

BOYS AND GIRLS CLUBS OF TUCSON, INC.

Audited Financial Statements

For the years ended December 31, 2020 and 2019

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BOYS AND GIRLS CLUBS OF TUCSON, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Boys and Girls Clubs of Tucson, Inc.

We have audited the accompanying financial statements of Boys and Girls Clubs of Tucson, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. 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 audits 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 Tucson, Inc. as of December 31, 2020 and 2019, 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.

*Ludwig Klewer & Rudner PLLC*

June 30, 2021



BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENTS OF FINANCIAL POSITION  
December 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 1,251,845	\$ 778,416
Grants and contributions receivable, net	205,116	123,211
Unconditional promises to give	152,220	150,000
Prepaid expenses and other current assets	62,306	71,579
Investments (\$128,264 and \$121,788 pledged as collateral on deferred grant obligation at December 31, 2020 and 2019, respectively) - current portion	<u>3,155,740</u>	<u>2,654,745</u>
Total current assets	4,827,227	3,777,951
Unconditional promises to give, non-current portion, net	415,563	565,567
Property and equipment, net	2,915,967	2,956,387
Investments, non-current portion	<u>368,974</u>	<u>489,867</u>
Total assets	<u>\$ 8,527,731</u>	<u>\$ 7,789,772</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 79,469	\$ 66,325
Accrued expenses	176,089	104,896
Deferred revenue	39,379	30,500
Deferred grant obligation, current portion	<u>35,000</u>	<u>35,000</u>
Total current liabilities	329,937	236,721
Deferred grant obligation, non-current portion	<u>35,000</u>	<u>70,000</u>
Total liabilities	364,937	306,721
Net assets:		
Without donor restrictions:		
Undesignated	981,575	487,882
Designated by the Board for endowment	2,354,267	2,047,914
Invested in property and equipment, net	<u>2,845,967</u>	<u>2,851,387</u>
Total net assets without donor restrictions	6,181,809	5,387,183
With donor restrictions:		
Perpetual in nature	933,950	933,950
Time-restricted for future periods	600,000	750,000
Purpose restrictions	408,160	400,231
Subject to appropriation and expenditure	<u>38,875</u>	<u>11,687</u>
Total net assets with donor restrictions	1,980,985	2,095,868
Total net assets	<u>8,162,794</u>	<u>7,483,051</u>
Total liabilities and net assets	<u>\$ 8,527,731</u>	<u>\$ 7,789,772</u>

See independent auditor's report and  
accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENT OF ACTIVITIES  
For the year ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues and support:			
Contributions	\$ 924,776	\$ 1,133,563	\$ 2,058,339
In-kind contributions	791,837	-	791,837
Investment income, net	411,984	27,188	439,172
Special events	384,694	-	384,694
Grant - Paycheck Protection Program	370,278	-	370,278
Other grants	356,116	-	356,116
Government grants	224,710	-	224,710
Development fundraising	57,580	-	57,580
Other revenues	52,449	-	52,449
United Way	28,770	-	28,770
Program service fees	16,655	-	16,655
Total revenues and support	<u>3,619,849</u>	<u>1,160,751</u>	<u>4,780,600</u>
Net assets released from restrictions	<u>1,275,634</u>	<u>(1,275,634)</u>	<u>-</u>
Total revenues and support	4,895,483	(114,883)	4,780,600
Expenses:			
Program services	3,044,760	-	3,044,760
Supporting services:			
General and administrative	325,959	-	325,959
Fund-raising	730,138	-	730,138
Total expenses	<u>4,100,857</u>	<u>-</u>	<u>4,100,857</u>
Change in net assets	794,626	(114,883)	679,743
Net assets, beginning of year	<u>5,387,183</u>	<u>2,095,868</u>	<u>7,483,051</u>
Net assets, end of year	<u>\$ 6,181,809</u>	<u>\$ 1,980,985</u>	<u>\$ 8,162,794</u>

See independent auditor's report and  
accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENT OF ACTIVITIES  
For the year ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues and support:			
Contributions	\$ 611,678	\$ 1,472,840	\$ 2,084,518
Special events	1,291,066	-	1,291,066
In-kind contributions	1,069,459	-	1,069,459
Investment income, net	421,502	9,707	431,209
Other grants	333,063	-	333,063
Development fundraising	128,484	-	128,484
Government grants	106,195	-	106,195
Program service fees	70,139	-	70,139
Other revenues	38,510	-	38,510
United Way	28,391	-	28,391
Total revenues and support	<u>4,098,487</u>	<u>1,482,547</u>	<u>5,581,034</u>
Net assets released from restrictions	<u>839,320</u>	<u>(839,320)</u>	<u>-</u>
Total revenues and support	4,937,807	643,227	5,581,034
Expenses:			
Program services	2,998,820	-	2,998,820
Supporting services:			
General and administrative	347,731	-	347,731
Fund-raising	613,392	-	613,392
Special events - costs of direct donor benefits	608,194	-	608,194
Total expenses	<u>4,568,137</u>	<u>-</u>	<u>4,568,137</u>
Change in net assets	369,670	643,227	1,012,897
Net assets, beginning of year	<u>5,017,513</u>	<u>1,452,641</u>	<u>6,470,154</u>
Net assets, end of year	<u>\$ 5,387,183</u>	<u>\$ 2,095,868</u>	<u>\$ 7,483,051</u>

See independent auditor's report and accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2020

	Program Services	General and Administrative	Fund- Raising	Total
Payroll and related expenses	\$ 1,640,624	\$ 222,516	\$ 279,011	\$ 2,142,151
Professional fees	331,355	33,669	323,473	688,497
Supplies and club member meals	442,483	9,765	84,919	537,167
Depreciation	267,968	7,652	-	275,620
Repairs and maintenance	150,599	22,845	1,186	174,630
Utilities	61,157	905	-	62,062
Insurance	44,012	7,337	2,332	53,681
Telephone	27,808	7,256	7,636	42,700
Conferences and meetings	22,947	5,616	3,843	32,406
Scholarships, awards and grants	24,856	-	-	24,856
National and membership dues	12,249	2,441	2,591	17,281
Miscellaneous	835	2,473	12,404	15,712
Transportation	12,584	1,579	337	14,500
Printing and publication	4,607	739	9,135	14,481
Postage and shipping	676	1,166	3,271	5,113
Total functional expenses	<u>\$ 3,044,760</u>	<u>\$ 325,959</u>	<u>\$ 730,138</u>	<u>\$ 4,100,857</u>

See independent auditor's report and  
accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2019

	Program Services	General and Administrative	Fund- Raising	Total
Payroll and related expenses	\$ 1,453,560	\$ 248,814	\$ 277,985	\$ 1,980,359
Supplies and club member meals	888,766	8,651	221,813	1,119,230
Depreciation	237,632	2,331	715	240,678
Professional fees	67,559	29,640	67,873	165,072
Repairs and maintenance	114,720	16,449	730	131,899
Utilities	62,298	968	-	63,266
Insurance	51,402	6,530	1,075	59,007
Conferences and meetings	28,109	14,146	2,837	45,092
Telephone	24,649	7,069	7,169	38,887
Scholarships, awards and grants	32,208	-	-	32,208
Transportation	21,771	1,906	2,750	26,427
National and membership dues	9,431	7,022	2,106	18,559
Printing and publication	5,165	733	10,428	16,326
Miscellaneous	737	2,851	11,620	15,208
Postage and shipping	813	621	6,291	7,725
Total functional expenses	<u>\$ 2,998,820</u>	<u>\$ 347,731</u>	<u>\$ 613,392</u>	<u>\$ 3,959,943</u>

See independent auditor's report and accompanying notes to financial statements.



BOYS AND GIRLS CLUB OF TUCSON, INC.

STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 679,743	\$ 1,012,897
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	275,620	240,678
Change in allowance for net present value, unconditional promises to give	(2,379)	36,816
Net realized and unrealized gain on investments	(358,128)	(367,443)
Scheduled release of deferred grant obligation	(35,000)	(35,000)
Donated property and equipment	-	(150,000)
Contributions restricted for capital purposes	(140,150)	(50,000)
Changes in operating assets and liabilities:		
Grants and contributions receivable	(81,905)	(167)
Unconditional promises to give	150,163	(627,383)
Prepaid expenses and other current assets	9,273	6,880
Accounts payable	13,144	14,433
Accrued expenses	71,193	12,181
Deferred revenue	8,879	(53,703)
Total adjustments	<u>(89,290)</u>	<u>(972,708)</u>
Net cash provided by operating activities	590,453	40,189
Cash flows from investing activities:		
Proceeds from sale of investments	1,490,660	526,507
Purchases of investments	(1,512,634)	(284,713)
Proceeds from sale of property and equipment	-	4,803
Purchases of property and equipment	<u>(235,200)</u>	<u>(191,545)</u>
Net cash (used in) provided by investing activities	(257,174)	55,052
Cash flows from financing activities:		
Contributions restricted for capital purposes	<u>140,150</u>	<u>50,000</u>
Net cash provided by financing activities	<u>140,150</u>	<u>50,000</u>
Change in cash and cash equivalents	473,429	145,241
Cash and cash equivalents, beginning of year	<u>778,416</u>	<u>633,175</u>
Cash and cash equivalents, end of year	<u>\$ 1,251,845</u>	<u>\$ 778,416</u>
Supplemental schedule of cash flow information:		
Donated property and equipment	<u>\$ -</u>	<u>\$ 150,000</u>
Supplemental disclosure of non-cash investing and financing information:		
Scheduled release of deferred grant obligation	<u>\$ 35,000</u>	<u>\$ 35,000</u>

See independent auditor's report and  
accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2020 and 2019

1. Organization

Boys and Girls Clubs of Tucson, Inc. (Club) is a nonprofit corporation organized under the laws of the state of Arizona. The Club has been serving Tucson children since 1964. Its purpose is to provide young people in Tucson, especially those who need them most, with a clear path to reach their full potential and pursue their dreams.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – net assets available for use in general operations and not subject to donor (or grantor) restrictions. Net assets without donor restrictions at December 31, 2020 and 2019 include \$2,354,267 and \$2,047,914, respectively, designated by the Board of Directors as an endowment.
- Net assets with donor restrictions – net assets subject to donor (or grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Club reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other 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 restrictions.

Cash and Cash Equivalents

The Club considers cash and highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Bequests Receivable

Bequests are recognized as contribution revenue in the period in which the Club receives notification that a will or trust has been enacted, the court has deemed the will or trust valid and all conditions have been substantially met. The revenue and related receivable is recorded at the amount which management estimates it will collect. There are no bequests receivable at December 31, 2020 and 2019.

Investments

The Club records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

See independent auditor's report.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, Continued

Grants and Contributions Receivable

Grants and contributions are recognized as revenue in the period in which the Club receives notification of a grant or contribution. The Club provides an allowance for doubtful accounts that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. The allowance for doubtful accounts related to grants and contributions receivable was \$20,000 at December 31, 2020 and 2019.

Property and Equipment

Purchased property and equipment is recorded at cost, and donated property and equipment is recorded at its estimated fair market value on the date of the donation. The Club's policy is to capitalize expenditures for property and equipment that exceed \$1,000 and an estimated useful life of more than one year.

The cost of repairs and maintenance is charged to expense in the year incurred. Expenditures that increase the useful lives of the assets are capitalized. Upon the sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts. All gains or losses are reflected in revenue in the year of disposition. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings and building improvements	7-40 years
Equipment	5-7 years
Statues	7 years
Vehicles	5 years

Income Taxes

The Club is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code Section (IRC) and from Arizona income tax under Arizona Revised Statute Section 43-1201(4). The Club qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a). The Club is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Club is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. The Club has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Club's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of December 31, 2020, management is not aware of any uncertain tax positions that are potentially material. In addition, management is not aware of any matters which would cause the Club to lose its tax-exempt status.

Volunteer Services and Donated Goods

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or 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 values in the period received.

See independent auditor's report.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, Continued

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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.

Functional Expenses

The Club allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural classification. Certain other expenses are allocated among program services and supporting services benefited. These allocated expenses include payroll and related expenses, which are allocated on the basis of estimates of time and effort as well as supplies, depreciation, professional fees, repairs and maintenance, utilities, insurance and other operating expenses, which are allocated based on the location. Each clubhouse is identified by a location code and various items purchased to maintain operations are allocated to the clubhouses. Administration and fundraising expenses are identified by separate location codes and allocated based on use.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31,:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,251,845	\$ 778,416
Grants and contributions receivable, net	205,116	123,211
Unconditional promises to give, current portion	152,220	150,000
Investments, current portion	<u>3,155,740</u>	<u>2,654,745</u>
Total financial assets available within one year	4,764,921	3,706,372
Less:		
Amounts unavailable for general expenditures within one year due to:		
Perpetual in nature	564,976	444,083
Purpose restrictions	408,160	400,231
Angel Charity collateral	128,264	121,788
Time-restricted for future periods	<u>152,220</u>	<u>150,000</u>
Total amounts unavailable for general expenditures within one year	1,253,620	1,116,102
Amounts unavailable to management without Board approval:		
Designated by the Board for endowment	<u>2,354,267</u>	<u>2,047,914</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,157,034</u>	<u>\$ 542,356</u>

See independent auditor's report.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2020 and 2019

3. Liquidity and Availability, Continued

The Club's goal is to maintain financial assets to meet 90 days of operational expenses. Cash is moved out of its non-interest-bearing general account into the interest-bearing savings account to maximize interest earnings. In the event of cash flow needs, the Clubs would request funding from the Board-designated endowment fund. In addition, the Club has approximately \$369,000 and \$490,000, respectively, at December 31, 2020 and 2019 in non-current investments that could be liquidated.

4. Concentration Risk

The Club maintains cash and investment accounts with various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to \$250,000 per institution. Investments held by other institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, SIPC does not protect against losses in market value. At December 31, 2020 and 2019, the Club had cash and investments in the amount of \$4,081,311 and \$3,226,346, respectively, at various banks and institutions in excess of FDIC and SIPC limitations. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time.

5. Unconditional Promises to Give

The Club conducts an ongoing campaign to help raise funds for the Club. At December 31, 2020 and 2019, the balances due on pledges for this campaign are scheduled to be paid in future years as follows:

	2020	2019
2020	\$ -	\$ 150,000
2021	152,220	150,000
2022	150,000	150,000
2023	150,000	150,000
2024	150,000	152,383
Total unconditional promises to give	602,220	752,383
Less interest component at 3.25%	(34,437)	(36,816)
Unconditional promises to give, net	567,783	715,567
Less current portion	(152,220)	(150,000)
Non-current portion	<u>\$ 415,563</u>	<u>\$ 565,567</u>

6. Investments

Investments are stated at fair value and consist of the following at December 31,:

	2020	2019
Mutual funds	\$ 2,510,427	\$ 2,090,624
Corporate bonds	368,974	489,867
Stocks	645,313	564,121
Total investments	3,524,714	3,144,612
Less current portion	(3,155,740)	(2,654,745)
Investments, non-current portion	<u>\$ 368,974</u>	<u>\$ 489,867</u>

See independent auditor's report.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2020 and 2019

6. Investments, Continued

As discussed in Note 10, during June 2012, the Club executed a forgivable promissory note payable to Angel Charity for Children, Inc. In accordance with the terms of that agreement, investments at December 31, 2020 and 2019 include \$128,264 and \$121,788 pledged as collateral securing the note.

Investment income consists of the following for the years ended December 31,:

	2020	2019
Net realized and unrealized gain	\$ 358,128	\$ 367,443
Interest and dividend income	106,637	89,204
Investment expense	(25,593)	(25,438)
Investment income, net	<u>\$ 439,172</u>	<u>\$ 431,209</u>

7. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Club has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

- *Stock, Corporate bonds, Mutual funds:* Valued at fair value based on national trade listing.

See independent auditor's report.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2020 and 2019

7. Fair Value Measurements, Continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

Assets at fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,510,427	\$ -	\$ -	\$ 2,510,427
Corporate bonds	368,974	-	-	368,974
Stock	645,313	-	-	645,313
Total assets	<u>\$ 3,524,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,524,714</u>

Assets at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,090,624	\$ -	\$ -	\$ 2,090,624
Corporate bonds	489,867	-	-	489,867
Stock	564,121	-	-	564,121
Total assets	<u>\$ 3,144,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,144,612</u>

8. Property and Equipment

Property and equipment consists of the following at December 31,:

	2020	2019
Buildings and building improvements	\$ 8,833,534	\$ 8,634,353
Equipment	1,504,189	1,468,170
Statues	11,408	11,408
Vehicles	258,387	258,387
Total property and equipment	10,607,518	10,372,318
Less accumulated depreciation	(7,691,551)	(7,415,931)
Property and equipment, net	<u>\$ 2,915,967</u>	<u>\$ 2,956,387</u>

Three of the Club's recreational facilities, the Roy Drachman, Holmes Tuttle and Steve Daru Clubhouses, are subject to cooperative maintenance agreements with the City of Tucson, a municipal corporation of the state of Arizona. In general, the agreements provide for the Club to construct, own and operate recreational centers within the City of Tucson's parks. Legal title to the Roy Drachman, Holmes Tuttle, and Steve Daru Clubhouses be, and remain, in the name of the Club through September 9, 2025 with each agreement containing an option to renew, by mutual consent, for up to two additional 10-year periods.

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8. Property and Equipment, Continued

Two of the Club's recreational facilities, the Frank and Edith Morton and the Jim and Vicki Click Clubhouses, are subject to cooperative maintenance agreements with TUSD. Legal title to the Frank and Edith Morton and the Jim and Vicki Click Clubhouses shall be, and remain, in the name of the Club through June 26, 2027 and October 31, 2031, respectively. Each of the agreements provides a renewal option for additional five-year successive terms by mutual agreement. Upon termination of the agreements, title to the recreational facilities will revert to the TUSD.

9. Paycheck Protection Program Conditional Grant

On April 22, 2020, the Club executed a note payable under the Paycheck Protection Program through the Small Business Administration in the amount of \$370,278. Under the terms of the agreement, there are no payments due for six months from the date the loan proceeds are disbursed. Interest will accrue at the rate of 1.0% per annum during the deferment period. The Club may apply for forgiveness of the amount due on the loan, including accrued interest, by providing documentation that the proceeds were used to fund eligible costs defined by the Paycheck Protection Program during either an eight or twenty-four week period beginning on the date the loan proceeds are disbursed. Any amount that is not forgiven will be payable, in full and including interest, on April 22, 2022; however the club may negotiate with the lender to extend the maturity date to April 22, 2025.

The Club is accounting for the proceeds as a conditional contribution under FASB ASC 958-605 *Not-for-Profit Entities – Revenue Recognition*. Under this guidance, the loan forgiveness is recognized as contribution revenue as the conditions of forgiveness are substantially met. On April 14, 2021, the Club was notified by the lender that the Small Business Administration had forgiven the entire loan amount. As a result, the Club has recognized grant revenue in the amount of \$370,278 for the year ended December 31, 2020.

10. Deferred Grant Obligation

During the year ended December 31, 2011, Angel Charity for Tucson, Inc. (Angel Charity) made a \$350,000 pledge to the Club to support the renovation at the Roy Drachman Clubhouse. During June 2012, the Club executed a non-recourse, non-interest-bearing promissory note in favor of Angel Charity in the amount of \$350,000. The note is secured by investments pledged as collateral in the amount of \$128,264 and \$121,788, respectively, at December 31, 2020 and 2019. The note provides that, on the condition the Club continues to utilize the facility to provide the Clubhouse services, Angel Charity will forgive the note at a rate of \$35,000 per year for a ten-year period beginning with the year ended December 31, 2013. The entire \$350,000 shall have been forgiven by Angel Charity, and the security interest in the Club's investments shall be canceled, terminated and released by the maturity date of June 8, 2022.

Future maturities of the deferred grant obligation at December 31, 2020 are:

2021	\$ 35,000
2022	<u>35,000</u>
Total deferred grant obligation	70,000
Less current portion	<u>(35,000)</u>
Deferred grant obligation, non-current portion	<u>\$ 35,000</u>

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11. Summary of Special Events

The Club's special event activities for the year ended December 31, 2020 consist of:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Olson Dinner, including in-kind donations of \$7,423	\$ 294,194	\$ 33,302	\$ 260,892
Parties with a Purpose	550	100	450
Steak and Burger, including in-kind donations of \$15,950	89,950	24,328	65,622
	<u>\$ 384,694</u>	<u>\$ 57,730</u>	<u>\$ 326,964</u>

Special event expenses for the year ended December 31, 2020 are allocated on the statement of functional expenses as part of fundraising.

The Club's special event activities for the year ended December 31, 2019 consist of:

	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Olson Dinner, including in-kind donations of \$251,080	\$ 712,674	\$ 321,145	\$ 391,529
The Event, including in-kind donations of \$144,926	361,661	248,687	112,974
Parties with a Purpose, including in-kind donations of \$1,500	8,810	2,222	6,588
Steak and Burger, including in-kind donations of \$64,571	207,921	125,377	82,544
	<u>\$ 1,291,066</u>	<u>\$ 697,431</u>	<u>\$ 593,635</u>

Special event expenses for the year ended December 31, 2019 include \$608,194 of direct donor benefit costs as reported on the statement of activities, and the remaining \$89,237 of other special event expenses are allocated on the statement of functional expenses as part of fundraising.

12. In-Kind Contributions

During the years ended December 31, 2020 and 2019, the Club recognized in-kind contributions, excluding those associated with special events, consisting of:

	<u>2020</u>	<u>2019</u>
Supplies and club member meals	\$ 195,752	\$ 85,542
Professional services	596,085	833,917
Property and equipment	-	150,000
Total in-kind contributions	<u>\$ 791,837</u>	<u>\$ 1,069,459</u>

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NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2020 and 2019

13. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31,:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Computer lab programs	\$ 100,619	\$ 25,819
Scholarships and Keystone programs	54,447	63,040
Capital improvements for clubhouses	41,013	50,810
COVID related expenses	32,997	-
Arts, crafts and music programs	29,158	32,759
Miscellaneous programs	27,671	30,975
Graduate for MAS	26,671	29,226
Clubhouse staff training	25,000	-
Sports equipment and activities	18,910	48,895
Money matters	16,953	87,828
STEM	14,948	500
Vehicle operations	6,264	-
Power hour	5,294	17,500
Training teen driving	3,500	-
Workforce development	3,500	-
Holiday funding	1,215	-
Basketball leagues	-	10,447
Smart moves	-	2,432
	<u>408,160</u>	<u>400,231</u>
Subject to the passage of time:		
Operations	600,000	750,000
Endowments:		
Subject to appropriation and expenditure:		
Accumulated endowment earnings	38,875	11,687
Perpetual in nature:		
Investment in youth	500,000	500,000
Memberships	198,000	198,000
Youth of the Year scholarships	160,950	160,950
Scholarships	50,000	50,000
Youth of the Year competition expenses	25,000	25,000
	<u>972,825</u>	<u>945,637</u>
Total net assets with donor restrictions	<u>\$ 1,980,985</u>	<u>\$ 2,095,868</u>

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13. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2020:

	Contributions and transfers	Investment income	Releases
Subject to expenditure for specified purpose:			
Computer lab programs	\$ 121,500	\$ -	\$ (46,700)
Scholarships and Keystone programs	10,863	-	(19,456)
Capital improvements for clubhouses	140,150	-	(149,947)
COVID related expenses	462,656	-	(429,659)
Arts, crafts and music programs	28,030	-	(31,631)
Miscellaneous programs	24,889	-	(28,193)
Graduate for MAS	30,725	-	(33,280)
Clubhouse staff training	125,000	-	(100,000)
Sports equipment and activities	43,500	-	(73,485)
Money matters	4,000	-	(74,875)
STEM	21,500	-	(7,052)
Vehicle operations	10,000	-	(3,736)
Power hour	66,500	-	(78,706)
Training teen driving	10,500	-	(7,000)
Workforce development	5,000	-	(1,500)
Holiday funding	20,250	-	(19,035)
Basketball leagues	-	-	(10,447)
Smart moves	1,500	-	(3,932)
	<u>1,126,563</u>	-	<u>(1,118,634)</u>
Subject to the passage of time	-	-	(150,000)
Endowments:			
Subject to appropriation and expenditure:			
Accumulated earnings			
Youth of the Year scholarships	7,000	27,188	(7,000)
	<u>\$ 1,133,563</u>	<u>\$ 27,188</u>	<u>\$ (1,275,634)</u>

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BOYS AND GIRLS CLUBS OF TUCSON, INC.

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For the years ended December 31, 2020 and 2019

13. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2019:

	Contributions	Investment income	Releases
Subject to expenditure for specified purpose:			
Computer lab programs	\$ 46,250	\$ -	\$ (48,612)
Scholarships and Keystone programs	71,553	-	(75,085)
Capital improvements for clubhouses	50,000	-	(74,845)
Arts, crafts and music programs	75,758	-	(80,306)
Miscellaneous programs	63,556	-	(55,405)
Graduate for MAS	25,834	-	(21,632)
Sports equipment and activities	81,676	-	(39,309)
Money matters	98,555	-	(20,727)
STEM	14,675	-	(40,958)
Vehicle operations	41,000	-	(41,000)
Power hour	94,083	-	(90,574)
Training teen drivers	7,000	-	(7,000)
Workforce development	-	-	(45,783)
Basketball leagues	31,100	-	(40,744)
Smart moves	7,800	-	(11,340)
Student leader program	14,000	-	(14,000)
	<u>722,840</u>	-	<u>(707,320)</u>
Subject to the passage of time	750,000	-	(125,000)
Endowments:			
Subject to appropriation and expenditure:			
Accumulated earnings			
Youth of the Year scholarships	-	9,707	(7,000)
	<u>\$ 1,472,840</u>	<u>\$ 9,707</u>	<u>\$ (839,320)</u>

14. Lease Commitments

The Club leases with equipment under lease agreements with expiration dates ranging from March 2022 to May 2023. Rent expense under these agreements was \$8,950 and \$9,906, respectively, during the years ended December 31, 2020 and 2019. Future minimum lease payments under these agreements are:

Year ended December 31,	
2021	\$ 6,885
2022	4,593
2023	<u>770</u>
Total future minimum lease payments	<u>\$ 12,248</u>

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NOTES TO FINANCIAL STATEMENTS  
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15. Endowment Funds

The Club's endowment (the Endowment) consists of approximately 7 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Club is subject to the State of Arizona's Uniform Prudent Management of Institutional Funds Act (UPMIFA) (the Act) and, thus, classifies amount in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Club has interpreted the Act as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Club considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulation to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Club has interpreted the Act to permit spending from underwater funds in accordance with the prudent measures required under the law.

In accordance with the Act, the Club considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the Club

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2020 and 2019, there were no funds with deficiencies.

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15. Endowment Funds, Continued

Investment and Spending Policies

The Club has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment fund while seeking to maintain the original value of any contributions to the endowment assets. Endowment assets include those assets of donor-restricted funds that the Club must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested with a growth and income style of investing in a portfolio comprised of cash, fixed income securities and equities. Investment income on board-designated endowment funds is appropriated for expenditure in the year earned, and is, therefore, included in net assets without donor restrictions.

Endowment net asset composition by type of fund consisted of the following for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 2,354,267	\$ -	\$ 2,354,267
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	933,950	933,950
Accumulated earnings	-	38,875	38,875
	<u>\$ 2,354,267</u>	<u>\$ 972,825</u>	<u>\$ 3,327,092</u>

Changes in endowment net assets for the year ended December 31, 2020 were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, December 31, 2019	\$ 2,047,914	\$ 945,637	\$ 2,993,551
Investment income	411,984	27,188	439,172
Contributions and transfers	17,794	7,000	24,794
Appropriations and expenditures	<u>(123,425)</u>	<u>(7,000)</u>	<u>(130,425)</u>
Balance, December 31, 2020	<u>\$ 2,354,267</u>	<u>\$ 972,825</u>	<u>\$ 3,327,092</u>

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15. Endowment Funds, Continued

Endowment net asset composition by type of fund consists of the following for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 2,047,914	\$ -	\$ 2,047,914
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	933,950	933,950
Accumulated earnings (deficit)	-	11,687	11,687
	<u>\$ 2,047,914</u>	<u>\$ 945,637</u>	<u>\$ 2,993,551</u>

Changes in endowment net assets for the year ended December 31, 2019 were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, December 31, 2018	\$ 1,734,942	\$ 942,930	\$ 2,677,872
Investment income (loss)	421,502	9,707	431,209
Contributions and transfers	76,082	-	76,082
Appropriations and expenditures	(184,612)	(7,000)	(191,612)
Balance, December 31, 2019	<u>\$ 2,047,914</u>	<u>\$ 945,637</u>	<u>\$ 2,993,551</u>

16. Retirement Plan

The Club adopted the Boys and Girls Clubs of Tucson Employee's Retirement Plan. The participants may make limited salary deferral contributions. The Club's matching contribution equals 25% on the first 8% of the Participant's compensation which is deferred as an elective deferral. Matching contributions shall be determined each payroll period. The minimum age required to participate in the plan is 21. Employees are eligible to participate after three months of service. Participants are immediately vested in their salary deferral contributions and become 100% vested in employer contributions after six years of participation in the plan. The Club contributed \$13,980 and \$15,635, respectively, during the years ended December 31, 2020 and 2019.

17. Subsequent Events

The Club has evaluated subsequent events through June 30, 2021, the date the financial statements were available to be issued.

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17. Subsequent Events, Continued

On February 9, 2021, the Club executed a note payable under the Paycheck Protection Program through the Small Business Administration in the amount of \$378,285. Under the terms of the agreement, there are no payments due for six months from the date the loan proceeds are disbursed. Interest will accrue at the rate of 1.0% per annum during the deferment period. The Club may apply for forgiveness of the amount due on the loan, including accrued interest, by providing documentation that the proceeds were used to fund eligible costs defined by the Paycheck Protection Program during either an eight or twenty-four week period beginning on the date the loan proceeds are disbursed. Any amount that is not forgiven will be payable, in full and including interest, on February 9, 2026. The loan is unsecured.

The Club was unaware of any additional subsequent events as of June 30, 2021, the date the financial statements were available to be issued.

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