Boys and Girls Clubs of the Peninsula

Financial Statements

June 30, 2019
(With Comparative Totals for 2018)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Boys and Girls Clubs of the Peninsula
Menlo Park, California

We have audited the accompanying financial statements of Boys and Girls Clubs of the Peninsula (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of the Peninsula as of June 30, 2019, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Adjustments to Summarized Comparative Information

The financial statements of Boys and Girls Clubs of the Peninsula as of June 30, 2018, were audited by other auditors whose report dated November 14, 2018, expressed an unmodified opinion on those statements. As discussed in Note 2 to the financial statements, the Organization has adjusted its 2018 summarized comparative information to retrospectively apply ASU 2016-14. The other auditors reported on the financial statements before the retrospective adjustment. As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 summarized comparative information to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.

Armanino LLP

ArmaninoLLP
San Jose, California

December 10, 2019

Boys and Girls Clubs of the Peninsula
Statement of Financial Position
June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 8,318,733	$ 7,150,547
Accounts receivable	508,545	448,273
Contributions receivable, current portion	1,961,092	1,487,782
Prepaid expenses	91,932	101,466
Total current assets	10,880,302	9,188,068
Property and equipment, net	9,467,488	9,855,799
Other assets		
Investments	7,537,954	6,060,853
Contributions receivable, net of current portion	1,553,204	1,432,162
Total other assets	9,091,158	7,493,015
Total assets	$ 29,438,948	$ 26,536,882
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 1,205,373	$ 945,226
Total current liabilities	1,205,373	945,226
Net assets		
Without donor restrictions		
Undesignated	6,229,930	5,616,136
Board-designated maintenance reserve	334,021	334,021
Board-designated operating reserve	375,000	-
Board-designated investment in property and equipment	9,467,488	9,855,799
Board-designated quasi-endowments	3,298,861	2,560,274
Total without donor restrictions	19,705,300	18,366,230
With donor restrictions		
Net assets restricted for a specified purpose	3,003,665	1,162,844
Net assets restricted to the passage of time	1,899,335	2,562,003
Unappropriated earnings on endowment	1,700,275	1,575,579
Perpetual endowment	1,925,000	1,925,000
Total with donor restrictions	8,528,275	7,225,426
Total net assets	28,233,575	25,591,656
Total liabilities and net assets	$ 29,438,948	$ 26,536,882

The accompanying notes are an integral part of these financial statements.

Boys and Girls Clubs of the Peninsula
Statement of Activities
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and revenue				
Grants and contributions	$ 7,632,176	$ 2,726,017	$ 10,358,193	$ 10,742,479
Special events	4,428,296	-	4,428,296	2,952,034
Contract revenue	1,117,054	-	1,117,054	793,302
Investment income (loss), net	380,203	124,696	504,899	(31,049)
In-kind contributions	113,731	-	113,731	16,476
Membership fees	13,317	-	13,317	11,423
Other revenue	(10,465)	-	(10,465)	10,465
Net assets released from restriction	1,547,864	(1,547,864)	-	-
Total support and revenue	15,222,176	1,302,849	16,525,025	14,495,130
Functional expenses				
Program services	10,910,200	-	10,910,200	9,781,689
Management and general	1,454,601	-	1,454,601	1,606,764
Fundraising	1,518,305	-	1,518,305	1,184,607
Total functional expenses	13,883,106	-	13,883,106	12,573,060
Change in net assets	1,339,070	1,302,849	2,641,919	1,922,070
Net assets, beginning of year	18,366,230	7,225,426	25,591,656	23,669,586
Net assets, end of year	$ 19,705,300	$ 8,528,275	$ 28,233,575	$ 25,591,656

The accompanying notes are an integral part of these financial statements.

Boys and Girls Clubs of the Peninsula
Statement of Functional Expenses
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
Personnel expenses					
Salaries and wages	$ 6,821,723	$ 712,382	$ 721,961	$ 8,256,066	$ 7,058,396
Employee benefits	1,016,157	124,767	106,537	1,247,461	1,026,703
Payroll taxes	539,831	38,950	55,743	634,524	561,753
Total personnel expenses	8,377,711	876,099	884,241	10,138,051	8,646,852
Program supplies	844,245	-	-	844,245	886,582
Depreciation and amortization	801,547	16,049	14,028	831,624	796,063
Special events	-	-	524,932	524,932	411,892
Repairs and maintenance	227,719	2,055	-	229,774	286,283
Professional fees	14,167	198,143	16,052	228,362	150,945
Evaluation	192,416	-	-	192,416	110,484
Office supplies	73,818	63,339	16,291	153,448	110,104
Utilities	133,405	5,123	4,483	143,011	162,777
Miscellaneous	25,975	58,208	25,405	109,588	118,189
Training	69,315	28,691	1,393	99,399	73,903
Insurance	46,047	29,489	-	75,536	72,603
Telecommunications	65,700	8,002	-	73,702	72,866
Bad debt expense	-	71,950	-	71,950	414,899
Recruiting	-	40,303	-	40,303	81,325
Transportation	23,558	6,925	361	30,844	35,313
Other facilities expense	12,417	10,977	4,205	27,599	12,394
Dues	-	26,999	-	26,999	26,933
Marketing	-	-	26,914	26,914	59,784
Staff meeting and employee events	2,160	12,249	-	14,409	42,869
	$ 10,910,200	$ 1,454,601	$ 1,518,305	$ 13,883,106	$ 12,573,060
Percentage of total	79 %	10 %	11 %	100 %	

The accompanying notes are an integral part of these financial statements.

Boys and Girls Clubs of the Peninsula
Statement of Cash Flows
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 2,641,919	$ 1,922,070
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	831,624	796,063
Net realized and unrealized (gains) losses	(318,117)	103,728
Donated property and equipment	(4,705)	-
Changes in operating assets and liabilities		
Accounts receivable	(60,272)	(258,429)
Contributions receivable	(594,352)	103,295
Prepaid expenses	9,534	(33,806)
Accounts payable and accrued expenses	260,147	229,373
Net cash provided by operating activities	2,765,778	2,862,294
Cash flows from investing activities		
Purchases of property and equipment	(438,608)	(363,630)
Proceeds from sale of investments	6,929	6,090,715
Purchases of investments	(1,165,913)	(6,173,183)
Net cash used in investing activities	(1,597,592)	(446,098)
Net increase in cash and cash equivalents	1,168,186	2,416,196
Cash and cash equivalents, beginning of year	7,150,547	4,734,351
Cash and cash equivalents, end of year	$ 8,318,733	$ 7,150,547

The accompanying notes are an integral part of these financial statements.

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2019
(With Comparative Totals for 2018)

1. NATURE OF OPERATIONS

The Boys and Girls Clubs of the Peninsula (the "Organization") provide places where young people are welcome and can belong to after school and all day during the summer. At each of the Club's sites located in the most challenged areas of Menlo Park, East Palo Alto and Redwood City, California, staff and volunteers work through a broad range of programs to guide and inspire youth to develop the attitudes and life skills they need to thrive. Founded in 1958, the Club is now regarded as one of the most comprehensive youth development organizations in the Bay Area. The Club's programs focus on Academics, Science and Technology, Social Education and Life Skills, Athletics and Fitness, and the Arts. Many of these programs are offered in partnership with local schools and other community organizations. The Club's annual budget is dependent on a balanced combination of support from individuals, foundations, corporations and public partners.

The Club focuses its efforts in three specific area of services:

- Academics Focus - The Club collaborates with its partner schools to provide structured programming for grades K-12th. During the school year, the Club served 1,599 active members at its 6 school sites and 2 club houses. In the summer the Club offered 5 weeks of summer programs that daily included 3 hours of academics taught by certified teachers and 3 hours of enrichment.
- Teens Focus - The Club offers programs during the school year and the summer geared for teens and pre-teens to help them stay on track in school and graduate with a plan. The Club provides tutoring, homework support and academic case management at its club houses and on high school campuses. The Club has two primary college access programs: Future Grads and College Bound.
- Enrichment Focus - The Club offers a broad range of activities to build skills, allow youth to explore their passions and inspire them to want to succeed in school.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Club prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met by actions of the Club, and/or the passage of time or are maintained in perpetuity by the Club. When the donor-imposed stipulation ends or the Club satisfies an action, the Club reclassifies net assets with donor restrictions to net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted and permanently restricted) to two (with donor restrictions and without donor restrictions).

2. Enhancing disclosures about:

   a. Amounts and purposes of governing board designations, appropriations and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.

   b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.

   c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.

   d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.

   e. Methods used to allocate costs among program and support functions.

   f. Underwater endowment funds.

3. Reporting investment return net of external and direct internal investment expenses.

4. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments have been applied on a retrospective basis in 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative financial information

The financial statements include prior year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly-liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Club maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Club has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments

Investments may include cash, corporate bonds, municipal bonds, governmental obligations and equity securities. Such investments with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair value measurements

The Club's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflect future fair values. Furthermore, although the Club believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are indirectly observable, and Level 3 inputs are unobservable and have the lowest priority. The Club uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Club measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 and 3 inputs were needed for the Club for the years ended June 30, 2019 and 2018.

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Club's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Property and equipment

The Club capitalizes property and equipment in excess of $4,000 at cost or if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method with lives ranging from 3 to 40 years. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed as incurred.

Impairment of long-lived assets

The Club reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2019 and 2018, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2019 and 2018, and is included in "accounts payable and accrued expenses" in the statement of financial position. The accrued vacation balance as of June 30, 2019 and 2018 was $286,736 and $245,463, respectively.

Unconditional promises to give

Unconditional promises to give are recorded at their net realizable value. Unconditional promises to give which are due in more than one year have been discounted to the present value of their estimated future cash flows. The calculated amount of the discount was not material to the financial statements.

An allowance for uncollectible unconditional promises to give is provided based upon management's judgment including such factors as prior collection history and type of contribution.

Revenue recognition

Contributions are recorded at their fair value and are recognized as revenue when the donor makes an unconditional promise to give to the Club. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the same year in which the contributions are recognized. Net assets released from restriction represent the satisfaction of donor restrictions or the passage of time and the appropriation of previously unappropriated endowment earnings. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. There were no conditional promises as of June 30, 2019.

Contract revenue from school districts and municipalities is recognized when earned for services rendered.

Special event revenue is recognized when the event occurs.

In-kind contributions

Non-cash donations are recorded at the fair value of the gift at the date of the donation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions (continued)

Contributions of donated goods and services that create or enhance non-financial assets that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. The Club recorded $113,731 in donated goods and services during the year ended June 30, 2019 which includes $5,905 of donated goods, property and equipment, program supplies/food and $107,826 of donated professional services. The Club recorded $16,476 in donated goods and services during the year ended June 30, 2018 which includes $11,419 of donated goods, program supplies/food and $5,057 of donated professional services.

Functional expenses

Certain indirect costs have been allocated by management among programs and support services based on estimates of time, space and other factors.

Income tax status

The Club has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue Taxation Code. In addition, the Club has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Management evaluated the Club's tax positions and concluded that the Club had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Reclassifications

The financial statements include certain prior-year summarized comparative information in total but not in sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Club's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Subsequent events

The Club evaluated subsequent events from June 30, 2019 through December 10, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

3. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE

As part of the Club's liquidity management it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Investments include endowment funds consisting of donor-restricted endowments and board-designated quasiendowments. Unless otherwise stated by donors, income from donor-restricted endowments is restricted until appropriated in accordance with the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, therefore, is not available for general expenditure until appropriated. As described in Note 12, the endowment has a spending rate of up to 5% of the market value of the portfolio as calculated on a 3-year rolling average.

The Club expects that accounts receivable from program service fee revenue will be collected and available within 90 days of the fiscal year-end.

Short-term contributions receivable consists of contributions receivable expected to be received within one year from June 30, 2019. Unrestricted short-term contributions receivable will be available to support general operations of the Club.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2019 to fund general expenditures and other obligations as they become due:

Cash and cash equivalents	$ 8,318,733
Investments	7,537,954
Accounts receivable	508,545
Contributions receivable	3,514,296
	19,879,528
Less: portion not available for current use:	
Board-designated maintenance reserve	(334,021)
Board-designated operating reserve ($375,000 less planned appropriation of $125,000)	(250,000)
Board-designated quasi-endowments	(3,298,861)
Net assets restricted for a specified purpose	(3,003,665)
Net assets restricted to the passage of time	(894,335)
Unappropriated earnings on endowment	(1,700,275)
Perpetual endowment	(1,925,000)
	(11,406,157)
	$ 8,473,371

As of June 30, 2019, the Club had $8,473,371 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2019	2018
Contributions receivable	$ 3,669,919	$ 3,291,749
Less:		
Allowance for doubtful accounts	(25,000)	(290,499)
Discounts on pledges	(130,623)	(81,306)
	(155,623)	(371,805)
	$ 3,514,296	$ 2,919,944

Contributions receivable are expected to be collected as follows as of June 30, 2019:

Contributions receivable due in one year or less	$ 1,961,092
Contributions receivable due in one to five years	1,553,204
	$ 3,514,296

At June 30, 2019, 13% of unconditional promises to give were due from board members and companies of board members and are included above.

5. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Club's investments at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Fair Value
Money market funds	$ 139	$ -	$ -	$ 139
Mutual funds				
U.S. fixed income fund	2,268,528	-	-	2,268,528
Non-U.S. fixed income fund	376,718	-	-	376,718
U.S. equity fund	2,846,357	-	-	2,846,357
Non-U.S. equity fund	2,046,212	-	-	2,046,212
	7,537,815	-	-	7,537,815
	$ 7,537,954	$ -	$ -	$ 7,537,954

5. INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Club's investments at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Fair Value
Money market funds	$ 1,040,641	$ -	$ -	$ 1,040,641
Mutual funds				
U.S. fixed income fund	1,525,215	-	-	1,525,215
Non-U.S. fixed income fund	255,033	-	-	255,033
U.S. equity fund	1,913,111	-	-	1,913,111
Non-U.S. equity fund	1,326,853	-	-	1,326,853
	5,020,212	-	-	5,020,212
	$ 6,060,853	$ -	$ -	$ 6,060,853

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2019	2018
Buildings	$ 14,056,395	$ 14,056,395
Office equipment	586,336	582,237
Automobiles	514,203	358,800
Computer equipment	560,515	483,297
Leasehold improvements	913,942	741,416
	16,631,391	16,222,145
Less: accumulated depreciation and amortization	(7,163,903)	(6,366,346)
	$ 9,467,488	$ 9,855,799

Depreciation and amortization expense totaled $831,624 and $796,063 for the years ended June 30, 2019 and 2018, respectively.

7. PENSION PLAN

The Club has made available, to qualified employees, a 401(k)-safe harbor plan. This plan includes a non-elective employer contribution of 3% of eligible participants' compensation and the Club can elect to make an additional discretionary contribution that vests over 3 years. Employees are eligible to participate in the plan after one year of employment if they work over 1,000 hours per year. For the years ended June 30, 2019 and 2018, total pension expense was $560,642 and $456,445, respectively.

8. COMMITMENTS AND CONTINGENCIES

The Club has entered into several exchange agreements to lease its facilities at Menlo Park, Redwood City and East Palo Alto from various municipalities where the facilities are situated. These exchange agreements require the Club to perform certain duties and provide joint use of the facilities in return for lease payments of $1 per year. In addition, the buildings and improvements, constructed by the Club, will revert to the municipalities in the event the Club abandons the premises, which is not deemed probable by management, or at lease termination. The leases run from 25 years (June 2023) to 66 years (May 2064) with options to renew. Lease payments are recognized as expense annually and the buildings and improvements are included in property and equipment in accompanying statement of financial position.

9. CONCENTRATIONS OF RISK

Contributions receivable are due from various individuals and organizations which mitigate the risk associated therein. Two donors represent 24% of contributions receivable as of June 30, 2019. Three donors represent 69% of contributions receivable as of June 30, 2018.

10. RELATED PARTY TRANSACTIONS

Contributions received from members of the Club's board of directors, their foundations and companies totaled approximately $829,000 or 8% of total contribution revenue for the year ended June 30, 2019. Contributions received from members of the Club's board of directors, their foundations and companies totaled approximately $457,000 or 5% of total contribution revenue for the year ended June 30, 2018.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	Balance at June 30, 2018	Additions	Releases	Balance at June 30, 2019
Pledges, time restricted	$ 2,562,003	$ 655,000	$ (1,317,668)	$ 1,899,335
Program services	1,162,844	2,071,017	(230,196)	3,003,665
Unappropriated earnings on endowment	1,575,579	124,696	-	1,700,275
Perpetual endowment	1,925,000	-	-	1,925,000
	$ 7,225,426	$ 2,850,713	$ (1,547,864)	$ 8,528,275

11. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

General support released from time restrictions	$ 1,317,668
Program related released from purpose restrictions	
Future Grads	30,196
Hoover	200,000
	230,196
	$ 1,547,864

12. ENDOWMENT

The Organization's endowment consists of several individual funds established for a variety of purposes. Its endowment includes both board-designated and donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Organization's board of directors has interpreted UPMIFA 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 Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual endowment is classified as unappropriated earnings on endowment until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

12. ENDOWMENT (continued)

Interpretation of relevant law (continued)

(1) The duration and preservation of the fund

(2) The purposes of 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 Organization

(7) The investment policies of the Organization

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of directors, the Organization diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2019 and 2018.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Club is expecting to provide annual distributions of 5% of the market value of the portfolio as calculated on a 3-year rolling average. There was no distribution taken during the years ended June 30, 2019 and 2018. The investment managers are required to invest funds so as to ensure that required distributions of income or principal are met.

12. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Earnings on Endowment	Perpetual Endowment	Total
Board-designated endowment funds	$ 3,298,861	$ -	$ -	$ 3,298,861
Donor-restricted endowment funds	-	1,700,275	1,925,000	3,625,275
	$ 3,298,861	$ 1,700,275	$ 1,925,000	$ 6,924,136

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Earnings on Endowment	Perpetual Endowment	Total
Board-designated endowment funds	$ 2,560,274	$ -	$ -	$ 2,560,274
Donor-restricted endowment funds	-	1,575,579	1,925,000	3,500,579
	$ 2,560,274	$ 1,575,579	$ 1,925,000	$ 6,060,853

12. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions: Unappropriated Earnings on Endowment	With Donor Restrictions: Perpetual Endowment	Total
Balance, June 30, 2018	$ 2,560,274	$ 1,575,579	$ 1,925,000	$ 6,060,853
Investment income				
Interest and dividends	129,640	44,462	-	174,102
Net realized and unrealized gains	233,947	80,234	-	314,181
Total investment income, net	363,587	124,696	-	488,283
Contributions	375,000	-	-	375,000
	738,587	124,696	-	863,283
Balance, June 30, 2019	$ 3,298,861	$ 1,700,275	$ 1,925,000	$ 6,924,136

Changes in endowment net assets for the fiscal year ended June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions: Unappropriated Earnings on Endowment	With Donor Restrictions: Perpetual Endowment	Total
Balance, June 30, 2017	$ 2,574,781	$ 1,582,330	$ 1,925,000	$ 6,082,111
Investment loss				
Interest and dividends	47,403	22,064	-	69,467
Net realized and unrealized losses	(61,910)	(28,815)	-	(90,725)
Total investment loss, net	(14,507)	(6,751)	-	(21,258)
Balance, June 30, 2018	$ 2,560,274	$ 1,575,579	$ 1,925,000	$ 6,060,853