

**Boys and Girls Clubs of the Peninsula**

Financial Statements

June 30, 2020

(With Comparative Totals for 2019)



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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, 2020, 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, 2020, 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.



An independent firm  
associated with Moore  
Global Network Limited

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, the Organization has adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

### **Emphasis of Matter**

As described in Note 9 of the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. However, the ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

### **Report on Summarized Comparative Information**

We have previously audited Boys and Girls Clubs of the Peninsula's 2019 financial statements, and our report dated December 10, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino<sup>LLP</sup>  
San Jose, California

January 25, 2021

Boys and Girls Clubs of the Peninsula  
Statement of Financial Position  
June 30, 2020  
(With Comparative Totals for 2019)

|   | 2020          | 2019          |
|---|---------------|---------------|
| ASSETS  |               |               |
| Current assets  |               |               |
| Cash and cash equivalents                             | \$ 10,125,298 | \$ 8,318,733  |
| Accounts receivable                                   | 627,181       | 508,545       |
| Contributions receivable, current portion             | 4,315,111     | 1,961,092     |
| Prepaid expenses                                      | 24,420        | 91,932        |
| Total current assets                                  | 15,092,010    | 10,880,302    |
| Property and equipment, net                           | 9,012,233     | 9,467,488     |
| Other assets  |               |               |
| Investments   | 9,891,461     | 7,537,954     |
| Contributions receivable, net of current portion      | 2,686,318     | 1,553,204     |
| Total other assets                                    | 12,577,779    | 9,091,158     |
| Total assets  | \$ 36,682,022 | \$ 29,438,948 |
| LIABILITIES AND NET ASSETS                            |               |               |
| Current liabilities                                   |               |               |
| Accounts payable and accrued expenses                 | \$ 1,293,443  | \$ 1,205,373  |
| Total current liabilities                             | 1,293,443     | 1,205,373     |
| Paycheck Protection Program forgivable loan           | 1,891,500     | -             |
| Total liabilities                                     | 3,184,943     | 1,205,373     |
| Net assets  |               |               |
| Without donor restrictions                            |               |               |
| Undesignated  | 8,882,366     | 6,229,930     |
| Board-designated maintenance reserve                  | 334,021       | 334,021       |
| Board-designated operating reserve                    | 250,000       | 375,000       |
| Board-designated investment in property and equipment | 9,012,233     | 9,467,488     |
| Board-designated quasi-endowments                     | 3,419,021     | 3,298,861     |
| Total without donor restrictions                      | 21,897,641    | 19,705,300    |
| With donor restrictions                               |               |               |
| Net assets restricted for a specified purpose         | 3,805,261     | 3,003,665     |
| Net assets restricted to the passage of time          | 4,089,335     | 1,899,335     |
| Unappropriated earnings on endowment                  | 1,779,842     | 1,700,275     |
| Perpetual endowment                                   | 1,925,000     | 1,925,000     |
| Total with donor restrictions                         | 11,599,438    | 8,528,275     |
| Total net assets                                      | 33,497,079    | 28,233,575    |
| Total liabilities and net assets                      | \$ 36,682,022 | \$ 29,438,948 |

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, 2020  
(With Comparative Totals for 2019)

|                                      | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | 2020<br>Total        | 2019<br>Total        |
|--------------------------------------|----------------------------------|----------------------------|----------------------|----------------------|
| Support and revenue                  |                                  |                            |                      |                      |
| Grants and contributions             | \$ 10,253,199                    | \$ 5,862,126               | \$ 16,115,325        | \$ 10,358,193        |
| Special events                       | 2,857,819                        | -                          | 2,857,819            | 4,428,296            |
| Contract revenue                     | 1,264,364                        | -                          | 1,264,364            | 1,117,054            |
| Investment income, net               | 308,959                          | 79,567                     | 388,526              | 504,899              |
| In-kind contributions                | 220,660                          | -                          | 220,660              | 113,731              |
| Membership fees                      | 4,328                            | -                          | 4,328                | 13,317               |
| Other revenue                        | -                                | -                          | -                    | (10,465)             |
| Net assets released from restriction | <u>2,870,530</u>                 | <u>(2,870,530)</u>         | <u>-</u>             | <u>-</u>             |
| Total support and revenue            | <u>17,779,859</u>                | <u>3,071,163</u>           | <u>20,851,022</u>    | <u>16,525,025</u>    |
| Functional expenses                  |                                  |                            |                      |                      |
| Program services                     | 12,513,800                       | -                          | 12,513,800           | 10,910,200           |
| Management and general               | 1,680,036                        | -                          | 1,680,036            | 1,454,601            |
| Fundraising                          | <u>1,393,682</u>                 | <u>-</u>                   | <u>1,393,682</u>     | <u>1,518,305</u>     |
| Total functional expenses            | <u>15,587,518</u>                | <u>-</u>                   | <u>15,587,518</u>    | <u>13,883,106</u>    |
| Change in net assets                 | 2,192,341                        | 3,071,163                  | 5,263,504            | 2,641,919            |
| Net assets, beginning of year        | <u>19,705,300</u>                | <u>8,528,275</u>           | <u>28,233,575</u>    | <u>25,591,656</u>    |
| Net assets, end of year              | <u>\$ 21,897,641</u>             | <u>\$ 11,599,438</u>       | <u>\$ 33,497,079</u> | <u>\$ 28,233,575</u> |

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, 2020  
(With Comparative Totals for 2019)

|                                   | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u>  | <u>2020<br/>Total</u> | <u>2019<br/>Total</u> |
|-----------------------------------|-----------------------------|-----------------------------------|---------------------|-----------------------|-----------------------|
| Personnel expenses                |                             |                                   |                     |                       |                       |
| Salaries and wages                | \$ 7,946,450                | \$ 865,861                        | \$ 717,842          | \$ 9,530,153          | \$ 8,256,066          |
| Employee benefits                 | 1,168,420                   | 139,648                           | 75,539              | 1,383,607             | 1,247,461             |
| Payroll taxes                     | <u>622,547</u>              | <u>52,284</u>                     | <u>55,596</u>       | <u>730,427</u>        | <u>634,524</u>        |
| Total personnel expenses          | <u>9,737,417</u>            | <u>1,057,793</u>                  | <u>848,977</u>      | <u>11,644,187</u>     | <u>10,138,051</u>     |
| Other expenses                    |                             |                                   |                     |                       |                       |
| Program supplies                  | 1,096,616                   | -                                 | -                   | 1,096,616             | 844,245               |
| Depreciation and amortization     | 809,908                     | 24,992                            | 7,492               | 842,392               | 831,624               |
| Special events expenses           | -                           | -                                 | 480,964             | 480,964               | 524,932               |
| Professional fees                 | 112,901                     | 161,788                           | 5,394               | 280,083               | 228,362               |
| Office supplies                   | 164,048                     | 76,195                            | 16,252              | 256,495               | 153,448               |
| Repairs and maintenance           | 188,276                     | 19,022                            | 214                 | 207,512               | 229,774               |
| Utilities                         | 157,711                     | 20,424                            | -                   | 178,135               | 143,011               |
| Telecommunications                | 111,697                     | 24,967                            | 1,502               | 138,166               | 73,702                |
| Miscellaneous                     | 35,040                      | 50,984                            | 25,074              | 111,098               | 109,588               |
| Insurance                         | 4,149                       | 84,938                            | -                   | 89,087                | 75,536                |
| Training                          | 68,202                      | 19,178                            | 193                 | 87,573                | 99,399                |
| Bad debt expense                  | -                           | 65,189                            | -                   | 65,189                | 71,950                |
| Staff meeting and employee events | 5,478                       | 25,624                            | -                   | 31,102                | 14,409                |
| Other facilities expense          | 10,768                      | 14,849                            | 2,400               | 28,017                | 27,599                |
| Recruiting                        | -                           | 27,940                            | -                   | 27,940                | 40,303                |
| Transportation                    | 11,589                      | 5,153                             | 706                 | 17,448                | 30,844                |
| Marketing                         | -                           | -                                 | 4,514               | 4,514                 | 26,914                |
| Dues                              | -                           | 1,000                             | -                   | 1,000                 | 26,999                |
| Evaluation                        | <u>-</u>                    | <u>-</u>                          | <u>-</u>            | <u>-</u>              | <u>192,416</u>        |
| Total other expenses              | <u>2,776,383</u>            | <u>622,243</u>                    | <u>544,705</u>      | <u>3,943,331</u>      | <u>3,745,055</u>      |
|                                   | <u>\$ 12,513,800</u>        | <u>\$ 1,680,036</u>               | <u>\$ 1,393,682</u> | <u>\$ 15,587,518</u>  | <u>\$ 13,883,106</u>  |
| Percentage of total               | <u>80 %</u>                 | <u>11 %</u>                       | <u>9 %</u>          | <u>100 %</u>          |                       |

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, 2020  
(With Comparative Totals for 2019)

|  | 2020          | 2019         |
|--|---------------|--------------|
| Cash flows from operating activities   |               |              |
| Change in net assets   | \$ 5,263,504  | \$ 2,641,919 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |               |              |
| Depreciation and amortization  | 842,392       | 831,624      |
| Net realized and unrealized gains  | (145,427)     | (318,117)    |
| Donated property and equipment   | (11,460)      | (4,705)      |
| Changes in operating assets and liabilities  |               |              |
| Accounts receivable  | (118,636)     | (60,272)     |
| Contributions receivable   | (3,487,133)   | (594,352)    |
| Prepaid expenses   | 67,512        | 9,534        |
| Accounts payable and accrued expenses  | 88,070        | 260,147      |
| Net cash provided by operating activities  | 2,498,822     | 2,765,778    |
| Cash flows from investing activities   |               |              |
| Purchases of property and equipment  | (375,677)     | (438,608)    |
| Proceeds from sale of investments  | 2,999         | 6,929        |
| Purchases of investments   | (2,211,079)   | (1,165,913)  |
| Net cash used in investing activities  | (2,583,757)   | (1,597,592)  |
| Cash flows from financing activities   |               |              |
| Proceeds from Paycheck Protection Program forgivable loan                                  | 1,891,500     | -            |
| Net cash provided by financing activities  | 1,891,500     | -            |
| Net increase in cash and cash equivalents  | 1,806,565     | 1,168,186    |
| Cash and cash equivalents, beginning of year   | 8,318,733     | 7,150,547    |
| Cash and cash equivalents, end of year   | \$ 10,125,298 | \$ 8,318,733 |

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



Boys and Girls Clubs of the Peninsula  
Notes to Financial Statements  
June 30, 2020  
(With Comparative Totals for 2019)

1. NATURE OF OPERATIONS

The Boys and Girls Clubs of the Peninsula (the "Organization" or the "Club") provides a place where young youth are welcome and can belong to an after-school program, and an all-day program during summer. The Organization's clubs are 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 help guide and inspire youth, to help them develop attitudes and life skills to thrive. The Organization was founded in 1958 and is now regarded as one of the most comprehensive youth development organizations in the Bay Area. Programs are focused on academics, science and technology, social education and life skills, athletics and fitness, and the arts. Many of the programs are partnerships with local schools and other community organizations. The Organization's annual budget is dependent on a balanced combination of support from individuals, foundations, corporations, and public partnerships.

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

- Academics Focus - The Club collaborates with its school partners to provide structured programming for grades K to 12th. During the school year, the Club served 1,770 active members at its 6 school sites and 3 clubhouses. The Club offered a 5-week summer program daily, which included 3 hours of academics that were taught by certified teachers, and 3 hours of enrichment.
- Teens Focus - Programs offered both during the academic school year and for summer are for teens and pre-teens, which are to help them stay on track in school and graduate with a plan. The Club provides tutoring, homework support, and academic case management at the clubhouses and on high school campuses. There are two primary college access programs offered, which are Future Grads and College Bound to students.
- Enrichment Focus - The Club offers a broad range of activities to help build skills and allow youth to explore their passions. The enrichment programs are to help inspire youth 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.

Boys and Girls Clubs of the Peninsula  
Notes to Financial Statements  
June 30, 2020  
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In June 2018, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Organization adopted ASU 2018-08 with a date of the initial application of July 1, 2019, using the modified prospective method.

The adoption of ASU 2018-08 did not have a significant impact on Organization's financial position, result of operations, or cash flows. The Organization has evaluated contributions received and has determined that there is no change as a result of the adoption of the standard.

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, 2019, 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.

Boys and Girls Clubs of the Peninsula  
Notes to Financial Statements  
June 30, 2020  
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2020 and 2019.

- *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.

Boys and Girls Clubs of the Peninsula  
Notes to Financial Statements  
June 30, 2020  
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020 and 2019, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2020 and 2019, and is included in "accounts payable and accrued expenses" in the statement of financial position. The accrued vacation balance as of June 30, 2020 and 2019 was \$369,420 and \$286,736, 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, 2020.

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

Boys and Girls Clubs of the Peninsula  
Notes to Financial Statements  
June 30, 2020  
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

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.

In-kind contributions consisted of the following:

|                           | 2020       | 2019       |
|---------------------------|------------|------------|
| Program supplies and food | \$ 206,320 | \$ 1,200   |
| Property and equipment    | 11,460     | 4,705      |
| Services                  | 2,880      | 107,826    |
|                           | \$ 220,660 | \$ 113,731 |

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.

Boys and Girls Clubs of the Peninsula  
Notes to Financial Statements  
June 30, 2020  
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent events

The Club evaluated subsequent events from June 30, 2020 through January 25, 2021, 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 quasi-endowments. 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 13, 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, 2020. Unrestricted short-term contributions receivable will be available to support general operations of the Club.

Boys and Girls Clubs of the Peninsula  
Notes to Financial Statements  
June 30, 2020  
(With Comparative Totals for 2019)

3. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2020 to fund general expenditures and other obligations as they become due:

|  |  |                      |
|--|--|----------------------|
| Cash and cash equivalents  |  | \$ 10,125,298        |
| Investments  |  | 9,891,461            |
| Accounts receivable  |  | 627,181              |
| Contributions receivable   |  | <u>7,001,429</u>     |
|  |  | <u>27,645,369</u>    |
| Less: portion not available for current use:   |  |                      |
| Board-designated maintenance reserve   |  | (334,021)            |
| Board-designated operating reserve (\$250,000 less planned appropriation of \$125,000) |  | (125,000)            |
| Board-designated quasi-endowments  |  | (3,419,021)          |
| Net assets restricted for a specified purpose  |  | (3,805,261)          |
| Net assets restricted to the passage of time   |  | (2,299,000)          |
| Unappropriated earnings on endowment   |  | (1,779,842)          |
| Perpetual endowment  |  | <u>(1,925,000)</u>   |
|  |  | <u>(13,687,145)</u>  |
|  |  | <u>\$ 13,958,224</u> |

As of June 30, 2020, the Club had \$13,958,224 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:

|                                 | <u>2020</u>         | <u>2019</u>         |
|---------------------------------|---------------------|---------------------|
| Contributions receivable        | <u>\$ 7,136,750</u> | <u>\$ 3,669,919</u> |
| Less:                           |                     |                     |
| Allowance for doubtful accounts | (47,250)            | (25,000)            |
| Discounts on pledges            | <u>(88,071)</u>     | <u>(130,623)</u>    |
|                                 | <u>(135,321)</u>    | <u>(155,623)</u>    |
|                                 | <u>\$ 7,001,429</u> | <u>\$ 3,514,296</u> |

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4. CONTRIBUTIONS RECEIVABLE (continued)

Contributions receivable are expected to be collected as follows as of June 30, 2020:

|   |                            |
|---|----------------------------|
| Contributions receivable due in one year or less  | \$ 4,315,111               |
| Contributions receivable due in one to five years | <u>2,686,318</u>           |
|   | <u><u>\$ 7,001,429</u></u> |

At June 30, 2020, 3% of the contributions receivable 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, 2020:

|                            | Level 1                    | Level 2            | Level 3            | Fair Value                 |
|----------------------------|----------------------------|--------------------|--------------------|----------------------------|
| Money market funds         | <u>\$ 504,587</u>          | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ 504,587</u>          |
| Mutual funds               |                            |                    |                    |                            |
| U.S. fixed income fund     | 4,002,586                  | -                  | -                  | 4,002,586                  |
| Non-U.S. fixed income fund | 391,939                    | -                  | -                  | 391,939                    |
| U.S. equity fund           | 3,029,926                  | -                  | -                  | 3,029,926                  |
| Non-U.S. equity fund       | <u>1,962,423</u>           | <u>-</u>           | <u>-</u>           | <u>1,962,423</u>           |
|                            | <u>9,386,874</u>           | <u>-</u>           | <u>-</u>           | <u>9,386,874</u>           |
|                            | <u><u>\$ 9,891,461</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 9,891,461</u></u> |

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         | <u>\$ 139</u>              | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ 139</u>              |
| 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       | <u>2,046,212</u>           | <u>-</u>           | <u>-</u>           | <u>2,046,212</u>           |
|                            | <u>7,537,815</u>           | <u>-</u>           | <u>-</u>           | <u>7,537,815</u>           |
|                            | <u><u>\$ 7,537,954</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 7,537,954</u></u> |



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5. INVESTMENTS (continued)

Investment earnings consisted of the following:

|                                   | 2020       | 2019       |
|-----------------------------------|------------|------------|
| Net realized and unrealized gains | \$ 145,427 | \$ 318,117 |
| Interest and dividends            | 243,110    | 186,911    |
|                                   | 388,537    | 505,028    |
| Investment expenses               | (11)       | (129)      |
|                                   | \$ 388,526 | \$ 504,899 |

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

|   | 2020          | 2019          |
|---|---------------|---------------|
| Buildings                                       | \$ 14,254,604 | \$ 14,056,395 |
| Office equipment                                | 649,680       | 586,336       |
| Automobiles                                     | 423,299       | 514,203       |
| Computer equipment                              | 614,925       | 560,515       |
| Leasehold improvements                          | 918,702       | 913,942       |
|   | 16,861,210    | 16,631,391    |
| Less: accumulated depreciation and amortization | (7,848,977)   | (7,163,903)   |
|   | \$ 9,012,233  | \$ 9,467,488  |

Depreciation and amortization expense totaled \$842,392 and \$831,624 for the years ended June 30, 2020 and 2019, respectively.

7. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

On April 20, 2020, the Club received loan proceeds of \$1,891,500 from a promissory note issued by Boston Private Bank and Trust Company, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration. The term on the loan is two years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

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7. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN (continued)

On June 5, 2020, the Paycheck Protection Program Flexibility Act ("PPPFA") was signed into law, and was followed by revised forgiveness applications on June 16, 2020 and revised interim final rules ("IFRS") on June 22, 2020. The enactment of PPPFA and subsequent releases of the related IFRS and forgiveness applications provided several structural changes to the program aimed to provide businesses with added flexibility to utilize the funds and to be able to obtain forgiveness. The Primary modifications include: reducing from 75% to 60% the percent of a borrower's loan proceeds which must be used for payroll costs; increase from 8 weeks to 24 weeks the covered period, which is the period eligible costs can qualify for forgiveness; extended the deferral period for principal and interest on the loan to the date SBA remits the loan forgiveness amount to the lender or ten months after the loan forgiveness covered period if the borrower has not applied for forgiveness.

The Club accounted for the PPP proceeds received under the accounting guidance for debt and believes that it will likely qualify for full forgiveness and will submit its forgiveness application shortly after the end of its covered period, but there is uncertainty around the standards and operation of the PPP and no assurance is provided that the Club will obtain forgiveness in whole or in part.

8. 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, 2020 and 2019, total pension expense was \$588,938 and \$560,642, respectively.

9. 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.

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9. COMMITMENTS AND CONTINGENCIES (continued)

Impact of COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. As the situation continues to evolve, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business. The Organization believes the ultimate impact of the COVID-19 pandemic on its operating results, cash flows and financial condition is likely to be determined by factors which are uncertain and unpredictable.

10. CONCENTRATIONS OF RISK

Contributions receivable are due from various individuals and organizations which mitigate the risk associated therein. Two donors represent 64% of contributions receivable as of June 30, 2020. Two donors represent 24% of contributions receivable as of June 30, 2019.

11. RELATED PARTY TRANSACTIONS

Contributions received from members of the Club's board of directors, their foundations and companies totaled approximately \$741,000 or 4% of total contribution revenue for the year ended June 30, 2020. 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.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

|   | Balance at June<br>30, 2019 | Additions           | Releases              | Balance at June<br>30, 2020 |
|---|-----------------------------|---------------------|-----------------------|-----------------------------|
| Pledges, time restricted                | \$ 1,899,335                | \$ 3,505,000        | \$ (1,315,000)        | \$ 4,089,335                |
| Program services                        | 3,003,665                   | 2,357,126           | (1,555,530)           | 3,805,261                   |
| Unappropriated earnings<br>on endowment | 1,700,275                   | 79,567              | -                     | 1,779,842                   |
| Perpetual endowment                     | <u>1,925,000</u>            | <u>-</u>            | <u>-</u>              | <u>1,925,000</u>            |
|   | <u>\$ 8,528,275</u>         | <u>\$ 5,941,693</u> | <u>\$ (2,870,530)</u> | <u>\$ 11,599,438</u>        |

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12. 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    | <u>\$ 1,315,000</u>        |
| Program related released from purpose restrictions |                            |
| Future Grads                                       | 427,415                    |
| RWC Clubhouse                                      | 213,000                    |
| EPA Clubhouse                                      | 212,000                    |
| Hoover   | 200,000                    |
| Building Readers                                   | 150,000                    |
| K-5 Summer   | 133,115                    |
| Triple Play  | 90,000                     |
| Mental Health                                      | 70,000                     |
| Brentwood  | 30,000                     |
| Scholarship  | 20,000                     |
| Fitness  | 10,000                     |
|  | <u>1,555,530</u>           |
|  | <u><u>\$ 2,870,530</u></u> |

13. 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.

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13. ENDOWMENT (continued)

Interpretation of relevant law (continued)

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

- (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, 2020 and 2019.

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.

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13. ENDOWMENT (continued)

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, 2020 and 2019. The investment managers are required to invest funds so as to ensure that required distributions of income or principal are met.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

|                                  | Without<br>Donor<br>Restrictions | With Donor Restrictions                    |                        | Total               |
|----------------------------------|----------------------------------|--|------------------------|---------------------|
|                                  |                                  | Unappropriated<br>Earnings on<br>Endowment | Perpetual<br>Endowment |                     |
| Board-designated endowment funds | \$ 3,419,021                     | \$ -                                       | \$ -                   | \$ 3,419,021        |
| Donor-restricted endowment funds | <u>-</u>                         | <u>1,779,842</u>                           | <u>1,925,000</u>       | <u>3,704,842</u>    |
|                                  | <u>\$ 3,419,021</u>              | <u>\$ 1,779,842</u>                        | <u>\$ 1,925,000</u>    | <u>\$ 7,123,863</u> |

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

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

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13. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2020 is as follows:

|                                      | <u>With Donor Restrictions</u>            |   |                                | <u>Total</u>        |
|--------------------------------------|---|---|--------------------------------|---------------------|
|                                      | <u>Without<br/>Donor<br/>Restrictions</u> | <u>Unappropriated<br/>Earnings on<br/>Endowment</u> | <u>Perpetual<br/>Endowment</u> |                     |
| Balance, June 30, 2019               | <u>\$ 3,298,861</u>                       | <u>\$ 1,700,275</u>                                 | <u>\$ 1,925,000</u>            | <u>\$ 6,924,136</u> |
| Investment income                    |   |   |                                |                     |
| Interest and dividends               | 138,835                                   | 45,059  | -                              | 183,894             |
| Net realized and unrealized<br>gains | <u>106,325</u>                            | <u>34,508</u>                                       | <u>-</u>                       | <u>140,833</u>      |
| Total investment income,<br>net      | 245,160                                   | 79,567  | -                              | 324,727             |
| Appropriation of net assets          | <u>(125,000)</u>                          | <u>-</u>  | <u>-</u>                       | <u>(125,000)</u>    |
|                                      | <u>120,160</u>                            | <u>79,567</u>                                       | <u>-</u>                       | <u>199,727</u>      |
| Balance, June 30, 2020               | <u>\$ 3,419,021</u>                       | <u>\$ 1,779,842</u>                                 | <u>\$ 1,925,000</u>            | <u>\$ 7,123,863</u> |

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

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