

Boys & Girls Clubs of Greater Kansas City

Financial Report
December 31, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
Boys & Girls Clubs of Greater Kansas City

We have audited the accompanying financial statements of Boys & Girls Clubs of Greater Kansas City, which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities and changes in net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Greater Kansas City as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2021, on our consideration of Boys & Girls Clubs of Greater Kansas City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boys & Girls Clubs of Greater Kansas City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys & Girls Clubs of Greater Kansas City's internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri
June 25, 2021

Boys & Girls Clubs of Greater Kansas City

**Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents:		
Operating	\$ 179,305	\$ 228,138
Designated cash	117,702	79,059
Total cash and cash equivalents	297,007	307,197
Certificate of deposit	216,861	216,300
Investments, at fair value	1,411,390	1,316,418
Promises to give, net	545,594	819,953
Grants and other receivables	483,036	448,232
Cash restricted for capital improvements	2,947,819	2,596,177
Promises to give, net, restricted for capital campaign	881,668	673,916
Property and equipment, net	12,221,945	11,164,610
Other assets	80,715	45,787
	\$ 19,086,035	\$ 17,588,590
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 796,274	\$ 564,162
Deferred rent	48,481	54,501
Other deferred revenue	376,019	597,812
Long-term debt	-	648,450
Total liabilities	1,220,774	1,864,925
Net assets:		
Without donor restrictions:		
Undesignated	13,013,256	10,783,499
Board-designated	1,003,328	933,221
Total without donor restrictions	14,016,584	11,716,720
With donor restrictions	3,848,677	4,006,945
Total net assets	17,865,261	15,723,665
	\$ 19,086,035	\$ 17,588,590

See notes to financial statements.

Boys & Girls Clubs of Greater Kansas City

**Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 3,236,226	\$ 1,986,857	\$ 5,223,083
Government grants	2,814,948	-	2,814,948
Special events:			
Gross revenue	2,159,369	-	2,159,369
Cost of direct benefits to donors	(647,160)	-	(647,160)
Net special event income	1,512,209	-	1,512,209
Membership dues	182,067	-	182,067
Rental income	296,595	-	296,595
Investment return, net	35,558	52,712	88,270
Summer school	209,189	-	209,189
Forgiveness of Paycheck Protection Program	832,300	-	832,300
Other income	108,129	-	108,129
Net assets released from restrictions	2,197,837	(2,197,837)	-
	3,861,675	(2,145,125)	1,716,550
Total support and revenue	11,425,058	(158,268)	11,266,790
Expenses:			
Program services	7,138,782	-	7,138,782
Supporting services:			
Fundraising	633,082	-	633,082
Management and general	1,353,330	-	1,353,330
Total supporting services	1,986,412	-	1,986,412
Total expenses	9,125,194	-	9,125,194
Change in net assets	2,299,864	(158,268)	2,141,596
Net assets, beginning of year	11,716,720	4,006,945	15,723,665
Net assets, end of year	\$ 14,016,584	\$ 3,848,677	\$ 17,865,261

See notes to financial statements.

Boys & Girls Clubs of Greater Kansas City

**Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 3,633,251	\$ 902,831	\$ 4,536,082
Government grants	1,753,225	-	1,753,225
Special events:			
Gross revenue	2,239,921	-	2,239,921
Cost of direct benefits to donors	(909,346)	-	(909,346)
Net special event income	1,330,575	-	1,330,575
Membership dues	97,403	-	97,403
Rental income	287,489	-	287,489
Investment return, net	26,850	139,929	166,779
Summer school	387,470	-	387,470
Other income	154,862	-	154,862
Net assets released from restrictions	1,541,661	(1,541,661)	-
	<u>2,495,735</u>	<u>(1,401,732)</u>	<u>1,094,003</u>
Total support and revenue	9,212,786	(498,901)	8,713,885
Expenses:			
Program services	6,639,700	-	6,639,700
Supporting services:			
Fundraising	764,815	-	764,815
Management and general	1,314,476	-	1,314,476
Total supporting services	2,079,291	-	2,079,291
Total expenses	8,718,991	-	8,718,991
Change in net assets	493,795	(498,901)	(5,106)
Net assets, beginning of year	11,222,925	4,505,846	15,728,771
Net assets, end of year	<u>\$ 11,716,720</u>	<u>\$ 4,006,945</u>	<u>\$ 15,723,665</u>

See notes to financial statements.

Boys & Girls Clubs of Greater Kansas City

**Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 2,910,159	\$ 779,925	\$ 367,328	\$ 4,057,412
Employee benefits	853,875	198,129	117,362	1,169,366
Occupancy	1,329,137	55,635	39,920	1,424,692
Depreciation	785,755	34,163	34,163	854,081
Professional fees	256,872	108,452	19,422	384,746
Food and beverage	372,852	5,485	201	378,538
Supplies	303,984	26,746	3,046	333,776
Dues and contributions	1,688	43,214	488	45,390
Transportation	61,053	8,479	3,300	72,832
Postage	1,713	3,475	1,359	6,547
Printing and publications	2,001	655	2,176	4,832
Equipment rental/maintenance	12,452	5,916	2,526	20,894
Marketing and advertising	82,500	23	37,079	119,602
Interest, bank and credit card fees	-	73,559	232	73,791
Telephone and communication	41,988	6,219	4,281	52,488
Training	96,217	2,431	199	98,847
Miscellaneous	26,536	824	-	27,360
Total expenses included in expense section on the statement of activities	7,138,782	1,353,330	633,082	9,125,194
Add expenses included with revenues on the statement of activities	-	-	647,160	647,160
Total expenses	\$ 7,138,782	\$ 1,353,330	\$ 1,280,242	\$ 9,772,354

See notes to financial statements.

Boys & Girls Clubs of Greater Kansas City

**Statement of Functional Expenses
Year Ended December 31, 2019**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 2,799,120	\$ 745,701	\$ 385,097	\$ 3,929,918
Employee benefits	519,673	159,552	100,678	779,903
Occupancy	1,349,758	52,118	40,671	1,442,547
Depreciation	884,545	18,428	18,428	921,401
Professional fees	222,260	123,892	163,456	509,608
Food and beverage	274,409	41,993	951	317,353
Supplies	244,442	35,584	6,927	286,953
Dues and contributions	38,042	2,973	2,526	43,541
Transportation	115,815	16,145	14,506	146,466
Postage	1,249	1,246	1,117	3,612
Printing and publications	727	2,095	4,217	7,039
Equipment rental/maintenance	11,357	3,502	3,569	18,428
Marketing and advertising	5,823	-	10,813	16,636
Interest, bank and credit card fees	701	95,914	-	96,615
Telephone and communication	35,017	8,930	7,934	51,881
Training	112,979	5,712	3,812	122,503
Miscellaneous	23,783	691	113	24,587
Total expenses included in expense section on the statement of activities	6,639,700	1,314,476	764,815	8,718,991
Add expenses included with revenues on the statement of activities	-	-	909,346	909,346
Total expenses	\$ 6,639,700	\$ 1,314,476	\$ 1,674,161	\$ 9,628,337

See notes to financial statements.

Boys & Girls Clubs of Greater Kansas City

Statements of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 2,141,596	\$ (5,106)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	854,081	921,401
Net realized and unrealized gain on investments	(217,500)	(252,704)
Gain on extinguishment of Paycheck Protection Program loan	(832,300)	-
(Increase) decrease in:		
Certificates of deposit	(561)	(621)
Promises to give	66,607	172,192
Grants and other receivables	(34,804)	(57,595)
Other assets	(34,928)	(30,738)
Increase (decrease) in:		
Deferred rent	(6,020)	(3,951)
Other deferred revenue	(221,793)	280,833
Accounts payable and accrued expenses	232,112	34,801
Net cash provided by operating activities	1,946,490	1,058,512
Cash flows from investing activities:		
Purchases of investments	-	(196,777)
Proceeds from sale of investments	122,528	224,938
Purchase of property and equipment	(1,911,416)	(337,604)
Net cash used by investing activities	(1,788,888)	(309,443)
Cash flows from financing activities:		
Proceeds from borrowings on line of credit	-	725,000
Proceeds from Paycheck Protection Program loan	832,300	-
Repayment of borrowings on line of credit	-	(725,000)
Repayment of long-term debt	(648,450)	(19,050)
Net cash provided by (used in) financing activities	183,850	(19,050)
Net change in cash and cash equivalents	341,452	730,019
Cash and cash equivalents, beginning of year	2,903,374	2,173,355
Cash and cash equivalents, end of year	\$ 3,244,826	\$ 2,903,374
Supplemental disclosures of cash flow information:		
Interest paid	\$ 36,160	\$ 33,381
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 297,007	\$ 307,197
Restricted cash (assets restricted for long-term purposes or from capital campaigns)	2,947,819	2,596,177
Total cash, cash equivalents and restricted cash	\$ 3,244,826	\$ 2,903,374

See notes to financial statements.

Boys & Girls Clubs of Greater Kansas City

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

Organization: Boys & Girls Clubs of Greater Kansas City (the Clubs) is a Missouri nonprofit corporation organized to promote educational, vocational, social, character and leadership development of youth. The aim is to help young people improve their lives by building self-esteem and developing values and skills during critical periods of growth. The Clubs' donors and program participants are mainly located in the Kansas City, Missouri, metropolitan area's toughest neighborhoods, serving nearly 8,000 disadvantaged kids ages 5 to 18. The long-term goal of the Clubs' programs is to ensure members have the skills they need to graduate high school and pursue college, vocational training, or a career. The Clubs' comprehensive programs fall into four core areas: education and career development, including the arts; public speaking, character and leadership development; healthy lifestyles; and technology. The Clubs have programs available during the school year as well as in the summer. In the summer, the Clubs are open more hours of the day, including contracting with the local school districts to expand certain programs using certified teachers.

Advertising: The Clubs expense advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2020 and 2019, were \$119,602 and \$16,636, respectively.

Basis of accounting: The Clubs prepare their financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and cash equivalents: For purposes of the statements of cash flows, cash consists of cash, cash restricted for long-term purposes or from capital campaigns, cash designated for maintenance reserve, non-interest-bearing checking accounts and short-term money market investments with current maturities of three months or less.

Certificate of deposit: A certificate of deposit of approximately \$216,000 was held by the Clubs at December 31, 2020 and 2019. It is carried at cost in the statements of financial position, having an original maturity of 210 days and interest rate of 0.20% and 0.25% at December 31, 2020 and 2019, respectively. On October 22, 2020, the Clubs renewed their certificate of deposit for an additional 210 days. On May 20, 2021, the Clubs renewed their certificate of deposit for an additional 210 days.

Concentration of credit risk: The Clubs maintain their cash and cash equivalents in financial institutions located in the greater Kansas City, Missouri, area. At times during the year, some of the Clubs' balances exceed federally insured limits. The Clubs have not experienced any losses in these accounts in the past, and management believes the Clubs are not exposed to significant credit risks as they periodically evaluate the strength of the financial institutions in which the Clubs deposit funds.

Donated goods and services: A substantial number of volunteers have donated thousands of hours of their time during the years ended December 31, 2020 and 2019, which do not meet the requirements of contributions under *FASB Accounting Standards Codification* (ASC) Subtopic 958-605 and, accordingly, are not recorded in these financial statements. Donated use of facilities, materials and services, and assets are reflected as contributions at their estimated fair value at the date of receipt. No significant contributions of such goods or services were received during the years ended December 31, 2020 and 2019.

Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts 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.

Boys & Girls Clubs of Greater Kansas City

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Functional expenses: The Clubs allocate expenses on a functional basis among the various programs and supporting services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the program or supporting service, requiring allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, occupancy and depreciation, which are allocated on the basis of estimates of time and effort.

Grants and other receivables: Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad-debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. There was no allowance recorded at December 31, 2020 or 2019.

Income taxes: The Clubs are classified as tax-exempt under section 501(c)(3) of the Internal Revenue Code (the Code) and do not incur income taxes. In addition, the Clubs have been classified as a publicly supported organization, which is not a private foundation within the meaning of section 509(a)(1) of the Code.

The Clubs have adopted ASC Subtopic 740-10 as it might apply to the Clubs' financial transactions. The Clubs' policy is to record a liability for any tax position that is beneficial to the Clubs, including any related interest and penalties, when it is more likely than not that the position taken by management with respect to the transaction or class of that transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2020 and 2019, and accordingly, no liability has been accrued.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value. Unrealized gains and losses are included in investment return in the accompanying statements of activities. The Clubs report investment return restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Net assets: Net assets, revenue, 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 are available for use in general operations and not subject to donor or certain grantor restrictions. They also include any designations by the governing board.

Net assets with donor restrictions: Net assets are subject to donor- or certain grantor-imposed 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 Clubs report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a 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 statements of activities as net assets released from restrictions.

Boys & Girls Clubs of Greater Kansas City

Notes to Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Promises to give: The Clubs record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumption that market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

Management determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2020 and 2019, no allowance was considered to be needed.

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Property and equipment: Property and equipment is stated at cost at the date of acquisition or fair value at date of donation, over a nominal amount, in the case of gift. If donors stipulate how long the assets must be used, the contributions are recorded as donor-restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as net assets without donor restrictions. Maintenance and repairs are charged to expense as incurred. When an item of property or equipment is sold or retired, the related cost is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. Lives for depreciation are as follows:

Buildings and improvements	10-30 years
Furniture and equipment	3-10 years
Vehicles	3-5 years

Revenue recognition: The Clubs earn revenues predominantly through contributions, government grants and special events. In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-19, *Revenue from Contracts with Customers (Topic 606)*. This requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to the customers. The standard replaced most existing revenue recognition guidance under U.S. GAAP. This standard also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. Due to the nonreciprocal nature of contributions and the Clubs' current government grants, these revenue streams are not considered contracts with customers and therefore do not fall under the guidance of ASC 606. See below for additional disclosures.

Revenue from contracts with customer is derived primarily from tickets and sponsorships purchased for special events. The related performance obligation is satisfied at a point in time when the event occurs. As of December 31, 2020 and 2019, gross special event revenue was \$2,159,369 and \$2,239,921, respectively. Amounts received for special events are deferred to the applicable period in which the related event occurs and are classified as liabilities on the statements of financial position. At December 31, 2020 and 2019, there was \$305,105 and \$476,250, respectively, of deferred revenue related to special events. Associated accounts receivable for special events as of December 31, 2020 and 2019, were \$0 and \$100,833, respectively, and allowance for doubtful accounts for special events was \$0 at December 31, 2020 and 2019.

Boys & Girls Clubs of Greater Kansas City

Notes to Financial Statements

Note 2. Liquidity and Availability of Resources

The Clubs regularly monitor liquidity to meet their annual operating needs and other commitments while also striving to maximize the return on investment of their funds not required for annual operations. As of December 31, 2020 and 2019, the following financial assets are available to meet annual operating needs of the 2020 and 2021 fiscal years:

	December 31	
	2020	2019
Assets at year-end:		
Cash and cash equivalents	\$ 297,007	\$ 307,197
Certificates of deposit, at cost	216,861	216,300
Investments, at fair value	1,411,390	1,316,418
Promises to give, net	545,594	819,953
Grants and other receivables, no allowance for doubtful accounts	483,036	448,232
Cash restricted for capital improvements	2,947,819	2,596,177
Promises to give, net, restricted for capital campaign	881,668	673,916
Property and equipment, net	12,221,945	11,164,610
Other assets	80,715	45,787
Total assets	19,086,035	17,588,590
Less amounts not available to be used within one year:		
Nonfinancial assets:		
Prepaid expense	40,188	21,460
Property and equipment, net	12,221,945	11,164,610
Total assets	12,262,133	11,186,070
Contractual or donor-imposed restrictions:		
Promises to give, net, restricted for capital campaign	881,668	673,916
Cash restricted for capital improvements	2,947,819	2,596,177
Assets held in perpetuity	6,683	6,683
Assets held in escrow	334,563	295,359
Investments donor-restricted for scholarships	570,179	517,466
Total contractual or donor-imposed restrictions	4,740,912	4,089,601
Board reserve and foundation funds not authorized for expenditure within one year:		
Investments Board-designated for scholarships	603,368	580,241
Total Board-designated not authorized for expenditure within one year	603,368	580,241
Financial assets not available to be used within one year	17,606,413	15,855,912
Financial assets available to meet general expenditures within one year	\$ 1,479,622	\$ 1,732,678

Boys & Girls Clubs of Greater Kansas City

Notes to Financial Statements

Note 2. Liquidity and Availability of Resources (Continued)

The Clubs receive significant contributions restricted by donors and consider contributions restricted for programs which are ongoing, major and central to their annual operations to be available to meet cash needs for general expenditures. The Clubs manage their liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Clubs have cash flow fluctuations with heavy receipts in the first and fourth quarters of the calendar year, while the expenses are heaviest in the second and third quarters. In order to meet these ongoing needs, the Clubs have a reserve fund and a line of credit to draw upon during any shortfalls. These resources are approximately 20% of the Clubs' operating budget.

Note 3. Fair Value Measurements of Assets and Liabilities

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

Level 1: Inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities.

Level 2: Inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means.

Level 3: Inputs are unobservable and reflect assumptions on the part of the reporting entity.

Fair value on a recurring basis: The tables below present the balances of assets measured at fair value on a recurring basis at December 31, 2020 and 2019:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 72,065	\$ -	\$ -	\$ 72,065
Mutual funds—equity	802,462	-	-	802,462
Mutual funds—fixed income	471,466	-	-	471,466
Beneficial interest in community foundation	-	65,397	-	65,397
	<u>\$ 1,345,993</u>	<u>\$ 65,397</u>	<u>\$ -</u>	<u>\$ 1,411,390</u>
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 93,945	\$ -	\$ -	\$ 93,945
Mutual funds—equity	827,676	-	-	827,676
Mutual funds—fixed income	337,176	-	-	337,176
Beneficial interest in community foundation	-	57,621	-	57,621
	<u>\$ 1,258,797</u>	<u>\$ 57,621</u>	<u>\$ -</u>	<u>\$ 1,316,418</u>

Boys & Girls Clubs of Greater Kansas City

Notes to Financial Statements

Note 3. Fair Value Measurements of Assets and Liabilities (Continued)

The fair value of investments in pooled equity investments and pooled fixed-income funds is based on their reported net asset values (NAV) per share as a practical expedient. The funds that the Clubs have invested in these accounts may be liquidated upon request and are thus classified as Level 2.

The following is a description of the valuation methodology used for Level 2 fair value measurements. There have been no changes in the methodology used for the years ended December 31, 2020 and 2019.

Beneficial interest in community foundation: NAV is provided by the community foundation, taking into account the Clubs' proportionate net asset share in investment pools. The value of the pools is derived from the fair value of investments within those pools, which are valued using a combination of various methodologies depending upon the type of investment within the pool. As allowed by ASC Subtopic 820-10-35-54B, the entire interest is classified within Level 2 of the fair value hierarchy as the Clubs have the ability to immediately redeem their investment in the beneficial interest in assets held by others in the near term, as a request to liquidate the entire balance of the beneficial interest could take up to only 90 days to liquidate the balance.

Note 4. Promises to Give

Promises to give consisted of the following unconditional promises to give at December 31, 2020 and 2019:

	December 31	
	2020	2019
Capital campaign	\$ 900,807	\$ 730,666
Restricted to future periods	602,170	837,503
	<u>1,502,977</u>	<u>1,568,169</u>
Less unamortized discount	(75,715)	(74,300)
Total promises to give, net	<u>\$ 1,427,262</u>	<u>\$ 1,493,869</u>
Amounts due in:		
Less than one year	\$ 889,953	\$ 1,026,853
One to five years	613,024	541,316
Total	<u>\$ 1,502,977</u>	<u>\$ 1,568,169</u>

Discount rates ranged from 2.04% to 4.21% for the years ended December 31, 2020 and 2019.

There were no conditional promises to give as of December 31, 2020. Conditional promises to give as of December 31, 2019, were \$133,000 and were conditioned upon meeting various donor stipulation and allowing the donor to unilaterally revoke the grant.

Boys & Girls Clubs of Greater Kansas City

Notes to Financial Statements

Note 5. Grants and Other Receivables

Grants and other receivables consisted of the following at December 31, 2020 and 2019:

	December 31	
	2020	2019
Summer school program	\$ 105,136	\$ 201,107
Government grants	248,693	142,106
Other receivables	129,207	105,019
Total grants and other receivables	<u>\$ 483,036</u>	<u>\$ 448,232</u>

Note 6. Property and Equipment

Property and equipment includes the following at December 31, 2020 and 2019:

	December 31	
	2020	2019
Land and land improvements	\$ 1,063,070	\$ 1,063,070
Buildings and improvements	25,951,041	24,424,832
Furniture and equipment	1,501,107	1,467,620
Vehicles	403,258	401,123
Construction in progress	375,618	78,194
	<u>29,294,094</u>	<u>27,434,839</u>
Accumulated depreciation	(17,072,149)	(16,270,229)
Total property and equipment	<u>\$ 12,221,945</u>	<u>\$ 11,164,610</u>

Total depreciation expense was \$854,081 and \$921,401 for the years ended December 31, 2020 and 2019, respectively.

Note 7. Line of Credit

The Clubs have a \$750,000 line of credit with a financial institution, secured by endowment assets. Borrowings under the line bear interest at the UMB Bank prime rate (3.25% at December 31, 2020). The variable rate resets at the beginning of each calendar quarter. All outstanding principal and interest was due upon maturity at June 5, 2020. The line was renewed on June 5, 2020, with no other terms changed.

Note 8. Long-Term Debt

The Clubs' long-term debt consists of the following:

	December 31	
	2020	2019
Promissory note dated December 19, 2018, secured by real estate principal and interest payments of \$4,534 due monthly until December 2023; interest rate of 5.270%.	\$ -	\$ 648,450
Long-term debt	<u>\$ -</u>	<u>\$ 648,450</u>

Boys & Girls Clubs of Greater Kansas City

Notes to Financial Statements

Note 8. Long-Term Debt (Continued)

The Clubs were subject to certain covenants contained in the loan agreement. At December 31, 2020, there was no outstanding debt. At December 31, 2019, the Clubs were in compliance with those covenants. However, the financial institution required audited financial statements to be submitted within 90 days of calendar year-end, for which the Clubs obtained a waiver applicable to all of 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law and is meant to address the economic fallout from the COVID-19 pandemic. In connection, the Clubs received a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan for \$832,300 in April 2020. Proceeds from this loan were used for the retention of employees and maintaining payroll. The Clubs received notice of the forgiveness of the loan from the SBA in November 2020. Proceeds from the loan are recorded as a gain on forgiveness of Paycheck Protection Program loan on the statement of activities.

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following for the years ended December 31, 2020 and 2019:

	December 31	
	2020	2019
Held in perpetuity:		
Scholarships for club memberships and college	\$ 6,683	\$ 6,683
Time-restricted:		
Promises to give	545,594	819,953
	<u>545,594</u>	<u>819,953</u>
Time- and purpose-restricted:		
Capital campaign—Legacy	881,668	673,916
	<u>881,668</u>	<u>673,916</u>
Purpose-restricted:		
Scholarships for club memberships and college	570,179	517,466
General operations and salaries	172,408	111,064
Capital campaign—Legacy	1,672,145	1,877,863
	<u>2,414,732</u>	<u>2,506,393</u>
Total net assets with donor restrictions	<u>\$ 3,848,677</u>	<u>\$ 4,006,945</u>

Boys & Girls Clubs of Greater Kansas City

Notes to Financial Statements

Note 9. Net Assets With Donor Restrictions (Continued)

The sources of net assets released from net assets with donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors were as follows for the years ended December 31:

	December 31	
	2020	2019
Expiration of time restrictions	\$ 235,333	\$ 1,245,792
Funds restricted for healthy lifestyles	-	55,000
Funds restricted for capital campaign	1,962,504	240,869
Net assets released from restrictions	<u>\$ 2,197,837</u>	<u>\$ 1,541,661</u>

Note 10. Board-Designated Net Assets

Board-designated net assets consist of the following for the years ended December 31, 2020 and 2019:

	December 31	
	2020	2019
Scholarships for club memberships and college	\$ 603,368	\$ 580,241
Operating reserve	117,702	79,059
Replacement reserves and deposits held for others	282,258	273,921
Total Board-designated net assets	<u>\$ 1,003,328</u>	<u>\$ 933,221</u>

Note 11. Endowments

The Clubs' endowment consists of a donor-restricted fund and a Board-designated fund, both held for the purpose of providing membership dues and college scholarships. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Clubs' Board of Directors has interpreted the Missouri-enacted version of Uniform State Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Clubs retain in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Clubs in a manner consistent with the standard of prudence prescribed by UPMIFA.

Boys & Girls Clubs of Greater Kansas City

Notes to Financial Statements

Note 11. Endowments (Continued)

The Clubs consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment net asset composition by type of fund as of December 31, 2020 and 2019, are as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 6,683	\$ 6,683
Board-designated endowment funds	603,368	-	603,368
Total funds	<u>\$ 603,368</u>	<u>\$ 6,683</u>	<u>\$ 610,051</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 6,683	\$ 6,683
Board-designated endowment funds	580,241	-	580,241
Total funds	<u>\$ 580,241</u>	<u>\$ 6,683</u>	<u>\$ 586,924</u>

Changes in endowment net assets for the years ended December 31, 2020 and 2019, are as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 580,241	\$ 6,683	\$ 586,924
Investment return, net	13,028	-	13,028
Other changes:			
Transfers to create Board-designated endowment funds	11,854	-	11,854
Distribution from Board-designated endowment pursuant to spending policy	(1,755)	-	(1,755)
Endowment net assets, end of year	<u>\$ 603,368</u>	<u>\$ 6,683</u>	<u>\$ 610,051</u>

Boys & Girls Clubs of Greater Kansas City

Notes to Financial Statements

Note 11. Endowments (Continued)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 519,071	\$ 6,683	\$ 525,754
Investment return, net	81,213	-	81,213
Other changes:			
Transfers to create Board-designated endowment funds	720	-	720
Distribution from Board-designated endowment pursuant to spending policy	(20,763)	-	(20,763)
Endowment net assets, end of year	<u>\$ 580,241</u>	<u>\$ 6,683</u>	<u>\$ 586,924</u>

Spending policy: The Clubs have a combined 4% maximum spending policy of appropriating for distribution each year of the donor-restricted portion of the endowment's fair value and of the Board-designated portion of the endowment's fair value. In establishing this policy, the Clubs considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Clubs expect the current spending policy to allow this endowment fund to grow at an average of 5% annually. This is consistent with the Clubs' objective to maintain the historic dollar value of the endowment assets as well as to provide additional growth through investment return.

Investment return objectives, risk parameters and strategies: To achieve that objective, the Clubs have adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a variety of equity mutual funds that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make the annual distributions while growing the fund if possible. The Clubs have established the following ranges by investment type: equities—40% to 70%; fixed income—15% to 60%; cash and equivalents—0% to 30%; and alternative assets—0% to 15%. The Clubs expect their endowment assets, over time, to produce an average rate of return over inflation, as measured by the Consumer Price Index, of approximately 5% annually, after fees. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocations between asset classes and strategies are managed to not expose the fund to unacceptable risks.

Note 12. Lease Commitments (The Clubs as Lessee)

The Clubs have operating lease agreements for office space expiring March 2025 and for certain office equipment expiring December 2023. Future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

	Office	Equipment	Total
Years ending December 31:			
2021	\$ 140,175	\$ 95,708	\$ 235,883
2022	142,244	15,708	157,952
2023	144,313	15,708	160,021
2024	146,382	-	146,382
2025	36,725	-	36,725
Totals	<u>\$ 609,839</u>	<u>\$ 127,124</u>	<u>\$ 736,963</u>

Boys & Girls Clubs of Greater Kansas City

Notes to Financial Statements

Note 12. Lease Commitments (The Clubs as Lessor) (Continued)

Total rental expense under operating leases with terms in excess of one month amounted to \$305,461 and \$335,793 for the years ended December 31, 2020 and 2019, respectively.

The Clubs rent a portion of the "Thornberry Unit" to a school. The lease calls for rent in the amount of \$1.00 per month. In addition, the school is required to pay additional rent equal to the allocated expenses of the property. The lease is for 30 years but also has two optional 10-year renewal terms. Total rent received was \$296,595 and \$287,489 for the years ended December 31, 2020 and 2019, respectively.

Note 13. Defined Contribution Plan

The Clubs have a defined contribution plan covering substantially all full-time employees who have completed at least one year of service. In addition to matching participants' contributions 100% up to 5% based on qualifying wages, the Clubs may make additional discretionary match. No discretionary contributions were made in 2020 or 2019. The 401(k) match was \$103,815 and \$84,521 for the years ended December 31, 2020 and 2019, respectively.

Note 14. Recent Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in ASC Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal year 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period present in the financial statements, with certain practical expedients available. The Clubs are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

Note 15. Related-Party Transactions

Upon his retirement in May 2018, the Clubs entered into three contracts with the former CEO of the Clubs for the purpose of providing transitional CEO services, providing capital campaign fundraising services, and overseeing a program new to the Clubs in 2018. Total amounts incurred in relation to these contracts was approximately \$76,027 and \$104,000 in 2020 and 2019, respectively.

Note 16. Subsequent Events

The Clubs evaluated subsequent events through June 25, 2021, which is the date the financial statements were available to be issued.