

BOYS AND GIRLS CLUBS OF TUCSON, INC.

Audited Financial Statements

For the years ended December 31, 2021 and 2020

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BOYS AND GIRLS CLUBS OF TUCSON, INC.

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INDEPENDENT AUDITOR'S REPORT

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

**Opinion**

We have audited the accompanying financial statements of Boys and Girls Clubs of Tucson, Inc. (nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys and Girls Clubs of Tucson, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Clubs of Tucson, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



## INDEPENDENT AUDITOR'S REPORT, Continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Boys and Girls Clubs of Tucson, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Clubs of Tucson, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Lewis Klenz & Brown PLLC*

June 29, 2022

## BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENTS OF FINANCIAL POSITION  
December 31, 2021 and 2020ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 3,720,277	\$ 1,251,845
Grants and contributions receivable, net	855,469	205,116
Unconditional promises to give	150,000	152,220
Prepaid expenses and other current assets	78,202	62,306
Investments (\$126,851 and \$128,264 pledged as collateral on deferred grant obligation at December 31, 2021 and 2020, respectively) - current portion	3,338,124	3,155,740
Total current assets	8,142,072	4,827,227
Unconditional promises to give, non-current portion, net	281,448	415,563
Property and equipment, net	2,967,337	2,915,967
Investments, non-current portion	258,996	368,974
Total assets	<u>\$ 11,649,853</u>	<u>\$ 8,527,731</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 257,752	\$ 79,469
Accrued expenses	149,492	176,089
Deferred revenue	94,841	39,379
Deferred grant obligation, current portion	35,000	35,000
Total current liabilities	537,085	329,937
Deferred grant obligation, non-current portion	-	35,000
Total liabilities	537,085	364,937
Net assets:		
Without donor restrictions:		
Undesignated	1,453,331	981,575
Designated by the Board	3,979,384	2,354,267
Invested in property and equipment, net	2,932,337	2,845,967
Total net assets without donor restrictions	8,365,052	6,181,809
With donor restrictions:		
Perpetual in nature	933,950	933,950
Time-restricted for future periods	450,000	600,000
Purpose restrictions	1,285,353	408,160
Subject to appropriation and expenditure	78,413	38,875
Total net assets with donor restrictions	2,747,716	1,980,985
Total net assets	11,112,768	8,162,794
Total liabilities and net assets	<u>\$ 11,649,853</u>	<u>\$ 8,527,731</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, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues and support:			
Contributions	\$ 1,464,962	\$ 1,993,658	\$ 3,458,620
Special events	1,060,946	-	1,060,946
In-kind contributions	1,043,212	-	1,043,212
Government grants	626,608	-	626,608
Other grants	402,006	-	402,006
Grant - Paycheck Protection Program	378,285	-	378,285
Investment income, net	336,729	39,538	376,267
Development fundraising	76,540	-	76,540
United Way	55,410	-	55,410
Program service fees	24,139	-	24,139
Other revenues	17,670	-	17,670
Total revenues and support	5,486,507	2,033,196	7,519,703
Net assets released from restrictions	1,266,465	(1,266,465)	-
Total revenues and support	6,752,972	766,731	7,519,703
Expenses:			
Program services	3,591,316	-	3,591,316
Supporting services:			
General and administrative	320,509	-	320,509
Fund-raising	496,554	-	496,554
Special events - costs of direct donor benefits	161,350	-	161,350
Total expenses	4,569,729	-	4,569,729
Change in net assets	2,183,243	766,731	2,949,974
Net assets, beginning of year	6,181,809	1,980,985	8,162,794
Net assets, end of year	\$ 8,365,052	\$ 2,747,716	\$ 11,112,768

See independent auditor's report and  
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BOYS AND GIRLS CLUBS OF TUCSON, INC.

STATEMENT OF ACTIVITIES  
For the year ended December 31, 2020

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

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, 2021

	Program Services	General and Administrative	Fund- Raising	Total
Payroll and related expenses	\$ 1,767,778	\$ 210,767	\$ 201,711	\$ 2,180,256
Advertising	677,079	-	112,846	789,925
Supplies and club member meals	370,345	15,705	1,669	387,719
Depreciation	304,888	7,877	-	312,765
Professional fees	64,455	43,008	140,194	247,657
Repairs and maintenance	165,955	16,257	851	183,063
Utilities	58,349	923	-	59,272
Insurance	43,194	6,926	2,257	52,377
Telephone	31,678	7,113	7,323	46,114
Scholarships, awards and grants	42,808	-	-	42,808
Conferences and meetings	23,463	3,725	3,059	30,247
National and membership dues	16,400	2,486	3,296	22,182
Miscellaneous	2,751	3,225	14,875	20,851
Transportation	17,079	1,070	126	18,275
Printing and publication	4,816	787	6,769	12,372
Postage and shipping	278	640	1,578	2,496
Total functional expenses	<u>\$ 3,591,316</u>	<u>\$ 320,509</u>	<u>\$ 496,554</u>	<u>\$ 4,408,379</u>

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



## BOYS AND GIRLS CLUBS OF TUCSON, INC.

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

	Program Services	General and Administrative	Fund- Raising	Total
Payroll and related expenses	\$ 1,640,624	\$ 222,516	\$ 279,011	\$ 2,142,151
Supplies and club member meals	442,483	9,765	84,919	537,167
Professional fees	82,852	33,669	282,056	398,577
Advertising	248,503	-	41,417	289,920
Depreciation	267,968	7,652	-	275,620
Repairs and maintenance	150,599	22,845	1,186	174,630
Utilities	61,157	905	-	62,062
Insurance	44,012	7,337	2,332	53,681
Telephone	27,808	7,256	7,636	42,700
Conferences and meetings	22,947	5,616	3,843	32,406
Scholarships, awards and grants	24,856	-	-	24,856
National and membership dues	12,249	2,441	2,591	17,281
Miscellaneous	835	2,473	12,404	15,712
Transportation	12,584	1,579	337	14,500
Printing and publication	4,607	739	9,135	14,481
Postage and shipping	676	1,166	3,271	5,113
Total functional expenses	<u>\$ 3,044,760</u>	<u>\$ 325,959</u>	<u>\$ 730,138</u>	<u>\$ 4,100,857</u>

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

BOYS AND GIRLS CLUB OF TUCSON, INC.

STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,949,974	\$ 679,743
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	312,765	275,620
Change in allowance for net present value, unconditional promises to give	(15,885)	(2,379)
Net realized and unrealized gain on investments	(233,819)	(358,128)
Scheduled release of deferred grant obligation	(35,000)	(35,000)
Contributions restricted for capital purposes	(297,927)	(140,150)
Changes in operating assets and liabilities:		
Grants and contributions receivable	(650,353)	(81,905)
Unconditional promises to give	152,220	150,163
Prepaid expenses and other current assets	(15,896)	9,273
Accounts payable	178,283	13,144
Accrued expenses	(26,597)	71,193
Deferred revenue	55,462	8,879
Total adjustments	(576,747)	(89,290)
Net cash provided by operating activities	2,373,227	590,453
Cash flows from investing activities:		
Proceeds from sale of investments	867,931	1,490,660
Purchases of investments	(706,518)	(1,512,634)
Purchases of property and equipment	(364,135)	(235,200)
Net cash used in investing activities	(202,722)	(257,174)
Cash flows from financing activities:		
Contributions restricted for capital purposes	297,927	140,150
Net cash provided by financing activities	297,927	140,150
Change in cash and cash equivalents	2,468,432	473,429
Cash and cash equivalents, beginning of year	1,251,845	778,416
Cash and cash equivalents, end of year	\$ 3,720,277	\$ 1,251,845
Supplemental disclosure of non-cash investing and financing information:		
Scheduled release of deferred grant obligation	\$ 35,000	\$ 35,000

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, 2021 and 2020

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, 2021 and 2020 include \$3,979,384 and \$2,354,267 respectively, designated by the Board of Directors. See Note 13.
- 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, 2021 and 2020.

Investments

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

See independent auditor's report.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Grants and Contributions Receivable

Grants and contributions are recognized as revenue in the period in which the Club receives notification of a grant or contribution. The Club provides an allowance for doubtful accounts that is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. The allowance for doubtful accounts related to grants and contributions receivable was \$20,000 at December 31, 2021 and 2020.

Property and Equipment

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

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

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

Income Taxes

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

The Club's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of December 31, 2021, 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, 2021 and 2020

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,:

	2021	2020
Cash and cash equivalents	\$ 3,720,277	\$ 1,251,845
Grants and contributions receivable, net	855,469	205,116
Unconditional promises to give, current portion	150,000	152,220
Investments, current portion	3,338,124	3,155,740
Total financial assets available within one year	8,063,870	4,764,921
Less:		
Amounts unavailable for general expenditures within one year due to:		
Perpetual in nature	674,954	564,976
Purpose restrictions	1,285,353	408,160
Angel Charity collateral	126,851	128,264
Time-restricted for future periods	150,000	152,220
Total amounts unavailable for general expenditures within one year	2,237,158	1,253,620
Amounts unavailable to management without Board approval:		
Designated by the Board	3,979,384	2,354,267
Total financial assets available to management for general expenditure within one year	\$ 1,847,328	\$ 1,157,034

See independent auditor's report.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2021 and 2020

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 \$259,000 and \$369,000, respectively, at December 31, 2021 and 2020 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, 2021 and 2020, the Club had cash and investments in the amount of \$6,167,075 and \$4,081,311, 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, 2021 and 2020, the balances due on pledges for this campaign are scheduled to be paid in future years as follows:

	2021	2020
2021	\$ -	\$ 152,220
2022	150,000	150,000
2023	150,000	150,000
2024	150,000	150,000
Total unconditional promises to give	450,000	602,220
Less interest component at 3.25%	(18,552)	(34,437)
Unconditional promises to give, net	431,448	567,783
Less current portion	(150,000)	(152,220)
Non-current portion	\$ 281,448	\$ 415,563

6. Investments

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

	2021	2020
Mutual funds	\$ 2,677,927	\$ 2,510,427
Corporate bonds	258,996	368,974
Stocks	660,197	645,313
Total investments	3,597,120	3,524,714
Less current portion	(3,338,124)	(3,155,740)
Investments, non-current portion	\$ 258,996	\$ 368,974

See independent auditor's report.

BOYS AND GIRLS CLUBS OF TUCSON, INC.

NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2021 and 2020

6. Investments, Continued

As discussed in Note 10, during June 2012, the Club executed a forgivable promissory note payable to Angel Charity for Children, Inc. In accordance with the terms of that agreement, investments at December 31, 2021 and 2020 include \$126,851 and \$128,264 pledged as collateral securing the note.

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

	2021	2020
Net realized and unrealized gain	\$ 233,819	\$ 358,128
Interest and dividend income	170,267	106,637
Investment expense	(27,819)	(25,593)
Investment income, net	<u>\$ 376,267</u>	<u>\$ 439,172</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, 2021 and 2020.

- *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, 2021 and 2020

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, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,677,927	\$ -	\$ -	\$ 2,677,927
Corporate bonds	258,996	-	-	258,996
Stock	660,197	-	-	660,197
Total assets	<u>\$ 3,597,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,597,120</u>

Assets at fair value as of December 31, 2020:

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

8. Property and Equipment

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

	2021	2020
Buildings and building improvements	\$ 9,114,533	\$ 8,833,534
Equipment	1,587,326	1,504,189
Statues	11,408	11,408
Vehicles	258,387	258,387
Total property and equipment	10,971,654	10,607,518
Less accumulated depreciation	(8,004,317)	(7,691,551)
Property and equipment, net	<u>\$ 2,967,337</u>	<u>\$ 2,915,967</u>

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

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8. Property and Equipment, Continued

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

9. Paycheck Protection Program Conditional Grant

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

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

On February 6, 2021, the Club executed a second note payable under the Paycheck Protection Program through the Small Business Administration in the amount of \$378,285. Under the terms of the agreement, there are no payments due for six months from the date the loan proceeds are disbursed. Interest will accrue at the rate of 1.0% per annum during the deferment period. The Club may apply for forgiveness of the amount due on the loan, including accrued interest, by providing documentation that the proceeds were used to fund eligible costs defined by the Paycheck Protection Program during either an eight or twenty-four week period beginning on the date the loan proceeds are disbursed. Any amount that is not forgiven will be payable, in full and including interest, on February 6, 2023; however the club may negotiate with the lender to extend the maturity date to February 6, 2026.

The Club is accounting for the proceeds as a conditional contribution under FASB ASC 958-605 *Not-for-Profit Entities – Revenue Recognition*. Under this guidance, the loan forgiveness is recognized as contribution revenue as the conditions of forgiveness are substantially met. On March 4, 2022, the Club was notified by the lender that the Small Business Administration had forgiven the entire loan amount. As a result, the Club has recognized grant revenue in the amount of \$378,285 for the year ended December 31, 2021.

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10. Deferred Grant Obligation

During the year ended December 31, 2011, Angel Charity for Tucson, Inc. (Angel Charity) made a \$350,000 pledge to the Club to support the renovation at the Roy Drachman Clubhouse. During June 2012, the Club executed a non-recourse, non-interest-bearing promissory note in favor of Angel Charity in the amount of \$350,000. The note is secured by investments pledged as collateral in the amount of \$126,851 and \$128,264, respectively, at December 31, 2021 and 2020. 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.

11. Summary of Special Events

The Club's special event activities for the year ended December 31, 2021 consist of:

	Revenue	Expenses	Net
Olson Dinner, including in-kind donations of \$19,637	\$ 826,982	\$ 84,099	\$ 742,883
Parties with a Purpose	79,201	1,000	78,201
Steak and Burger, including in-kind donations of \$61,200	154,763	76,251	78,512
	<u>\$ 1,060,946</u>	<u>\$ 161,350</u>	<u>\$ 899,596</u>

Special event expenses for the year ended December 31, 2021 include \$161,350 of direct donor benefit costs as reported on the statement of activities.

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

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

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

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12. In-Kind Contributions

During the years ended December 31, 2021 and 2020, the Club recognized in-kind contributions, excluding those associated with special events, consisting of:

	2021	2020
Advertising	\$ 789,925	\$ 289,920
Supplies and club member meals	158,224	195,752
Professional services	95,063	306,165
Total in-kind contributions	<u>\$ 1,043,212</u>	<u>\$ 791,837</u>

13. Board-Designated Net Assets

Board-designated net assets consist of the following at December 31,:

	2021	2020
Designated by the Board for endowment	\$ 2,598,395	\$ 2,354,267
Cash reserve	630,989	-
Facilities reserve	750,000	-
	<u>\$ 3,979,384</u>	<u>\$ 2,354,267</u>

14. Net Assets With Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purpose:		
Clubhouse operations	\$ 666,406	\$ -
Education and mental health	217,586	-
Computer lab programs	113,249	100,619
Capital improvements for clubhouses	80,274	41,013
Scholarships and Keystone programs	62,862	54,447
Arts, crafts and music programs	26,639	29,158
Graduate for MAS	24,150	26,671
Miscellaneous programs	22,269	27,671
Sports equipment and activities	22,162	18,910
Money matters	21,408	16,953
Power hour	14,323	5,294
Training teen drivers	8,025	3,500
STEM	6,000	14,948
COVID related expenses	-	32,997
Clubhouse staff training	-	25,000
Vehicle operations	-	6,264
Workforce development	-	3,500
Holiday funding	-	1,215
	<u>1,285,353</u>	<u>408,160</u>

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14. Net Assets With Donor Restrictions, Continued

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

	2021	2020
Subject to the passage of time:		
Operations	450,000	600,000
Endowments:		
Subject to appropriation and expenditure:		
Accumulated endowment earnings	78,413	38,875
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>1,012,363</u>	<u>972,825</u>
Total net assets with donor restrictions	<u>\$ 2,747,716</u>	<u>\$ 1,980,985</u>

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2021:

	Contributions	Investment income	Releases
Subject to expenditure for specified purpose:			
Clubhouse operations	\$ 680,000	\$ -	\$ (13,594)
Education and mental health	247,000	-	(29,414)
Computer lab programs	118,615	-	(105,985)
Capital improvements for clubhouses	297,927	-	(258,666)
Scholarships and Keystone programs	51,223	-	(42,808)
Arts, crafts and music programs	32,435	-	(34,954)
Graduate for MAS	50,000	-	(52,521)
Miscellaneous programs	72,317	-	(77,719)
Sports equipment and activities	68,400	-	(65,148)
Money matters	11,500	-	(7,045)
Power hour	57,500	-	(48,471)
Training teen drivers	5,000	-	(475)
STEM	28,000	-	(36,948)
COVID related expenses	267,500	-	(300,497)
Clubhouse staff training	-	-	(25,000)
Vehicle operations	-	-	(6,264)
Workforce development	-	-	(3,500)
Holiday funding	6,241	-	(7,456)
	<u>1,993,658</u>	<u>-</u>	<u>(1,116,465)</u>

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14. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2021 (continued):

	Contributions	Investment income	Releases
Subject to the passage of time	-	-	(150,000)
Endowments:			
Subject to appropriation and expenditure:			
Accumulated earnings			
Youth of the Year scholarships	-	39,538	-
	<u>\$ 1,993,658</u>	<u>\$ 39,538</u>	<u>\$ (1,266,465)</u>

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

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

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15. Lease Commitments

The Club leases with equipment under lease agreements with expiration dates ranging from March 2022 to May 2023. Rent expense under these agreements was \$8,380 and \$8,950, respectively, during the years ended December 31, 2021 and 2020. Future minimum lease payments under these agreements are:

Year ended December 31,	
2022	\$ 3,120
2023	350
Total future minimum lease payments	<u>\$ 3,470</u>

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

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16. Endowment Funds, Continued

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, 2021 and 2020, there were no funds with deficiencies.

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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,598,395	\$ -	\$ 2,598,395
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	-	78,413	78,413
	<u>\$ 2,598,395</u>	<u>\$ 1,012,363</u>	<u>\$ 3,610,758</u>

Changes in endowment net assets for the year ended December 31, 2021 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, December 31, 2020	\$ 2,354,267	\$ 972,825	\$ 3,327,092
Investment income	336,729	39,538	376,267
Contributions and transfers	72,228	-	72,228
Appropriations and expenditures	(164,829)	-	(164,829)
Balance, December 31, 2021	<u>\$ 2,598,395</u>	<u>\$ 1,012,363</u>	<u>\$ 3,610,758</u>

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16. Endowment Funds, Continued

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

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

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

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

17. 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 \$16,179 and \$13,980, respectively, during the years ended December 31, 2021 and 2020.

18. Subsequent Events

The Club was unaware of any subsequent events as of June 29, 2022, the date the financial statements were available to be issued.

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