

BOYS AND GIRLS CLUBS OF TUCSON, INC.

Audited Financial Statements

For the years ended December 31, 2019 and 2018

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, 2019 and 2018, 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 audits 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, 2019 and 2018, 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 24, 2020



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BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	\$ 778,416	\$ 633,175
Grants and contributions receivable, net	123,211	123,044
Unconditional promises to give	150,000	125,000
Prepaid expenses and other current assets	71,579	78,459
Investments (\$121,788 and \$148,999 pledged as collateral on deferred grant obligation at December 31, 2019 and 2018, respectively) - current portion	2,654,745	2,465,452
Total current assets	3,777,951	3,425,130
Unconditional promises to give, non-current portion, net	565,567	-
Property and equipment, net	2,956,387	2,860,323
Investments, non-current portion	489,867	553,511
Total assets	<u>\$ 7,789,772</u>	<u>\$ 6,838,964</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 66,325	\$ 51,892
Accrued expenses	104,896	92,715
Deferred revenue	30,500	84,203
Deferred grant obligation, current portion	35,000	35,000
Total current liabilities	236,721	263,810
Deferred grant obligation, non-current portion	70,000	105,000
Total liabilities	306,721	368,810
Net assets:		
Without donor restrictions:		
Undesignated	487,882	562,248
Designated by the Board for endowment	2,047,914	1,734,942
Invested in property and equipment, net	2,851,387	2,720,323
Total net assets without donor restrictions	5,387,183	5,017,513
With donor restrictions:		
Perpetual in nature	933,950	933,950
Time-restricted for future periods	750,000	62,500
Purpose restrictions	400,231	447,211
Subject to appropriation and expenditure	11,687	8,980
Total net assets with donor restrictions	2,095,868	1,452,641
Total net assets	7,483,051	6,470,154
Total liabilities and net assets	<u>\$ 7,789,772</u>	<u>\$ 6,838,964</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	38,246	-	38,246
United Way	28,391	-	28,391
Gain on sale of property and equipment	264	-	264
Total revenues and support	4,098,487	1,482,547	5,581,034
Net assets released from restrictions	839,320	(839,320)	-
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	4,568,137	-	4,568,137
Change in net assets	369,670	643,227	1,012,897
Net assets, beginning of year	5,017,513	1,452,641	6,470,154
Net assets, end of year	\$ 5,387,183	\$ 2,095,868	\$ 7,483,051

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 property and equipment	1,243	-	1,243
Investment loss, net	(205,324)	6,547	(198,777)
Total revenues and support	2,681,401	650,825	3,332,226
Net assets released from restrictions	738,249	(738,249)	-
Total revenues and support	3,419,650	(87,424)	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	(585,882)	(87,424)	(673,306)
Net assets, beginning of year	5,603,395	1,540,065	7,143,460
Net assets, end of year	\$ 5,017,513	\$ 1,452,641	\$ 6,470,154

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 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	<u>\$ 2,482,499</u>	<u>\$ 359,295</u>	<u>\$ 553,999</u>	<u>\$ 3,395,793</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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,012,897	\$ (673,306)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	240,678	372,222
Change in allowance for net present value, unconditional promises to give	36,816	(6,710)
Change in allowance for grants and contributions receivable	-	2,000
Net realized and unrealized (gain) loss on investments	(367,443)	258,484
Scheduled release of deferred grant obligation	(35,000)	(35,000)
Donated property and equipment	(150,000)	(162,850)
Gain on sale of property and equipment	(264)	(1,243)
Contributions restricted for capital purposes	(50,000)	(128,547)
Changes in operating assets and liabilities:		
Bequest receivable	-	11,696
Grants and contributions receivable	(167)	4,450
Unconditional promises to give	(627,383)	174,000
Prepaid expenses and other current assets	6,880	(41,217)
Accounts payable	14,433	9,325
Accrued expenses	12,181	(1,514)
Deferred revenue	(53,703)	(12,766)
Total adjustments	(972,972)	442,330
Net cash provided by (used in) operating activities	39,925	(230,976)
Cash flows from investing activities:		
Proceeds from sale of investments	526,507	972,767
Purchases of investments	(284,713)	(865,613)
Proceeds from sale of property and equipment	4,803	5,997
Purchases of property and equipment	(191,281)	(127,266)
Net cash provided by (used in) investing activities	55,316	(14,115)
Cash flows from financing activities:		
Contributions restricted for capital purposes	50,000	128,547
Net cash provided by financing activities	50,000	128,547
Change in cash and cash equivalents	145,241	(116,544)
Cash and cash equivalents, beginning of year	633,175	749,719
Cash and cash equivalents, end of year	<u>\$ 778,416</u>	<u>\$ 633,175</u>
Supplemental schedule of cash flow information:		
Donated property and equipment	<u>\$ 150,000</u>	<u>\$ 162,850</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, 2019 and 2018

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, 2019 and 2018 include \$2,047,914 and \$1,734,942, 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, 2019 and 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, 2019 and 2018.

See independent auditor's report.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 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, 2019, 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, 2019 and 2018

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,:

	2019	2018
Cash and cash equivalents	\$ 778,416	\$ 633,175
Grants and contributions receivable, net	123,211	123,044
Unconditional promises to give, current portion	150,000	125,000
Investments, current portion	2,654,745	2,465,452
Total financial assets available within one year	3,706,372	3,346,671
Less:		
Amounts unavailable for general expenditures within one year due to:		
Perpetual in nature	444,083	380,439
Purpose restrictions	400,231	447,211
Angel Charity collateral	121,788	148,999
Time-restricted for future periods	150,000	62,500
Total amounts unavailable for general expenditures within one year	1,116,102	1,039,149
Amounts unavailable to management without Board approval:		
Designated by the Board for endowment	2,047,914	1,734,942
Total financial assets available to management for general expenditure within one year	\$ 542,356	\$ 572,580

See independent auditor's report.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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 \$490,000 and \$554,000, respectively, at December 31, 2019 and 2018 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, 2019 and 2018, the Club had cash and investments in the amount of \$3,226,346 and \$2,893,501, 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, 2019 and 2018, the balances due on pledges for this campaign are scheduled to be paid in future years as follows:

	2019	2018
2019	\$ -	\$ 125,000
2020	150,000	-
2021	150,000	-
2022	150,000	-
2023	150,000	-
2024	152,383	-
Total unconditional promises to give	752,383	125,000
Less interest component at 3.25%	(36,816)	-
Unconditional promises to give, net	715,567	125,000
Less current portion	(150,000)	(125,000)
Non-current portion	\$ 565,567	\$ -

6. Investments

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

	2019	2018
Mutual funds	\$ 2,090,624	\$ 2,010,875
Corporate bonds	489,867	553,511
Stocks	564,121	454,577
Total investments	3,144,612	3,018,963
Less current portion	(2,654,745)	(2,465,452)
Investments, non-current portion	\$ 489,867	\$ 553,511

See independent auditor's report.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS For the years ended December 31, 2019 and 2018

6. Investments, Continued

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, 2019 and 2018 include \$121,788 and \$148,999 pledged as collateral securing the note.

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

	2019	2018
Net realized and unrealized gain (loss)	\$ 367,443	\$ (258,484)
Interest and dividend income	89,204	85,587
Investment expense	(25,438)	(25,880)
Investment income (loss), net	<u>\$ 431,209</u>	<u>\$ (198,777)</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, 2019 and 2018.

- *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, 2019 and 2018

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, 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>

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	<u>\$ 3,018,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,018,963</u>

8. Property and Equipment

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

	2019	2018
Buildings and building improvements	\$ 8,634,353	\$ 8,345,086
Equipment	1,468,170	1,448,179
Statues	11,408	11,408
Vehicles	258,387	230,904
Total property and equipment	10,372,318	10,035,577
Less accumulated depreciation	<u>(7,415,931)</u>	<u>(7,175,254)</u>
Property and equipment, net	<u>\$ 2,956,387</u>	<u>\$ 2,860,323</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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BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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. 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 \$121,788 \$148,999, respectively, at December 31, 2019 and 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, 2019 are:

2020	\$	35,000
2021		35,000
2022		35,000
Total deferred grant obligation		105,000
Less current portion		(35,000)
Deferred grant obligation, non-current portion	\$	70,000

10. Summary of Special Events

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

	Revenue	Expenses	Net
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 fundraising.

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BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

10. Summary of Special Events, Continued

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
	<u>\$ 1,110,671</u>	<u>\$ 666,479</u>	<u>\$ 444,192</u>

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.

11. In-Kind Contributions

During the years ended December 31, 2019 and 2018, the Club recognized in-kind contributions, excluding those associated with special events, consisting of:

	2019	2018
Supplies and club member meals	\$ 85,542	\$ 361,193
Professional services	833,917	177,499
Property and equipment	150,000	-
Total in-kind contributions	<u>\$ 1,069,459</u>	<u>\$ 538,692</u>

12. Lease Commitments

The Club has six equipment leases 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, 2019 and 2018. Future minimum lease payments under these agreements are:

2020	\$ 9,300
2021	8,265
2022	2,913
2023	350
Total future minimum lease payments	<u>\$ 20,828</u>

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NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

13. Net Assets With Donor Restrictions

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

	2019	2018
Subject to expenditure for specified purpose:		
Money matters	\$ 87,828	\$ 10,000
Scholarships and Keystone programs	63,040	66,570
Capital improvements for clubhouses	50,810	75,656
Sports equipment and activities	48,895	1,966
Arts, crafts and music programs	32,759	37,307
Miscellaneous programs	30,975	27,403
Graduate for MAS	29,226	13,024
Computer lab programs	25,819	59,649
Power hour	17,500	45,250
Basketball leagues	10,447	19,298
Smart moves	2,432	5,447
STEM	500	27,857
Workforce development	-	57,784
	<u>400,231</u>	<u>447,211</u>
Subject to the passage of time:		
Operations	750,000	62,500
Endowments:		
Subject to appropriation and expenditure:		
Accumulated endowment earnings	11,687	8,980
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>945,637</u>	<u>933,950</u>
Total net assets with donor restrictions	<u>\$ 2,095,868</u>	<u>\$ 1,452,641</u>

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BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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

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BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

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, 2018:

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

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14. 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 \$15,635 and \$15,642, respectively, during the years ended December 31, 2019 and 2018.

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, 2019 and 2018, there were no funds with deficiencies.

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BOYS AND GIRLS CLUBS OF TUCSON, INC.

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For the years ended December 31, 2019 and 2018

15. Endowments, 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, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
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	-	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:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2018	\$ 1,734,942	\$ 942,930	\$ 2,677,872
Investment income	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>\$ 2,917,469</u>

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15. Endowments, Continued

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	\$ 1,734,942	\$ -	\$ 1,734,942
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)	-	8,980	8,980
	<u>\$ 1,734,942</u>	<u>\$ 942,930</u>	<u>\$ 2,677,872</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2017	\$ 2,125,766	\$ 942,383	\$ 3,068,149
Investment income (loss)	(205,324)	6,547	(198,777)
Contributions and transfers	41,000	-	41,000
Appropriations and expenditures	(226,500)	(6,000)	(232,500)
Balance, December 31, 2018	<u>\$ 1,734,942</u>	<u>\$ 942,930</u>	<u>\$ 2,677,872</u>

16. Subsequent Events

The Club has evaluated subsequent events through June 3, 2020, the date the financial statements were available to be issued. Management is monitoring the macro-economic impact of the COVID-19 pandemic closely. The negative impacts to the local and national economy are likely to reduce public support and investment return in the near future; however, the duration and scope of the pandemic's impact is unpredictable, and management is unable to estimate the scope and significance of the overall impact to our organization.

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 the eight-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. As of June 24, 2020, the Paycheck Protection Program was amended to allow for a 24-week period to fund eligible costs and an extended repayment period of five years for amounts not forgiven. The loan is unsecured.

The Club was unaware of any additional subsequent events as of June 24, 2020, the date the financial statements were available to be issued.

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