BOYS AND GIRLS CLUBS OF TUCSON, INC.

Audited Financial Statements

For the year ended December 31, 2018

BOYS AND GIRLS CLUBS OF TUCSON, INC.

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LUDWIG KLEWER & RUDNER PLLC

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 statement of financial position as of December 31, 2018, 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 Tucson, Inc. as of December 31, 2018, 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.

Ludwig Klewer + Rudner PLLC

June 19, 2019

LKR

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BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Current assets:	
Cash and cash equivalents	$ 633,175
Grants and contributions receivable, net	123,044
Unconditional promises to give	125,000
Prepaid expenses and other current assets	78,459
Investments ($148,999 pledged as collateral on deferred grant obligation) - current portion	2,465,452
Total current assets	3,425,130
Property and equipment, net	2,860,323
Investments, non-current portion	553,511
Total assets	$ 6,838,964

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	$ 51,892
Accrued expenses	92,715
Deferred revenue	84,203
Deferred grant obligation, current portion	35,000
Total current liabilities	263,810
Deferred grant obligation, non-current portion	105,000
Total liabilities	368,810
Net assets:	
Without donor restrictions:	
Undesignated	571,518
Designated by the Board for endowment	1,743,922
Invested in propery and equipment, net	2,720,323
Total net assets without donor restrictions	5,035,763
With donor restrictions:	
Perpetual in nature	933,950
Purpose restrictions	447,211
Time-restricted for future periods	62,500
Underwater endowments	(9,270)
Total net assets with donor restrictions	1,434,391
Total net assets	6,470,154
Total liabilities and net assets	$ 6,838,964

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, 2018

	Without donor restrictions	With donor restrictions	Total
Revenues and support:			
Contributions	$ 481,688	$ 644,278	$ 1,125,966
Special events	1,110,671	-	1,110,671
In-kind contributions	538,692	-	538,692
Other grants	398,309	-	398,309
Development fundraising	126,550	-	126,550
Government grants	107,251	-	107,251
Program service fees	71,769	-	71,769
United Way	31,113	-	31,113
Other revenues	19,439	-	19,439
Gain on sale of asset	1,243	-	1,243
Investment loss, net	(195,507)	(3,270)	(198,777)
Total revenues and support	2,691,218	641,008	3,332,226
Net assets released from restrictions	738,249	(738,249)	-
Total revenues and support	3,429,467	(97,241)	3,332,226
Expenses:			
Program services	2,482,499	-	2,482,499
Supporting services:			
General and administrative	359,295	-	359,295
Fund-raising	553,999	-	553,999
Special events - costs of direct donor benefits	609,739	-	609,739
Total expenses	4,005,532	-	4,005,532
Change in net assets	(576,065)	(97,241)	(673,306)
Net assets, beginning of year, reclassified	5,611,828	1,531,632	7,143,460
Net assets, end of year	$ 5,035,763	$ 1,434,391	$ 6,470,154

BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Program Services	General and Administrative	Fund-Raising	Total
Payroll and related expenses	$ 1,341,802	$ 224,574	$ 261,094	$ 1,827,470
Supplies and club member meals	417,151	4,494	22,247	443,892
Depreciation	325,763	45,616	843	372,222
Professional fees	65,998	26,513	209,408	301,919
Repairs and maintenance	118,130	16,327	594	135,051
Utilities	64,004	859	-	64,863
Insurance	39,663	8,432	1,603	49,698
Telephone	25,545	9,333	2,848	37,726
Scholarships, awards and grants	37,589	-	-	37,589
Transportation	24,718	1,982	703	27,403
Printing and publication	5,436	1,034	14,162	20,632
Conferences and meetings	3,137	13,064	3,709	19,910
Postage and shipping	1,220	1,941	15,907	19,068
Bad debt	-	-	17,000	17,000
National and membership dues	12,175	2,748	2,027	16,950
Miscellaneous	168	2,378	1,854	4,400
Total functional expenses	$ 2,482,499	$ 359,295	$ 553,999	$ 3,395,793

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

BOYS AND GIRLS CLUB OF TUCSON, INC.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	$ (673,306)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	372,222
Change in allowance for net present value, unconditional promises to give	(6,710)
Change in allowance for grants and contributions receivable	2,000
Net realized and unrealized loss on investments	258,484
Scheduled release of deferred grant obligation	(35,000)
Donated property and equipment	(162,850)
Gain on sale of property and equipment	(1,243)
Changes in operating assets and liabilities:	
Bequest receivable	11,696
Grants and contributions receivable	4,450
Unconditional promises to give	174,000
Prepaid expenses and other current assets	(41,217)
Accounts payable	9,325
Accrued expenses	(1,514)
Deferred revenue	(12,766)
Total adjustments	570,877
Net cash used in operating activities	(102,429)
Cash flows from investing activities:	
Proceeds from sale of investments	972,767
Purchases of investments	(865,613)
Proceeds from sale of fixed assets	5,997
Purchases of property and equipment	(127,266)
Net cash used in investing activities	(14,115)
Cash flows from financing activities	-
Change in cash and cash equivalents	(116,544)
Cash and cash equivalents, beginning of year	749,719
Cash and cash equivalents, end of year	$ 633,175
Supplemental schedule of cash flow information:	
Donated property and equipment	$ 162,850
Supplemental disclosure of non-cash investing and financing information:	
Scheduled release of deferred grant obligation	$ 35,000

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

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, 2018 include $1,743,922 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, 2018.

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.

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, 2018.

2. Summary of Significant Accounting Policies, Continued

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.

During the year ended December 31, 2018, a DEK Rink valued at $150,000, was donated to the club. The rink is located on land owned by Tucson Unified School District (TUSD) and will be incorporated into the existing agreement the Club has with the school district. Various organizations within the Tucson community have access to the rink including TUSD schools and the Tucson Roadrunners Hockey team. The rink is also available for rent on an hourly basis.

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, 2018, 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.

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:

Cash and cash equivalents	$ 633,175
Grants and contributions receivable, net	123,044
Unconditional promises to give, current portion	125,000
Investments, current portion	2,465,452
Total financial assets available within one year	3,346,671
Less:	
Amounts unavailable for general expenditures within one year due to:	
Perpetual in nature	933,950
Purpose restrictions	447,211
Angel Charity collateral	148,999
Total amounts unavailable for general expenditures within one year	1,530,160
Amounts unavailable to management without Board approval:	
Designated by the Board for endowment	1,743,922
Total financial assets available to management for general expenditure within one year	$ 72,589

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 $554,000 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, 2018, the Club had cash and investments in the amount of $2,893,501 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, 2018, the remaining balance due on pledges for this campaign of $125,000 is considered current.

6. Investments

Investments are stated at fair value and consist of the following at December 31, 2018:

Mutual funds	$ 2,010,875
Corporate bonds	553,511
Stocks	454,577
Total investments	3,018,963
Less current portion	(2,465,452)
Investments, non-current portion	$ 553,511

As discussed in Note 9, 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, 2018 include $148,999 pledged as collateral securing the note.

Investment loss consists of the following for the year ended December 31, 2018:

Net realized and unrealized loss	$ (258,484)
Interest and dividend income	85,587
Investment expense	(25,880)
Investment loss, net	$ (198,777)

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:

7. Fair Value Measurements, Continued

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, 2018.

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

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, 2018:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 2,010,875	$ -	$ -	$ 2,010,875
Corporate bonds	553,511	-	-	553,511
Stock	454,577	-	-	454,577
Total assets	$ 3,018,963	$ -	$ -	$ 3,018,963

8. Property and Equipment

Property and equipment consists of the following at December 31, 2018:

Buildings and building improvements	$ 8,345,086
Equipment	1,448,179
Statues	11,408
Vehicles	230,904
Total property and equipment	10,035,577
Less accumulated depreciation	(7,175,254)
Property and equipment, net	$ 2,860,323

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.

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. 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 $148,999 at December 31, 2018. 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, 2018 are:

2019	$ 35,000
2020	35,000
2021	35,000
2022	35,000
Total deferred grant obligation	140,000
Less current portion	(35,000)
Deferred grant obligation, non-current portion	$ 105,000

10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2018:

Subject to expenditure for specified purpose:		
Capital improvements for clubhouses	$	75,656
Scholarships and Keystone programs		66,570
Computer lab programs		59,649
Workforce development		57,784
Power hour		45,250
Arts & Crafts and Music programs		37,307
STEM		27,857
Miscellaneous programs		27,403
Basketball leagues		19,298
Graduate for MAS		13,024
Money matters		10,000
Smart moves		5,447
Sports equipment and activities		1,966
		447,211
Subject to the passage of time:		
Operations		62,500
Endowments:		
Subject to NFP endowment spending policy and appropriation:		
Investment in Youth		500,000
Memberships		198,000
Youth of the Year Scholarships		160,950
Scholarships		50,000
Youth of the Year Competition Expenses		25,000
Underwater endowments		(9,270)
		924,680
Total net assets with donor restrictions	$	1,434,391

10. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2018:

	Contributions	Investment income (loss)	Releases
Subject to expenditure for specified purpose:			
Capital improvements for clubhouses	$ 128,547	$ -	$ (95,213)
Power hour	100,847	-	(89,347)
General operating	62,500	-	(110,500)
Computer lab programs	59,250	-	(40,674)
Workforce development	52,300	-	(6,516)
Scholarships and Keystone programs	51,495	-	(75,511)
Miscellaneous programs	49,026	-	(50,038)
Arts & Crafts and Music programs	29,609	-	(21,884)
STEM	25,000	-	(41,219)
Graduate for MAS	21,260	-	(20,321)
Club member assistance	15,000	-	(15,000)
Basketball leagues	14,850	-	(18,507)
Money matters	10,000	-	-
Sports equipment and activities	9,194	-	(8,505)
Training teen drivers	7,000	-	(7,000)
Vehicle operations	5,000	-	(5,000)
Smart moves	3,400	-	(2,014)
	644,278	-	(607,249)
Subject to the passage of time and purpose restrictions - Power Hour, computer lab, operations	-	-	(125,000)
Endowments:			
Subject to NFP endowment spending policy and appropriation:			
Investment in Youth	-	-	-
Memberships	-	-	-
Youth of the Year Scholarships	-	(3,270)	(6,000)
Scholarships	-	-	-
Underwater endowments	-	-	-
	-	(3,270)	(6,000)
	$ 644,278	$ (3,270)	$ (738,249)

11. Net Asset Reclassification

Net assets with donor restrictions have been reclassified as of December 31, 2017 to properly reflect unconditional promises to give and contributions received with donor restrictions. As a result, net assets with donor restrictions have been increased and net assets without donor restrictions have been decreased by $49,000 as of December 31, 2017.

12. In-Kind Contributions

During the year ended December 31, 2018, the Club recognized in-kind contributions, excluding those associated with special events, consisting of:

Supplies and club member meals	$ 361,193
Professional services	177,499
Total in-kind contributions	$ 538,692

13. Summary of Special Events

The Club's special event activities for the year ended December 31, 2018 consist of:

	Revenue	Expenses	Net
Olson Dinner, including in-kind donations of $166,150	$ 489,760	$ 224,696	$ 265,064
The Event, including in-kind donations of $179,030	394,831	268,600	126,231
Steak and Burger, including in-kind donations of $111,926	225,146	172,823	52,323
Parties with a Purpose, including in-kind donations of $500	934	360	574
	$ 1,110,671	$ 666,479	$ 444,192

Special event expenses for the year ended December 31, 2018 include $609,739 of direct donor benefit costs as reported on the statement of activities, and the remaining $56,740 of other special event expenses are allocated on the statement of functional expenses as fundraising.

14. Lease Commitments

The Club has six equipment leases with expiration dates ranging from March 2017 to December 2022. Rent expense under these agreements was $9,906, during the year ended December 31, 2018. Future minimum lease payments under these agreements are:

Year ended December 31,	
2019	$ 8,962
2020	8,460
2021	7,425
2022	2,073
Total future minimum lease payments	$ 26,920

15. 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 $15,642 during the year ended December 31, 2018.

16. 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, 2018, funds with original gift values of $933,950, fair values of $924,680, and deficiencies of $9,270 were reported in net assets with donor restrictions. These amounts were fully recovered during 2019 due to favorable market fluctuations.

16. 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 consists of the following for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 1,743,922	$ -	$ 1,743,922
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	933,950	933,950
Appropriations		(6,000)	(6,000)
Investment loss	-	(3,270)	(3,270)
	$ 1,743,922	$ 924,680	$ 2,668,602

17. Subsequent Events

The Club was unaware of any subsequent events as of June 19, 2019, the date the financial statements were available to be issued.