting. A summary of the significant accounting policies applied in the preparation of the financial statements follows.

**Basis of presentation:** The Organization prepares its financial statements in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets accounting principles generally accepted in the United States of America (GAAP) that the Organization follows to ensure its financial position, results of activities, and cash flows are consistently reported. References to GAAP in these footnotes are to the FASB Accounting Standards Codification (ASC).

The Organization's financial statement presentation follows the requirements of FASB ASC 958, "Financial Statements of Not-for-Profit Organizations". Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent the portion of net assets of the Organization that is neither restricted by donor-imposed stipulations or time restrictions. Net assets without donor restrictions include expendable funds available for support of the Organization, amounts designated by the Board of Directors (the Board) for future use, as well as funds invested in the Organization's real estate.

Net assets with donor restrictions includes inflows of assets whose use may or will be met by actions of the Organization or the passage of time. Additionally, net assets with donor restrictions include donor gifts that have been invested and the principle and gains can be used to meet donor imposed restrictions. Net assets with donor restrictions also includes inflows of assets whose use may or will be met by actions of the Organization or the passage of time.

The Organization does not have any net assets held in perpetuity as of December 31, 2018 and 2017.

**Revenue recognition:** Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or time restrictions. Expenses are reported as decreases in net assets without donor restrictions.

- Grants and contributions without donor restrictions received from foundations, corporations, and individuals are recognized as revenue when received or unconditionally pledged.
- Government grants are recognized as expenses are incurred.
- Revenue from special events is recognized in the period in which the event occurs.
- Grants and contributions designated for a specific purpose or period are recognized as revenue and support and as net assets with donor restrictions when received or unconditionally pledged. Transfers are made to revenue and support without donor restrictions as services are provided and costs are incurred or as time restrictions lapse. Donor restricted grants and contributions received and satisfied in the same period are included in net assets without donor restrictions.
- Group events, membership dues, rental fees, and other revenue are recognized when earned.
- Interest income is recorded as earned and dividend income is recorded on the ex-dividend date. Realized gains or losses on investment transactions are recorded using the average cost method. Unrealized gains and losses are recognized based on fair value changes during the period (see Note 3).

## Note 1. Summary of Significant Accounting Policies (Continued)

**Statements of activities and changes in net assets:** Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as operating revenue and support and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue (expenses) includes activity related to the comprehensive campaign, capital grants for long-lived assets, scholarships and funds acting as endowment contributions, investment activity (see Note 3), and other income.

**Cash and cash equivalents:** For the purpose of the statements of cash flows, management considers all cash and highly liquid investments without donor restrictions having an initial maturity of three months or less to be cash and cash equivalents.

**Assets limited to use:** This consists of reserve accounts set aside for construction disbursements and Low Income Investment Fund interest payments.

**Accounts receivable:** The Organization reports its accounts receivable at cost less an allowance for uncollectible accounts. Allowance for uncollectible accounts is based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible. Accounts are written off when they are determined to be uncollectible and are recorded as bad debt. Allowance for uncollectible accounts as of December 31, 2018 and 2017 totaled $50,000 and $0, respectively.

**Property and equipment and depreciation:** Property and equipment are recorded at cost, if purchased, or at the estimated market value at the date of gift, if donated. Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred. Property and equipment are depreciated using the straight-line method over estimated useful lives and consist of the following at December 31:

| | Estimated Useful Lives | 2018 | 2017 |
|---|---|---|---|
| Building and improvements | 10 and 40 years | $ 17,337,408 | $ 7,930,342 |
| Furniture and equipment | 3 – 10 years | 244,764 | 521,333 |
| Construction in progress | N/A | - | 8,432,248 |
| Land | N/A | 25,374 | 25,374 |
| | | 17,607,546 | 16,909,297 |
| Less accumulated depreciation | | (3,114,691) | (3,908,240) |
| Net property and equipment | | $ 14,492,855 | $ 13,001,057 |

As of December 31, 2017, construction in progress represented costs incurred for the Organization's building renovations in conjunction with its comprehensive campaign. The project was completed in June 2018 and placed into service. When the building renovation was placed into service, a loss of $3,506,761 was recognized related to the disposal of previously capitalized assets.

Substantially all property and equipment are pledged as collateral in connection with the mortgage payable, notes payable and the line of credit agreement (see Notes 6, 7 and 8).

**Impairment of long-lived assets:** Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the Organization compares the carrying amounts of the assets to the undiscounted expected future cash flows over the remaining life of the assets. If this comparison indicates that there may be impairment, the amount of impairment is calculated as the difference between the carrying value and fair value. During the years ended December 31, 2018 and 2017, no impairment indicators were identified.

## Note 1. Summary of Significant Accounting Policies (Continued)

**Fair value measurements:** The Organization follows the accounting and disclosure standards pertaining to ASC Topic, Fair Value Measurements, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is as follows:

**Level 1:** Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

**Level 2:** Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

**Level 3:** Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value:

**Money market funds:** These open-ended funds generally have subscription and redemption activity at a $1.00 stable net asset value (NAV). On a daily basis, a fund’s NAV is calculated using the amortized cost of the securities held in the fund.

**Domestic and international equity securities and funds:** The fair value is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

**Fixed income securities and bonds:** The fair value is the market value based on quoted market prices for similar assets, when available. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

**Limited partnerships:** The Organization’s interest in limited partnerships is generally reported at the NAV reported by fund managers, which is used as practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of December 31, 2018, the Organization had no investments valued at NAV.

**Note 1. Summary of Significant Accounting Policies (Continued)**

The carrying value of all other qualifying assets and liabilities does not differ materially from its estimated fair value. These qualifying assets and liabilities are considered Level 1 and Level 2 in the fair value hierarchy.

**Investment policy: Investments:** The Organization records its investments at fair value. If an investment is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Organization's interest in limited partnerships is generally reported at the net asset value (NAV) reported by fund managers, which is used as practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of December 31, 2018, the Organization had no investments valued at NAV.

The Organization's investment policy sets forth guidelines for prudent investment of funds taking into account liquidity, growth, risk, and return characteristics appropriate for different categories of the Organization's investments. Under this policy, funds are invested to produce a relatively high level of income commensurate with prudent diversification and moderate risks. Investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). In accordance with the Organization's annual investment spending policy, annual withdrawals of the funds acting as endowment, and Board designated funds (collectively, the Funds) (see Note 9) shall not exceed an amount equal to four percent of the average market value of the Funds over a rolling three-year period ending on October 31st of the previous fiscal year, unless otherwise authorized by the Board. Annual withdrawals of the Scholarship fund shall also not exceed more than four and one half percent of the average market value of the Scholarship fund (see Note 9) over a three-year period ending October of each fiscal year, unless otherwise authorized by the Board.

During the years ended December 31, 2018, and 2017, the Organization appropriated for operations $100,728 and $104,460, respectively, of the funds (see Note 9) under the Organization's investment spending policy. The amount appropriated is reflected as investment earnings appropriated for operations in the accompanying statements of activities and changes in net assets for the years ended December 31, 2018 and 2017.

**Contributions:** Contributions received, including unconditional pledges, are initially recorded at fair value as revenues in the period the donor's commitments are received. Unconditional pledges receivable in future periods are included in the financial statements as pledges receivable. Unconditional pledges receivable are recognized at the estimated net present value using a discount rate commensurate with the risk involved, and net of an allowance for uncollectible amounts.

Amortization of the discount is recorded as contribution revenue in the appropriate net asset class. Conditional promises to give are recorded when donor stipulations are substantially met.

The methodology for calculating the allowance for uncollectible pledges includes management's review of individually significant outstanding pledges, analysis of the aging of payment schedules for all outstanding pledges, as well as other factors, including current economic conditions.

The Organization evaluates unconditional promises to give for changes in the quantity or nature of promised assets. If the fair value of a contribution receivable decreases because of changes in the quantity or nature of assets expected to be received, the decrease is recognized in the period in which the expectation changes and an allowance for uncollectible pledges is reported as an expense or loss in the net asset class in which the net assets are represented.

**Note 1. Summary of Significant Accounting Policies (Continued)**

Contributions received with donor-imposed restrictions that are met in the same year they are received are reported as revenues with donor restrictions. A reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

**In-kind contributions:** During the years ended December 31, 2018 and 2017, the Organization received $158,490 and $31,853, respectively, of donated program supplies, services and capital improvements, which are reflected as in-kind contributions revenue and donated goods and services in the accompanying statements of activities and changes in net assets and functional expenses.

During the years ended December 31, 2018 and 2017, the Organization had volunteers who donated their time to the Organization's program services. The fair value of these services is not reflected in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP.

**Comprehensive campaign:** The campaign began in 2015 and included fundraising goals consisting of current and future program operations, capital funds for the building renovation, funds for retirement of debt, and funds for operating and facilities reserves. As the campaign is not part of normal operations, all contributions are presented as non-operating. Contributions received for current and future program activities are transferred to operating activities when appropriated.

**Functional allocation of expenses:** Expenses are summarized and categorized based upon their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, taxes and employee benefits, are allocated on the basis of estimates of time and effort. Rent, utilities, maintenance, depreciation, interest, supplies, telephone and insurance, are allocated on a square-footage basis.

**Use of estimates:** The preparation of financial statements in accordance with U.S. GAAP 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.

**Reclassifications:** Certain amounts in the December 31, 2017 financial statements were reclassified to conform to the December 31, 2018 presentation.

**Income taxes:** The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, Income Taxes. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2018 and 2017. The Organization's tax returns are subject to examination by the Federal and state jurisdictions. With few exceptions, the Organization is no longer subject to income tax examinations by the United States federal, state, or local tax authorities for the years before 2015.

## Note 1. Summary of Significant Accounting Policies (Continued)

**Recently issued accounting pronouncements:** In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU clarifies the guidance for reevaluating whether a transaction is reciprocal (i.e. an exchange transaction) or nonreciprocal (i.e. a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. This ASU is applicable to the Organization, as a resource recipient, for contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for annual periods, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Organization does not expect the adoption of this guidance to be significant to its consolidated statement of cash flows.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Organization is in currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

## Note 1. Summary of Significant Accounting Policies (Continued)

**Recently adopted accounting pronouncements:** During 2018, the Organization adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which amends the requirements for financial statements and notes in Topic 958 to require the Organization to make reporting changes that effect the following:

- Net asset classifications and related disclosures
- Additional disclosures useful in assessing liquidity within one year of the statement of financial position date.
- New reporting requirements related to expenses including disclosure of expenses by both nature and function.
- Reporting of net investment return.

The Organization made changes to terminology and classification as described above as well as additional or modified disclosures, particularly Notes 2 and 9. Amounts previously reported for the year ended December 31, 2017 have been reclassified, on a retrospective basis, to achieve consistent presentation. Amounts previously reported as temporarily restricted net assets have been reclassified to be reported as net assets with donor restrictions.

## Note 2. Liquidity

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing activities. At December 31, 2018, the Organization's financial resources were earmarked as follows:

| | |
|---|---|
| **Financial assets at year end:** | |
| Cash and cash equivalents | $ 1,311,036 |
| Assets limited as to use | 1,299,657 |
| Current portion of pledges, grants and other receivables | 776,821 |
| Contracts receivable | 98,185 |
| Pledges and grants receivable, net of current portion and discount | 1,099,690 |
| Investments | 2,521,012 |
| Notes receivable | 8,210,000 |
| Total financial assets | 15,316,401 |
| **Less amounts not available to be used within one year:** | |
| Net assets with donor restrictions | (4,493,998) |
| Board designated funds acting as endowment | (99,312) |
| Capital reserve | (494,977) |
| Note receivable | (8,210,000) |
| | (13,298,287) |
| **Add amounts available to be used within one year:** | |
| 2019 estimated releases from restriction | 1,430,334 |
| 2019 estimated appropriation from funds acting as endowment | 93,363 |
| | 1,523,697 |
| **Financial assets available within one year to meet general expenditures** | $ 3,541,811 |

In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

### Note 2. Liquidity (Continued)

The Organization's governing board has designated a portion of its resources without donor-restrictions for funds acting as endowment and other purposes. Those amounts are identified as board-designated in the table above. These funds are cash and remain available and may be spent at the discretion of the Board.

The Organization also has a line of credit facility available to meet short-term needs. See note 6 for information about this arrangement.

Finally, the Organization will strengthen the operating model by retiring a mortgage that places a call on available cash each year. Based on the comprehensive campaign plan, the Organization estimates to raise an additional $4 million to fund operating reserves, facilities reserves, and retirement of debt.

### Note 3. Investments

Investments are presented in the accompanying financial statements at fair value. The Organization's investments consist of the following at December 31:

| | 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | $ 340,427 | $ - | $ - | $ 340,427 |
| Equities: | | | | |
| International developed | 221,020 | - | - | 221,020 |
| U.S. large cap | 466,160 | - | - | 466,160 |
| Others | 708,540 | - | - | 708,540 |
| Fixed income: | | | | |
| Investment grade taxable | - | 503,248 | - | 503,248 |
| International developed bonds | - | 214,234 | - | 214,234 |
| Other bonds | - | 39,988 | - | 39,988 |
| Others | - | 27,395 | - | 27,395 |
| Total investments | $ 1,736,147 | $ 784,865 | $ - | $ 2,521,012 |

| | 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market funds | $ 385,004 | $ - | $ - | $ 385,004 |
| Equities: | | | | |
| International developed | 262,728 | - | - | 262,728 |
| U.S. large cap | 1,002,421 | - | - | 1,002,421 |
| Others | 851,117 | - | - | 851,117 |
| Fixed income: | | | | |
| Investment grade taxable | - | 657,916 | - | 657,916 |
| International developed bonds | - | 238,944 | - | 238,944 |
| Others | - | 48,688 | - | 48,688 |
| | $ 2,501,270 | $ 945,548 | $ - | 3,446,818 |
| Limited liability partnership (a) | | | | 275,364 |
| Total investments | | | | $ 3,722,182 |

(a) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient (PE) have not been classified within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy amounts to amounts presented in the consolidated statements of financial position.

## Note 3. Investments (Continued)

The Organization uses the NAV as a practical expedient to determine the fair value of all the underlying investments, which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company. The following table lists investments in investment companies by major category at December 31, 2018 and 2017.

| | 2018 NAV in Funds | 2017 NAV in Funds | 2018 Number of Funds | 2017 Number of Funds | Dollar Amount of Unfunded Commitments | Redemption Frequency | Redemption Restrictions | Restrictions in Place at Year End |
|---|---|---|---|---|---|---|---|---|
| Limited Partnerships (a) | $ - | $ 275,364 | - | 1 | $ - | Quarterly | 45-90 days notice | None |

(a) The fund has an objective to provide superior return through its investment strategy focused on the credit markets. Investments are thoroughly researched and driven by fundamental analysis combined with identification of relative value, event-driven, and arbitrage opportunities.

The Organization intends to hold its investments indefinitely. Accordingly, the investments are shown as long-term assets in the accompanying statements of financial position regardless of maturity. Investments are not insured and are subject to ongoing market fluctuations.

## Note 4. Comprehensive Campaign, Pledges, Grants, and Other Receivables

The Organization launched a Comprehensive Campaign to expand program growth and the facilities to keep pace with the growth in Club membership. The expansion project commenced in the spring of 2017 and was completed in June 2018. The project has been funded with financing from new market tax credits and proceeds of the Comprehensive Campaign efforts. As of December 31, 2018 there were 3 donors whose pledges represented approximately 47% of the gross outstanding pledge receivable balance. As of December 31, 2017 there were 4 donors whose pledges represented 68% of the gross outstanding pledge balance.

Pledges, grants, and other receivables, were due as follows at December 31:

| | 2018 | 2017 |
|---|---|---|
| Due within one year | $ 776,821 | $ 2,545,579 |
| Due one to five years | $ 1,120,232 | $ 725,029 |
| Less discount | 20,542 | 21,885 |
| | $ 1,099,690 | $ 703,144 |

Pledges due beyond one year have been discounted using a 2% discount rate.

## Note 5. Note Receivable

On April 11, 2017, the Club entered into a Promissory Note (the Note) in the principal amount of $8,210,000, with Chase NMTC West End Investment Fund, LLC (the Investment Fund). The proceeds of the Note were invested by the Investment Fund into LIIF Sub-CDE XLI, LLC and CNMC Sub-CDE 133, LLC (collectively the CDE's) who loaned the funds to West End House Support, Inc. The term of the note is 25 years and accrues interest at a fixed rate of 1.0% per annum. Commencing on June 15, 2017 and continuing on the 15th day of the last month of each calendar quarter thereafter through and including March 15, 2024, the Investment Fund will pay interest. Commencing June 15, 2024 and continuing on the 15th day of the last month of each calendar quarter and thereafter up to the maturity date of December 31, 2042, the Investment Fund will pay quarterly installments of principal and accrued interest through the end of the month in which the payment date falls. The amount of the total installments of principal and interest payable will be equal to the amount necessary to fully amortize the unpaid principal balance of the loan as of the maturity date. The Note is secured by a pledge of the Investment Fund's membership interests in the CDE's.

## Note 6. Line of Credit

During the year ended December 31, 2017, the Organization entered into a new line of credit agreement, which had available for its use $1,000,000. As of December 31, 2018 and 2017, the outstanding balance on the line of credit agreement was $0 and $300,000. Interest on outstanding borrowings is at the bank's prime lending rate (5.50% and 4.50% at December 31, 2018 and 2017), plus 1%, with a floor of 4.75%, and payable monthly. The line of credit is collateralized by a security interest in all business assets and expired in April 2019; a subsequent extension was granted through July 2019. The line of credit is subject to various financial covenants including a leverage ratio and a debt service coverage ratio. The Organization requested that Salem Bank waive its debt service covenant for the year ended December 31, 2018, which the bank waived by letter dated May 30, 2019. There were no covenants applicable as of December 31, 2017.

## Note 7. Mortgage Payable

On April 10, 2017, the Organization executed a promissory note with the Low Income Investment Fund (LIIF) for $1,425,000, which bears interest at a fixed rate equal to 5.75% and matures on April 10, 2024. On June 5, 2017, a payment of $24,256 was made representing the first principal and interest payment for the period from April 10, 2017 through and including June 30, 2017. Commencing on September 5, 2017, and continuing on the 5th day of each December, March, June and September, the Organization will make payments of $26,952 in principal and interest with each payment made partially in arrears and partially in advance of the calendar quarter during which the payment date occurs. As of December 31, 2018 and 2017, the mortgage payable balance was $1,377,728 and $1,405,317, respectively.

The maturities of the mortgage payable over the next five years are as follows:

| | Mortgage Payments |
|---|---|
| 2019 | $ 29,210 |
| 2020 | 30,927 |
| 2021 | 32,744 |
| 2022 | 34,667 |
| 2023 | 36,704 |
| Thereafter | 1,213,476 |
| | $ 1,377,728 |

## Note 8. Notes Payable

On April 11, 2017, the Organization entered into bridge loan agreements with LIIF and Salem Five Cents Savings Bank (Salem Bank) for a maximum principal amount of up to $2,500,000 each. The Salem Bank bridge loan has an initial maturity date of April 11, 2020 with options to extend, and bears a fixed interest rate of 3.61% through April 10, 2019, which subsequently resets annually based on the Federal Home Loan Bank of Boston One Year Classic Regular Advance Rate plus 190 basis points. Interest payments are made monthly from the LIIF Interest Reserve, with principal payments made based on a schedule of expected Capital Campaign pledge payments.

The LIIF bridge loan has a maturity date of April 11, 2020, and bears a fixed rate of 5.30% through April 10, 2019, and subsequently is subject to reset based on the then-current index. Interest accrues in arrears on the outstanding principal balance and payments are due and made monthly as advances from the Debt Service Holdback Amount. Principal payments are made based on a schedule of expected Capital Campaign pledge payments.

On April 11, 2017, the Organization also signed promissory notes (the QLICI Notes), the proceeds of which are used to fund the Organization’s building expansion and related costs. All QLICI Notes accrue interest at the rate of 1.155% per annum and mature on March 31, 2050 or the date on which the unpaid principal balance of the notes become due and payable by acceleration caused by default. Commencing on July 1, 2017 and continuing on the 1st day of each July, October, January and April thereafter up to and including April 1, 2024, the Organization will pay interest only on the outstanding principal amount of the QLICI Notes quarterly for the quarter ending in the month of the payment date. Commencing on July 1, 2024 and continuing on the 1st day of each July, October, January and April thereafter up to the maturity date, the Organization will pay quarterly for the quarter ending in the month of the payment, accrued interest and principal in an amount sufficient to fully amortize the outstanding principal balance of the QLICI Notes as of the maturity date. Interest paid on the QLICI Notes was $70,195 and $101,393 for the year ended December 31, 2018, and 2017, respectively.

Under the terms of the agreement, the QLICI Notes are secured by all assets of Organization. The Organization is subject to certain negative and affirmative covenants under the terms of the agreement. The Organization requested that Salem Bank waive its debt service covenant for the year ended December 31, 2018, which the bank waived by letter dated May 30, 2019. The Organization was in compliance with all other covenants at December 31, 2018 and 2017. The balances outstanding at December 31, 2018 for notes payable are as follows:

| Lender | Description | Amount |
|---|---|---|
| LIIF SUB-CDE XLI, LLC | QLICI Loan A | $ 7,553,200 |
| LIIF SUB-CDE XLI, LLC | QLICI Loan B | 3,601,800 |
| Chase New Market Corporation SUB-CDE 133, LLC | QLICI Loan A | 656,800 |
| Chase New Market Corporation SUB-CDE 133, LLC | QLICI Loan B | 343,200 |
| Salem Five Cents Savings Bank | Bridge Loan | 150,034 |
| LIIF | Bridge Loan | 152,410 |
| | | 12,457,444 |
| Less debt issuance costs, net | | (417,206) |
| | | $ 12,040,238 |

## Note 8. Notes Payable (Continued)

Aggregate maturities of long-term debt over the next five years are as follows:

| | Principal Payments | Amortization of Deferred Financing Costs | Total |
|---|---|---|---|
| 2019 | $ 302,444 | $ (79,216) | $ 223,228 |
| 2020 | - | (79,216) | (79,216) |
| 2021 | - | (79,216) | (79,216) |
| 2022 | - | (79,216) | (79,216) |
| 2023 | - | (79,216) | (79,216) |
| Thereafter | 12,155,000 | (21,126) | 12,133,874 |
| | $ 12,457,444 | $ (417,206) | $ 12,040,238 |

## Note 9. Net Assets

**Net assets without donor restrictions:** Net assets without donor restrictions consist of the following:

***Operating:*** represent amounts relating to program and other operating activities, which bear no external restrictions.

***Board designated:*** represent funds set aside by the Board for long-term investment purposes and future expansion of program activities. The use of these funds requires the approval of the Board. As of December 31, 2018 and 2017, board designated funds totaled $99,312 and $107,156, respectively.

***Capital reserve:*** represent funds set aside by the Board for repairs and improvements to the Organization's facility. The use of this reserve requires the approval of the Board. As of December 31, 2018 and 2017, capital reserve funds designated by the Board totaled $494,977 and $494,048, respectively.

***Real estate:*** reflect resources available for property and equipment, net of related debt.

**Net assets with donor restrictions:** The Organization's net assets with donor restrictions represent amounts received with time or purpose restrictions, which have not yet been expended for their purposes. As of December 31, 2018 and 2017 they consist of the following:

| | 2018 | 2017 |
|---|---|---|
| Program restricted | $ 830,334 | $ 773,512 |
| Scholarships | 240,246 | 245,923 |
| Time restricted | - | 72,930 |
| Comprehensive campaign | 1,422,825 | 3,597,057 |
| Funds acting as endowment | 2,000,593 | 2,161,853 |
| | $ 4,493,998 | $ 6,851,275 |

## Note 9. Net Assets (Continued)

Investment earnings on the funds acting as endowment (the Fund) are recorded as net assets with donor restrictions, as specified by the donors. Interest and dividends and net investment gain/(loss) on the Fund was $75,723 and $243,409 for the years ended December 31, 2018 and 2017, respectively. These amounts are included in investment earnings in the accompanying statements of activities and changes in net assets. The term funds acting as endowment is an internal term not used in the traditional manner that would otherwise indicate net assets with donor restrictions held in perpetuity. The Organization is not required to permanently maintain any portion of the Fund.

Changes in funds acting as endowment net assets by class are as follows for the years ended December 31, 2018 and 2017:

| | Board-Designated | Endowment with Donor Restrictions | Total Endowment |
|---|---|---|---|
| Funds acting as endowment net assets, December 31, 2016 | $ 99,187 | $ 2,007,628 | $ 2,106,815 |
| Investment return, net | 12,025 | 243,409 | 255,434 |
| Appropriation of endowment assets for expenditure | (4,056) | (89,184) | (93,240) |
| Funds acting as endowment net assets, December 31, 2017 | 107,156 | 2,161,853 | 2,269,009 |
| Investment loss, net | (3,752) | (75,724) | (79,476) |
| Appropriation of endowment assets for expenditure | (4,092) | (85,536) | (89,628) |
| Funds acting as endowment net assets, December 31, 2018 | $ 99,312 | $ 2,000,593 | $ 2,099,905 |

## Note 10. Concentration of Credit Risk

The Organization maintains its cash balances in a Massachusetts bank. The Federal Deposit Insurance Corporation insures balances up to certain amounts. During the years ended December 31, 2018 and 2017, the Organization’s cash balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash.

## Note 11. Pension Plan

The Organization has a defined contribution pension plan covering all eligible employees. Employees become eligible to participate after reaching age twenty-one and completing one year of service. The Organization contributes annually up to 10% of each employee's annual salary, as defined in the Plan document. The Organization's contributions in the participant's account are 100% vested after three years of service. Pension expense was $139,408 and $93,397 for the years ended December 31, 2018 and 2017, respectively, which is included in employee benefits in the accompanying statements of functional expenses.

## Note 12. Related Party Transactions

The Organization’s Executive Director is on the Board of Directors for other nonprofit organizations. During 2018 and 2017, the Organization received $35,000 and $10,000 in contributions from these organizations, which is included in corporate/foundation grants.

## Note 13. Subsequent Events

Subsequent events have been evaluated through June 26, 2019, which is the date the financial statements were available to be issued.

**West End House, Inc. d/b/a West End House Boys and Girls Club of Allston-Brighton**
**and West End House Support, Inc.**

**Consolidating Statement of Financial Position**
**December 31, 2018**

| | West End House, Inc. | | | West End House Support, Inc. | | | | Totals | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | Eliminations | Without Donor Restrictions | With Donor Restrictions | Consolidated Total |
| Current assets: | | | | | | | | | | |
| Cash and cash equivalents | $ 391,268 | $ 666,952 | $ 1,058,220 | $ 252,816 | $ - | $ 252,816 | $ - | $ 644,084 | $ 666,952 | $ 1,311,036 |
| Assets limited to use | - | - | - | 1,299,657 | - | 1,299,657 | - | 1,299,657 | - | 1,299,657 |
| Due from affiliate | 89,277 | - | 89,277 | - | - | - | (89,277) | - | - | - |
| Current portion of pledges, grants, and other receivables, net | 290,574 | 486,247 | 776,821 | - | - | - | - | 290,574 | 486,247 | 776,821 |
| Contracts receivable | 98,185 | - | 98,185 | - | - | - | - | 98,185 | - | 98,185 |
| Prepaid expenses | 6,850 | - | 6,850 | 270,647 | - | 270,647 | (270,647) | 6,850 | - | 6,850 |
| **Total current assets** | 876,154 | 1,153,199 | 2,029,353 | 1,823,120 | - | 1,823,120 | (359,924) | 2,339,350 | 1,153,199 | 3,492,549 |
| Pledges and grants receivable, net of current portion and discount | - | 1,099,690 | 1,099,690 | - | - | - | - | - | 1,099,690 | 1,099,690 |
| Investments | 279,903 | 2,241,109 | 2,521,012 | - | - | - | - | 279,903 | 2,241,109 | 2,521,012 |
| Property and equipment, net of accumulated depreciation | 7,371 | - | 7,371 | 12,187,905 | - | 12,187,905 | - | 12,195,276 | - | 12,195,276 |
| Note receivable | 8,210,000 | - | 8,210,000 | - | - | - | - | 8,210,000 | - | 8,210,000 |
| **Total assets** | $ 9,373,428 | $ 4,493,998 | $ 13,867,426 | $ 14,011,025 | $ - | $ 14,011,025 | $ (359,924) | $ 23,024,529 | $ 4,493,998 | $ 27,518,527 |
| **Liabilities and Net Assets** | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Due to affiliate | $ - | $ - | $ - | $ 89,277 | $ - | $ 89,277 | $ (89,277) | $ - | $ - | $ - |
| Current portion of mortgage payable | - | - | - | 29,210 | - | 29,210 | - | 29,210 | - | 29,210 |
| Current portion of notes payable, net of deferred financing costs | 302,444 | - | 302,444 | (79,216) | - | (79,216) | - | 223,228 | - | 223,228 |
| Accounts payable and accrued expenses | 623,879 | - | 623,879 | 836,926 | - | 836,926 | (270,647) | 1,190,158 | - | 1,190,158 |
| **Total current liabilities** | 926,323 | - | 926,323 | 876,197 | - | 876,197 | (359,924) | 1,442,596 | - | 1,442,596 |
| Mortgage payable, net of current portion | - | - | - | 1,348,518 | - | 1,348,518 | - | 1,348,518 | - | 1,348,518 |
| Notes payable, net of current portion and deferred financing costs | - | - | - | 11,817,010 | - | 11,817,010 | - | 11,817,010 | - | 11,817,010 |
| **Total liabilities** | 926,323 | - | 926,323 | 14,041,725 | - | 14,041,725 | (359,924) | 14,608,124 | - | 14,608,124 |
| Net assets: | | | | | | | | | | |
| Without donor restrictions: | | | | | | | | | | |
| Operating | 372,075 | - | 372,075 | - | - | - | - | 372,075 | - | 372,075 |
| Board designated | 99,312 | - | 99,312 | - | - | - | - | 99,312 | - | 99,312 |
| Capital reserve | 494,977 | - | 494,977 | - | - | - | - | 494,977 | - | 494,977 |
| Real estate | 7,480,741 | - | 7,480,741 | (30,700) | - | (30,700) | - | 7,450,041 | - | 7,450,041 |
| **Total net assets without donor restrictions** | 8,447,105 | - | 8,447,105 | (30,700) | - | (30,700) | - | 8,416,405 | - | 8,416,405 |
| With donor restrictions | | | | | | | | | | |
| Purpose restricted | - | 1,070,580 | 1,070,580 | - | - | - | - | - | 1,070,580 | 1,070,580 |
| Comprehensive campaign | - | 1,422,825 | 1,422,825 | - | - | - | - | - | 1,422,825 | 1,422,825 |
| Funds acting as endowment | - | 2,000,593 | 2,000,593 | - | - | - | - | - | 2,000,593 | 2,000,593 |
| **Total net assets with donor restrictions** | - | 4,493,998 | 4,493,998 | - | - | - | - | - | 4,493,998 | 4,493,998 |
| **Total net assets** | 8,447,105 | 4,493,998 | 12,941,103 | (30,700) | - | (30,700) | - | 8,416,405 | 4,493,998 | 12,910,403 |
| **Total liabilities and net assets** | $ 9,373,428 | $ 4,493,998 | $ 13,867,426 | $ 14,011,025 | $ - | $ 14,011,025 | $ (359,924) | $ 23,024,529 | $ 4,493,998 | $ 27,518,527 |

**West End House, Inc. d/b/a West End House Boys and Girls Club of Allston-Brighton**
**and West End House Support, Inc.**

**Consolidating Statement of Activities and Changes in Net Assets**
**Year Ended December 31, 2018**

| | West End House, Inc. | | | West End House Support, Inc. | | | | Totals | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | Eliminations | Without Donor Restrictions | With Donor Restrictions | Consolidated Total |
| Operating revenue and support: | | | | | | | | | | |
| Corporate/foundation grants and contributions | $ 1,402,664 | $ 254,679 | $ 1,657,343 | $ - | $ - | $ - | $ - | $ 1,402,664 | $ 254,679 | $ 1,657,343 |
| Campaign releases appropriated for operations | 311,916 | - | 311,916 | - | - | - | - | 311,916 | - | 311,916 |
| Government grants | 270,549 | 41,463 | 312,012 | - | - | - | - | 270,549 | 41,463 | 312,012 |
| Individual contributions | 308,946 | 115,275 | 424,221 | - | - | - | - | 308,946 | 115,275 | 424,221 |
| Investment earnings appropriated for operations | 100,728 | - | 100,728 | - | - | - | - | 100,728 | - | 100,728 |
| Rental fees and other | 153,914 | - | 153,914 | 151,500 | - | 151,500 | (151,500) | 153,914 | - | 153,914 |
| Interest income | 83,029 | - | 83,029 | 15,950 | - | 15,950 | - | 98,979 | - | 98,979 |
| In-kind contributions | 17,828 | - | 17,828 | - | - | - | - | 17,828 | - | 17,828 |
| Group events and membership dues | 3,351 | - | 3,351 | - | - | - | - | 3,351 | - | 3,351 |
| Net assets released from purpose restrictions | 427,525 | (427,525) | - | - | - | - | - | 427,525 | (427,525) | - |
| | 3,080,450 | (16,108) | 3,064,342 | 167,450 | - | 167,450 | (151,500) | 3,096,400 | (16,108) | 3,080,292 |
| Special events: | | | | | | | | | | |
| Event contributions and support | 879,076 | - | 879,076 | - | - | - | - | 879,076 | - | 879,076 |
| Campaign releases appropriated for special events | 79,495 | - | 79,495 | - | - | - | - | 79,495 | - | 79,495 |
| | 958,571 | - | 958,571 | - | - | - | - | 958,571 | - | 958,571 |
| Less direct expenses | 166,650 | - | 166,650 | - | - | - | - | 166,650 | - | 166,650 |
| **Net special events** | 791,921 | - | 791,921 | - | - | - | - | 791,921 | - | 791,921 |
| **Total operating revenue and support** | 3,872,371 | (16,108) | 3,856,263 | 167,450 | - | 167,450 | (151,500) | 3,888,321 | (16,108) | 3,872,213 |
| Operating expenses: | | | | | | | | | | |
| Program services | 3,183,979 | - | 3,183,979 | 105,703 | - | 105,703 | (142,410) | 3,147,272 | - | 3,147,272 |
| General and administrative | 237,931 | - | 237,931 | 28,697 | - | 28,697 | (4,545) | 262,083 | - | 262,083 |
| Fundraising | 406,864 | - | 406,864 | 2,202 | - | 2,202 | (4,545) | 404,521 | - | 404,521 |
| **Total operating expenses** | 3,828,774 | - | 3,828,774 | 136,602 | - | 136,602 | (151,500) | 3,813,876 | - | 3,813,876 |
| **Change in net assets from operations before depreciation and amortization** | 43,597 | (16,108) | 27,489 | 30,848 | - | 30,848 | - | 74,445 | (16,108) | 58,337 |
| Depreciation | 600 | - | 600 | 310,886 | - | 310,886 | - | 311,486 | - | 311,486 |
| Amortization of deferred financing costs | - | - | - | 79,216 | - | 79,216 | - | 79,216 | - | 79,216 |
| **Change in net assets from operations** | 42,997 | (16,108) | 26,889 | (359,254) | - | (359,254) | - | (316,257) | (16,108) | (332,365) |
| Other revenue (expenses): | | | | | | | | | | |
| Comprehensive campaign contributions | - | 866,865 | 866,865 | - | - | - | - | - | 866,865 | 866,865 |
| Capital contributions | 20,000 | - | 20,000 | - | - | - | - | 20,000 | - | 20,000 |
| In-kind contributions - capital | - | - | - | 140,662 | - | 140,662 | - | 140,662 | - | 140,662 |
| Straight line rental revenue (expenses) | (270,647) | - | (270,647) | 270,647 | - | 270,647 | - | - | - | - |
| Investment loss, net | (11,371) | (84,338) | (95,709) | - | - | - | - | (11,371) | (84,338) | (95,709) |
| Scholarship fund contributions | - | 14,036 | 14,036 | - | - | - | - | - | 14,036 | 14,036 |
| Comprehensive campaign expenses | (8,000) | - | (8,000) | - | - | - | - | (8,000) | - | (8,000) |
| Loss on disposal of property | - | - | - | (3,506,761) | - | (3,506,761) | - | (3,506,761) | - | (3,506,761) |
| Investment earnings appropriated for operations | (100,728) | - | (100,728) | - | - | - | - | (100,728) | - | (100,728) |
| Campaign releases appropriated for operations | (391,411) | - | (391,411) | - | - | - | - | (391,411) | - | (391,411) |
| Net assets released from time restrictions | 96,636 | (96,636) | - | - | - | - | - | 96,636 | (96,636) | - |
| Net assets released from comprehensive campaign - capital | 2,649,685 | (2,649,685) | - | - | - | - | - | 2,649,685 | (2,649,685) | - |
| Net assets released from comprehensive campaign - other | 391,411 | (391,411) | - | - | - | - | - | 391,411 | (391,411) | - |
| **Total other revenue (expenses)** | 2,375,575 | (2,341,169) | 34,406 | (3,095,452) | - | (3,095,452) | - | (719,877) | (2,341,169) | (3,061,046) |
| **Change in net assets** | 2,418,572 | (2,357,277) | 61,295 | (3,454,706) | - | (3,454,706) | - | (1,036,134) | (2,357,277) | (3,393,411) |
| Net assets: | | | | | | | | | | |
| Beginning of year | 6,028,533 | 6,851,275 | 12,879,808 | 3,424,006 | - | 3,424,006 | - | 9,452,539 | 6,851,275 | 16,303,814 |
| End of year | $ 8,447,105 | $ 4,493,998 | $ 12,941,103 | $ (30,700) | $ - | $ (30,700) | $ - | $ 8,416,405 | $ 4,493,998 | $ 12,910,403 |