

# Examining a local NMTC Deal with Boys & Girls Club of Puerto Rico

## I. Organization details

Boys & Girls Clubs of Puerto Rico started operations in 1967. Since then, we have changed the lives of more than 60,000 children and youth. The first club opened in Rio Piedras in 1969. In almost 50 years of history, we have grown from a club in San Juan to having presence in 11 communities with clubs located from coast to coast on the island: Las Margaritas (1976), Mayagüez (1995), San Lorenzo (2003), Carolina (2005), Arecibo (2008), Aguas Buenas (2008), Luis Lloréns Torres (2011), Loíza (2011), Isabela, Bayamón and Vieques (2012). We offer after-school services to children and youth between the ages of 6 and 18. Our evidence-based programs are: **Education & Careers:** we offer tutoring in English, Spanish and math, computer skills training and training to increase job readiness. **Character and leadership:** we offer opportunities to lead and serve the community in order to form responsible citizens who contribute to society. **Art:** we encourage creativity as an essential skill for success through visual arts, dance and theater. **Recreation and Sports:** youth practice group sports such as basketball and participate in high-yield and recreational activities to promote physical activity. **Health and lifestyle:** youth participate in group or individual groups where they discuss themes that concern them to prevent risky behaviors and to promote healthy choices. **Vimenti:** this program is a multi-pronged approach to breaking the generational cycle of poverty.



**NMTC**

New Market Tax Credit  
BGCPDR Deal | Case Study

## II. Transaction: \$8.0MM NMTC's for working capital / Non-RE

The proposed scope of work included qualifying up to \$8.0MM of reasonable working capital. Operational expenditures across the BGCPDR centers entail salaries, meals and snacks, activities and transportation, professional services, trainings, materials and equipment, supplies, utilities, communications, among others. The Qualified Equity Investment ("**QEI**") was funded primarily through approximately \$5.5MM in equity provided by the BGCPDR, or an affiliated entity, and approximately \$2.5 million in NMTC equity.

## III. NMTC transaction net benefit to BGCPDR: \$1.4M

Continue to provide and/or facilitate community services: access to after school programs across the BGCPDR centers to approximately 15,000 students and 4,000 families annually, by which 90-100% are expected to be LIPs or residents of LICs. Increase student body at the Vimenti School from 58 students to 150 during the next 4 years, by which 90-100% of the students are expected to be LIPs or residents of LIC's.

Support administrative and programs operations: 450 jobs, 147 on a full-time basis and 303 part time basis, with wages above the minimum federal wage. The full time and the part-time jobs will equal to approximately 290 Full-Time Equivalent ("FTE") jobs. Part time employees work an average of 24 hours per week.

## IV. Challenges and Needs

*Understanding details;* a) CDE NMTC application or Project Intake Form: Meets NMTC program requirements & allocation agreement and application Strategy, Generates the targeted community impact, would be unable to finance the proposed business without the benefit of a NMTC allocation. b) *Due Diligence;* Confirmation by QALICB's NMTC Counsel, NMTC Accountant and Consultant that the use of QLICs proceeds qualifies as reasonable working capital b) *Closing Process;* clearly demonstrate that the use of QLICs proceeds qualifies as reasonable working capital under NMTC regulations. Satisfactory review of projected community outcomes and the business plan. A CPA prepared forecast of financial projections and transaction structure diagram. Evidence of sources of revenue or projections showing that the Project will be able to support its operations during the compliance period.

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*Engaging internal Teams and BOD.* Board members and Executive team to clearly understand project details, next steps, resources needed, effort-time investment and expected outcome-benefits. Communicate, explain and work-support tasks planning required from the accounting/finance, IT Systems, Marketing and Operations teams.

*Systems and Information.* Details and specific reports. In some cases (most likely) new reports are needed (to build). Also, Data and Info regarding organization projects, impact, mission and objectives and historical financials must be available at all times.

*Secure Consultation Agreements;* Expert NMTC Transaction Advisory Services and a CPA firm for Financial Projections-Forecast and Accountants Compilation Report. This will enable an organized closing process to ensure control of closing costs

## **V. BG CPR Transaction Closing Remarks**

- i. The closing took a tremendous amount of time due to: Long time to satisfy NMTC investors deal structure requirements. Initially what was presented as satisfactory deemed unsatisfactory in the most conservative way.
- ii. New structure necessitated the need for bridge financing from a commercial bank.
- iii. BG CPR accounting system and time allocation support from internal teams caused delays of required data-information.

**For more information, please contact Eric Torres at [eric.torres@bgcpr.org](mailto:eric.torres@bgcpr.org)**