

**Boys and Girls Clubs of Metro
Denver, Inc.**

Financial Statements

September 30, 2020

With Comparative Totals for September 30, 2019

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Independent Auditor's Report

Board of Directors Boys and Girls Clubs of Metro Denver, Inc.

We have audited the accompanying financial statements of the Boys and Girls Clubs of Metro Denver, Inc., which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of Metro Denver, Inc. as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Board of Directors
Boys and Girls Clubs of Metro Denver, Inc.**

Report on Summarized Comparative Information

We have previously audited Boys and Girls Clubs of Metro Denver, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kundinger, Corder & Engle, P.C.

January 13, 2021

Boys and Girls Clubs of Metro Denver, Inc.
Statement of Financial Position
September 30, 2020
(With Summarized Information for September 30, 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 7,860,168	4,788,611
Contributions and grants receivable, net (notes 3 and 7)	1,193,507	1,244,757
Accounts receivable	83,790	110,641
Prepaid expenses and other assets	102,303	223,685
Investments (note 4)	29,810,957	21,923,415
Other assets restricted for investment in endowment	-	60,000
Property and equipment, net (note 5)	19,039,369	18,737,457
Land lease deposit (note 11)	227,500	230,000
Interest in the net assets of the Boys and Girls Clubs of Metro Denver Foundation (notes 7 and 10)	8,336,203	8,007,711
Total assets	\$ 66,653,797	55,326,277
Liabilities and Net Assets		
Accounts payable	\$ 288,244	276,894
Accrued expenses	1,345,838	998,645
Deferred revenue	868,966	537,324
Paycheck Protection Program loan (note 12)	1,854,190	-
Bond payable (note 6)	1,000,000	1,000,000
Total liabilities	5,357,238	2,812,863
Net assets (notes 7, 8, and 10)		
Without donor restrictions		
Property and equipment	19,039,369	18,737,457
Undesignated	12,918,037	6,503,423
Designated	1,778,220	1,724,441
Net assets without donor restrictions	33,735,626	26,965,321
With donor restrictions		
Held by Boys and Girls Clubs of Metro Denver, Inc.	19,224,730	17,540,382
Held by Boys and Girls Clubs of Metro Denver Foundation	8,336,203	8,007,711
Net assets with donor restrictions	27,560,933	25,548,093
Total net assets	61,296,559	52,513,414
Commitments (note 9)		
Total liabilities and net assets	\$ 66,653,797	55,326,277

See the accompanying notes to the financial statements.

Boys and Girls Clubs of Metro Denver, Inc.
Statement of Activities
Year Ended September 30, 2020
(With Summarized Information for the Year Ended September 30, 2019)

	2020		2019	
	Without Donor Restriction	With Donor Restriction	Total	Total
Revenue, gains and support				
Contributions and grants				
Foundations, corporations, and individuals	\$ 10,468,294	3,630,349	14,098,643	6,851,852
Governmental grants	1,028,618	1,847,613	2,876,231	2,298,647
Boys and Girls Clubs of Metro				
Denver Foundation (note 10)	360,000	-	360,000	345,000
Contract revenue	1,306,499	-	1,306,499	666,273
Donated goods, services, and facilities (note 1(j))	1,763,542	-	1,763,542	2,024,274
Raffle revenue	6,591,409	-	6,591,409	4,665,416
Raffle prizes	(1,688,810)	-	(1,688,810)	(1,559,780)
Special events revenue	829,358	-	829,358	1,782,638
Less direct expenses	(68,156)	-	(68,156)	(429,595)
Net investment return	232,775	1,221,261	1,454,036	795,503
Other income	216,895	-	216,895	239,261
Gain (loss) on disposal of assets	(14,566)	-	(14,566)	534,732
Net assets released (note 7)	5,014,875	(5,014,875)	-	-
Total revenue, gains, and support	<u>26,040,733</u>	<u>1,684,348</u>	<u>27,725,081</u>	<u>18,214,221</u>
Expenses				
Program Services				
Academic Success	4,304,363	-	4,304,363	3,908,827
Character and Leadership	3,449,736	-	3,449,736	3,317,231
Healthy Lifestyles	5,541,400	-	5,541,400	4,994,464
Total program services	<u>13,295,499</u>	<u>-</u>	<u>13,295,499</u>	<u>12,220,522</u>
Supporting Services				
Mangement and general	1,902,421	-	1,902,421	1,489,266
Resource development	1,146,891	-	1,146,891	1,288,378
Raffle	2,112,417	-	2,112,417	1,355,042
Total supporting services	<u>5,161,729</u>	<u>-</u>	<u>5,161,729</u>	<u>4,132,686</u>
Total expenses before depreciation	<u>18,457,228</u>	<u>-</u>	<u>18,457,228</u>	<u>16,353,208</u>
Change in net assets before depreciation expense and the change in net assets of Foundation				
	7,583,505	1,684,348	9,267,853	1,861,013
Depreciation and amortization	(813,200)	-	(813,200)	(785,951)
Change in net assets held by Foundation	-	328,492	328,492	211,637
Change in net assets	<u>6,770,305</u>	<u>2,012,840</u>	<u>8,783,145</u>	<u>1,286,699</u>
Net assets, beginning of year	<u>26,965,321</u>	<u>25,548,093</u>	<u>52,513,414</u>	<u>51,226,715</u>
Net assets, end of year	<u>\$ 33,735,626</u>	<u>27,560,933</u>	<u>61,296,559</u>	<u>52,513,414</u>

See the accompanying notes to the financial statements.

Boys and Girls Clubs of Metro Denver, Inc.
Statement of Functional Expenses
Year Ended September 30, 2020
(With Summarized Information for the Year Ended September 30, 2019)

	Program Services				Supporting Services				2020 Total Expenses	2019 Total Expenses
	Academic Success	Character and Leadership	Healthy Lifestyles	Total	Management and General	Resource Development	Raffle	Total		
Expenses										
Compensation	\$ 3,077,883	2,289,973	3,248,913	8,616,769	1,250,013	849,360	-	2,099,373	10,716,142	9,516,534
Professional services	156,126	139,482	163,134	458,742	517,353	184,478	1,492,887	2,194,718	2,653,460	1,684,876
Pass-through grants	179,256	179,256	1,016,376	1,374,888	-	-	-	-	1,374,888	488,265
Supplies	293,420	269,037	331,339	893,796	51,821	26,310	228,919	307,050	1,200,846	1,454,692
Occupancy	445,098	432,352	458,169	1,335,619	45,192	12,062	-	57,254	1,392,873	1,281,990
Communications	24,912	24,317	34,603	83,832	11,935	8,891	-	20,826	104,658	325,967
Travel and transportation	24,170	23,390	31,653	79,213	3,561	-	-	3,561	82,774	175,838
Scholarships	8,885	1,199	1,199	11,283	-	-	-	-	11,283	18,578
Special events	-	-	-	-	-	112,752	-	112,752	112,752	540,739
Raffle prizes	-	-	-	-	-	-	1,688,810	1,688,810	1,688,810	1,559,780
Food service	28,770	27,234	185,509	241,513	796	-	-	796	242,309	815,360
Insurance	54,824	53,212	60,132	168,168	8,989	-	-	8,989	177,157	187,011
Other	11,019	10,284	10,373	31,676	12,761	21,194	390,611	424,566	456,242	292,953
Total expenses before depreciation	4,304,363	3,449,736	5,541,400	13,295,499	1,902,421	1,215,047	3,801,227	6,918,695	20,214,194	18,342,583
Expenses netted against revenue										
Special events	-	-	-	-	-	(68,156)	-	(68,156)	(68,156)	(429,595)
Raffle prizes	-	-	-	-	-	-	(1,688,810)	(1,688,810)	(1,688,810)	(1,559,780)
Net expenses before depreciation	4,304,363	3,449,736	5,541,400	13,295,499	1,902,421	1,146,891	2,112,417	5,161,729	18,457,228	16,353,208
Depreciation and amortization	223,218	223,218	223,218	669,654	143,546	-	-	143,546	813,200	785,951
Net expenses after depreciation	\$ 4,527,581	3,672,954	5,764,618	13,965,153	2,045,967	1,146,891	2,112,417	5,305,275	19,270,428	17,139,159

See the accompanying notes to the financial statements.

Boys and Girls Clubs of Metro Denver, Inc.
Statement of Cash Flows
Year Ended September 30, 2020
(With Summarized Information for the Year Ended September 30, 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	8,783,145	1,286,699
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Change in net assets held by Foundation	(328,492)	(211,637)
Depreciation	810,700	783,451
Amortization of land lease	2,500	2,500
Realized and unrealized gain on investments	(659,779)	(1,208,207)
Contributions restricted for endowment	(49,252)	-
(Gain) loss on disposal of fixed assets	14,566	(534,732)
Investment return on endowment assets	(361,490)	-
Change in operating assets and liabilities		
Contributions and grants receivable	51,250	262,058
Accounts receivable	26,851	-
Prepaid expenses and other assets	121,382	(139,043)
Accounts payable and accrued expenses	358,543	195,177
Deferred revenue	331,642	141,000
Net cash provided by operating activities	<u>\$ 9,101,566</u>	<u>577,266</u>
Cash flows from investing activities		
Purchase of property and equipment	(1,184,182)	(153,318)
Proceeds from sale of property and equipment	-	1,257,667
Insurance proceeds from disposal of property and equipment	57,004	-
Net sales (purchases) of investments	(7,227,763)	282,306
Net cash provided by (used in) investing activities	<u>(8,354,941)</u>	<u>1,386,655</u>
Cash flows from financing activities		
Proceeds from life insurance policy restricted for endowment	109,252	-
Proceeds from Paycheck Protection Program loan	1,854,190	-
Investment income on endowment assets	361,490	161,920
Net cash provided by financing activities	<u>2,324,932</u>	<u>161,920</u>
Net increase in cash and cash equivalents	3,071,557	2,125,841
Cash and cash equivalents, beginning of year	<u>4,788,611</u>	<u>2,662,770</u>
Cash and cash equivalents, end of year	<u>\$ 7,860,168</u>	<u>4,788,611</u>
Supplemental cash flow information		
Interest paid	<u>\$ 10,000</u>	<u>10,000</u>

See the accompanying notes to the financial statements.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements

September 30, 2020

(1) Summary of Significant Accounting Policies

(a) Organization

Boys and Girls Clubs of Metro Denver, Inc. (BGCMD) is a non-profit Colorado corporation that provides young people, ages 6 – 18, with quality programming during their out-of-school hours (after school, summer, weekends, and school breaks) and offers activities and services to address the needs of the whole child and their family. The programming offered through BGCMD helps youth each year achieve academic success, live healthy lifestyles, and develop good character and leadership skills. The organization operates twenty-two neighborhood centers serving youth and families, and one residential summer camp. Seven locations are freestanding Clubs and fifteen locations are school-based clubs.

In response to COVID-19 and the related school closures, public safety orders and CDC guidance, BGCMD pivoted its services to focus on distribution and delivery of food and essential supplies, and on providing online programming to our club members. BGCMD also opened remote learning centers at some locations to allow kids to access their virtual classrooms, provide mental health supports, address food insecurity through meal distribution and provide wrap-around enrichment programming such as physical activity, arts & crafts, and homework help. Whenever possible, BGCMD maintained its core programming with the addition of health screening, social distancing, reduced adult-to-child ratios, and rigorous cleaning protocols.

BGCMD members participate in the following program areas:

Character and Leadership

Developing good character and demonstrating leadership skills are critical for young people to succeed in school and in life. BGCMD's Character and Leadership programs challenge kids to be community-minded, and empower them by demonstrating how they can affect change by working together.

Keystone Clubs are BGCMD's most dynamic teen program. These chartered small-group leadership and service clubs are for youth ages 14-18, with activities focused in six areas: service to Club and community, leadership development, education and career exploration, unity, free enterprise, and social recreation.

Torch Clubs are small-group leadership and service clubs for youth ages 11-13 focusing on character development. Torch Clubs are focused on four areas: service to Club and community, education, health and fitness, and social recreation.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(a) Organization, Continued

Character and Leadership, Continued

Youth of the Year (YOY) is a recognition and awards program that acknowledges outstanding members in the Clubs. The YOY program helps young people develop their leadership and communication skills through an extensive application and interview process that is held during the annual competition. Junior (10-13 years old) and Senior (14-18 years old) Youths of the Month can compete at a Club and City level. Senior winners can advance to the state, regional, and national competition. Youth of the Year is BGCMD's highest honor.

Youth for Unity is a diversity education program designed to combat prejudice and intolerance.

Academic Success

Education and career development enables youth to become proficient in basic educational disciplines, apply learning to everyday situations and learn skills to achieve success in a career. BGCMD staff use all program areas to create opportunities for high-yield learning activities, including leisure reading, writing activities, discussions with knowledgeable adults, helping others, homework help, tutoring, and games like Scrabble that develop cognitive skills. BGCMD also emphasizes parent involvement and collaboration between staff and school professionals as critical factors in creating the best after-school learning environment possible.

Healthy Lifestyles

BGCMD focuses on health and life skills programming for all BGCMD members by educating young people that informed decisions about health and social issues can mean the difference between a life with limited options, and a life filled with hope. Programs include drug, alcohol, tobacco and early onset sexual activity prevention, positive decision making, healthy habits, exercise, nutrition, diversity, gender specific issues, and conflict resolution.

Outdoor education programming seeks to expose Club members to the resources available to them in urban and wilderness environments through experiential learning activities. Activities such as outdoor rock climbing, snowboarding, skiing, snowshoeing, ice-skating, camping, geocaching, fishing, mountain biking, rafting, and hands-on educational experiences heighten participants' awareness of outdoor activities and resources available to them not only in their Club neighborhoods, but in the great Colorado wilderness.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Financial Statement Presentation

BGCMD is required to report information regarding its financial position and activities according to the following net asset classes:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of BGCMD. These net assets may be used at the discretion of BGCMD's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of BGCMD or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(d) Cash and Cash Equivalents

BGCMD considers all highly liquid investments with an original maturity of three months or less, and which are not held by investment managers as a part of an investment portfolio or restricted by donors for long-term purposes, to be cash equivalents.

(e) Concentrations of Credit Risk

Financial instruments which potentially subject BGCMD to concentrations of credit risk consist of cash and temporary investments, and investments in equity securities and alternative assets. BGCMD places its cash and temporary investments with creditworthy, high quality financial institutions. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of BGCMD. At September 30, 2020, a portion of BGCMD's cash and temporary investments are not insured.

Credit risk with respect to receivables is limited due to the number and credit worthiness of the government entities, individuals and organizations from whom the amounts are due.

(f) Revenue Recognition

Contributions and Grants

Contributions and grants are recognized when cash, securities, and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend are substantially met.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Revenue Recognition, Continued

Contributions and grants received are recorded as contributions without donor restrictions or contributions with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. BGCMD uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made.

Contracts

Contract revenue is recognized in the period in which the related service is provided. Cash received but not yet earned is reported as deferred revenue.

Raffle and Special Event Revenue

Revenue from the raffle and fundraising events are recognized during the period in which the raffle or special event are held. Cash received but not yet earned is reported as deferred revenue.

(g) Investments

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position. Fair value is more fully described in note 1(h). Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

Investment return consists of BGCMD's distributive share of any interest, dividends, and capital gains and losses generated from investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Fair Value Measurements

Fair value is defined as 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. Generally accepted accounting principles in the U.S. establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

In addition, certain investments are reported using the "practical expedient" method. The practical expedient method allows net asset value per share or its equivalent to represent fair value for reporting purposes when the criteria for using this method are met. Investments valued using net asset value per share or its equivalent are not categorized within the hierarchy.

The carrying amount reported in the statement of financial position for cash and cash equivalents, contributions and grants receivable, accounts receivable, and accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Fair Value Measurements, Continued

The market value for investments held by Boys and Girls Clubs of Metro Denver Foundation (the Foundation) on behalf of BGCMD represents BGCMD's pro-rata interest in the investments held by the Foundation. The Foundation's investments consist primarily of marketable securities valued using quoted market prices in active markets. The Foundation is also invested in an investment pool with four other unrelated foundations. The pooled investments include alternative investments whereby the market value is based on information reported by investment managers. The funds in the investment pool are in liquidation. Alternative investments are not publicly traded on national security exchanges, are generally illiquid, and may be valued differently should readily available markets exist for such investments. Because of inherent uncertainties of the valuation of alternative investments, the recorded market values of such investments may differ significantly from realizable values.

(i) Property and Equipment

Property and equipment are stated at cost at the date of purchase or, if donated, at the approximate fair market value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from five to forty years. It is BGCMD's policy to capitalize all fixed asset purchases over \$1,500 with an estimated useful life greater than one year, and to expense normal repairs and maintenance as incurred. When assets are sold, retired or otherwise disposed of, the applicable costs are removed from the accounts and any resulting gain or loss is recognized. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

(j) Donated Goods, Services and Facilities

During the year ended September 30, 2020, BGCMD received donated goods and materials with a fair market value totaling \$816,021. These donations are recorded as in-kind revenue program expenses in the accompanying statement of activities. Donated goods and material received in 2020 consisted of the following:

Supplies, toys, non-capitalized furniture and equipment	\$ 593,201
Food for Kid's Café and other programs	<u>222,820</u>
	\$ <u>816,021</u>

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by BGCMD. During the year ended September 30, 2020, BGCMD received and recognized as revenue donated services totaling \$29,141. Contributed professional services have been recorded as program expenses in the accompanying statement of activities.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Donated Goods, Services and Facilities, Continued

BGCMD leases various facilities for use in its programs under no cost or below market value lease agreements. The estimated fair value of the free use of facilities under these lease agreements is \$918,380.

Many individuals volunteer their time and perform a variety of tasks that assist BGCMD with specific assistance programs and fundraising events. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under generally accepted accounting principles.

(k) Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. BGCMD incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. BGCMD also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(l) Advertising

BGCMD uses advertising to promote its fundraising efforts. The production costs of advertising are expensed as incurred. During the year ended September 30, 2020, BGCMD incurred advertising expense of \$703,115.

(m) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

(n) Income Taxes

BGCMD is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. Income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income during 2020.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(n) Income Taxes, Continued

Management is required to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. BGCMD is subject to routine audits by taxing jurisdictions. Management believes the organization is no longer subject to income tax examinations for years prior to September 30, 2017.

(o) Subsequent Events

BGCMD's financial statements were available to be issued on January 13, 2021 and this is the date through which subsequent events were evaluated. The COVID-19 outbreak has caused significant business disruption through mandated and voluntary closures of businesses in the United States. As a result of the pandemic, BGCMD was required to close many of its Club locations in March 2020, but has subsequently re-opened several locations with new restrictions in place. Other economic uncertainties have arisen which may negatively impact the level of governmental funding available to BGCMD in the future.

(p) Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with BGCMD's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

(q) New Accounting Pronouncement

During 2020, BGCMD adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU No. 2018-08 have been implemented in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU No. 2018-08.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(r) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassification had no effect on net assets or the change in net assets.

(2) Availability and Liquidity of Financial Assets

The following represents BGCMD's financial assets as of September 30, 2020, that are available for expenditure for on-going programs and general operations within one year.

Financial assets available to fund general operations:	
Cash and cash equivalents	\$ 7,860,168
Contributions and grants receivable for on-going programs and general operations	1,193,507
Accounts receivable	83,790
Investments	<u>29,810,957</u>
Total financial assets	38,948,422
Less financial assets not available within the year ending September 30, 2021:	
Restricted endowments	12,322,709
Other funds to be held in perpetuity	2,092,423
Funds restricted for capital replacements	2,994,474
Funds restricted for scholarships	562,661
Board-designated Funds	<u>1,778,220</u>
Total financial assets not available	19,750,487
Plus other funds subject to appropriation for expenditure:	
Fiscal year 2021 estimated distributions from the Foundation	360,000
Fiscal year 2021 estimated Endowment distributions	<u>378,000</u>
Total financial assets available for expenditure within one year	\$ <u>19,935,935</u>

General expenditures include administrative, program, and fundraising expenses incurred in the conduct of ongoing activities. BGCMD's activities are sustained primarily through contributions, governmental grants and contracts, raffles and special events, and distributions from the Foundation. BGCMD anticipates collecting sufficient revenue in 2021 to cover general expenditures not covered by the above available financial assets. BGCMD considers donor restricted contributions for ongoing programs to be available for expenditure, provided they are available for expenditure within the next twelve months.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(2) Availability and Liquidity of Financial Assets, Continued

As part of its liquidity management, BGCMD has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. BGCMD invests cash in excess of daily requirements in short-term investments and money market funds. As discussed in note 8, BGCMD maintains certain donor restricted endowments for the benefit of specific clubs. In addition, the Boys and Girls Clubs of Metro Denver Foundation holds endowment funds for the benefit of BGCMD (see note 10).

(3) Contributions and Grants Receivable

Contributions and grants receivable are comprised of the following:

Contributions and grants receivable	\$ 838,507
Receivable from Boys and Girls Clubs of Metro Denver Foundation	<u>360,000</u>
Total contributions and grants receivable	1,198,507
Less allowance for doubtful accounts	<u>(5,000)</u>
Net contributions and grants receivable	\$ <u>1,193,507</u>

Contributions and grants receivable are scheduled to be collected as follows:

Due in less than one year	\$ 1,098,507
Due in more than one year	<u>100,000</u>
Total contributions and grants receivable	\$ <u>1,198,507</u>

A discount to net present value has not been included in the financial statements as the discount would be immaterial to the financial statements as a whole.

Governmental grants included in contribution and grant revenue are treated as contributions that are conditioned upon specific performance requirements and the incurrence of allowable qualifying expenses. Consequently, at September 30, 2020, conditional contributions totaling \$2,537,695 related to these grants have not been recognized in the accompanying financial statements.

BGCMD has received contributions and grants from foundations, corporations, and individuals that are also considered conditional grants. These multi-year grants include a right of return and are conditioned upon meeting specific barriers before funding will be disbursed. At September 30, 2020, the following conditional contributions have not been recognized in the accompanying financial statements because the conditions have not been met:

Conditioned upon meeting specific milestones	\$ 1,071,601
Conditioned upon the operating success of the following:	
Broncos branch	1,325,429
Churchill Owen branch	<u>200,000</u>
Total conditional contributions	\$ <u>2,597,030</u>

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(4) Investments

Investments include investments held by BGCMD and investments held by the Boys and Girls Clubs of Metro Denver Foundation on behalf of BGCMD. Investments consist of the following at September 30, 2020:

Equity mutual funds:		
Domestic	\$	9,053,469
International		5,106,808
Bond funds		8,376,464
Cash and money market		1,144,620
Perpetual trust held by third party		155,118
Riverbend Fund, LLC		1,778,625
Investments held and managed by the Boys and Girls Clubs of Metro Denver Foundation		<u>4,195,853</u>
	\$	<u>29,810,957</u>

The following table summarizes, with the exception of those investments valued using net asset value per share (or its equivalent), the valuation of BGCMD's investments by the above fair value hierarchy levels as of September 30, 2020:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>NAV (a)</u>
Equity mutual funds	\$ 14,160,277	14,160,277	-	-
Bond funds	8,376,464	8,376,464	-	-
Cash and money market funds	1,144,620	1,144,620	-	-
Perpetual trust (b)	155,118	-	155,118	-
Riverbend Fund, LLC	1,778,625	-	1,778,625	-
Investments managed by the Foundation (c)	<u>4,195,853</u>	<u>-</u>	<u>-</u>	<u>4,195,853</u>
Total	\$ <u>29,810,957</u>	<u>23,681,361</u>	<u>1,933,743</u>	<u>4,195,853</u>

(a) Certain investments that are measured using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amount presented in this table is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(b) The investments held in the perpetual trust consist of marketable securities. The trust is held by a third party, from which BGCMD receives distributions but has no right to the principal. See also note 7.

(c) The investments held by the Foundation include equity and bond mutual funds and investments held in a co-mingled investment pool with four other unrelated foundations. The balance in the investment pool at September 30, 2020 totals \$129,385 and consists of alternative investments in the process of liquidation. Redemption periods are subject to the terms of the various agreements.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(4) Investments, Continued

All assets have been valued using a market approach. Fair values of assets in Level 1 are based on quoted prices in active markets. Fair values of assets in Level 2 are based on the value of the outstanding balance of mortgage notes and other assets held by the LLC, evaluated for collectability, and quoted market prices for similar assets in markets that are not active. There were no changes in valuation techniques during the current year.

(5) Property and Equipment

Property and equipment at September 30, 2020 consists of the following:

Land and improvements	\$ 984,365
Buildings and improvements	26,239,968
Furniture, equipment and vehicles	4,026,247
Other improvements	<u>129,162</u>
	31,379,742
Less accumulated depreciation	<u>(12,340,373)</u>
	\$ <u>19,039,369</u>

(6) Bond Payable

BGCMD issued a \$1,000,000 long-term investment bond to The Northern Trust Company on September 22, 2014, which was extended for an additional five years during 2019. BGCMD pays interest on the bond at the rate of 1% per annum. The bond is payable in full on September 22, 2024.

(7) Net Assets

Board-designated net assets consist of \$1,553,779 for a capital replacement reserve, and \$224,441 for the Legacy Club. The reserves are reported as net assets without donor restrictions in the accompanying financial statements.

Net assets subject to donor restrictions consist of the following at September 30, 2020:

Net assets subject to time and purpose restrictions	\$ 6,746,903
Endowment net assets	12,322,709
Beneficial interest in Anderson perpetual trust	155,118
Net assets held by Boys and Girls Clubs of Metro Denver Foundation (note 10)	<u>8,336,203</u>
Total net assets with donor restrictions	\$ <u>27,560,933</u>

The Anderson trust is held for BGCMD by the PNC Bank of New England. The earnings of the trust are restricted to use for scholarships based on merit and need; unrealized gains and losses are permanently restricted. There were no distributions from the Trust during fiscal year 2020.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(7) Net Assets, Continued

Net assets subject to time and purpose restrictions are as follows at September 30, 2020:

Cash on hand restricted for:	
Future periods or program expenditures	\$ 3,058,518
Scholarships	562,661
Contributions receivable restricted for:	
Future periods or program expenditures	131,250
Investments restricted for Johnson Club	
capital expenditures	<u>2,994,474</u>
Net assets subject to time and purpose restrictions	\$ <u>6,746,903</u>

During 2020, net assets were released from restrictions for the following expenditures:

Program (including endowment appropriations)	\$ 5,001,057
Scholarships	<u>13,820</u>
Total net assets released	\$ <u>5,014,877</u>

Net assets restricted for endowment consist of the following at September 30, 2020:

Wilfley Endowment Fund	\$ 1,219,327
Shopneck Endowment Fund	1,778,709
Helen and Arthur E. Johnson Endowment Fund	8,814,666
Unappropriated earnings on the Wilfley Endowment Fund	<u>510,007</u>
Total endowment net assets	\$ <u>12,322,709</u>

The Wilfley Endowment Fund is held by BGCMD Foundation. The earnings are restricted for general operating expenses of BGCMD facilities. Distributions are made in accordance with BGCMD's distribution policies.

The Shopneck Endowment Fund was established in December 2016 and consists of mortgage notes receivable and other assets held by the Riverbend Fund, LLC, of which BGCMD is the sole member. All earnings and contributions will be used to support operations of the Robert M. Shopneck Boys & Girls Club in Brighton, Colorado. All principal and interest earned during the first ten years from the date of the agreement will be used to increase the value of the fund. No distributions are allowed within the first ten years.

The Helen and Arthur E. Johnson Endowment Fund (the Fund) was established to support the general operations of the current Arthur E. Johnson Boys and Girls Club or a new facility that replaces the current Arthur E. Johnson Boys and Girls Club. The Fund is subject to BGCMD's endowment and distribution policies. Distributions may be made from the Fund without regard to the actual income or historic dollar value of the Fund.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(8) Endowments

BGCMD follows the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). BGCMD has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, BGCMD classifies as perpetual endowments (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified as a perpetual endowment represents amounts available for expenditure upon appropriation by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- (1) The duration and preservation of the fund
- (2) The purposes of BGCMD and the donor-restricted endowment funds
- (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 BGCMD resources
- (7) The investment policies of BGCMD.

Following are the changes in the endowment net assets for the year ended September 30, 2020:

Endowment net assets, beginning of year	\$ 11,590,850
Contributions	49,252
Investment return	980,412
Appropriation of endowment assets for expenditure	<u>(297,805)</u>
Endowment net assets, end of year	\$ <u>12,322,709</u>

Return Objectives and Risk Parameters

BGCMD has adopted investment and spending policies for endowment assets that attempt to provide a reasonable, predictable, stable and sustainable level of income that supports current needs and provides for growth in assets and income over time.

Strategies Employed for Achieving Objectives

To satisfy its objectives, BGCMD relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(8) Endowment, Continued

Distribution Policy and How the Investment Objectives Relate to Distribution Policy

Distributions are based on BGCMD's policy of appropriating for distribution each year 4.5% of the three year calendar year-end average fair market value of the fund. In establishing the distribution policy, management considered the long-term expected return on its endowment. This is consistent with the objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

(9) Employee Benefit Plan

BGCMD has a tax sheltered defined contribution retirement plan covering all full-time employees. Employees are eligible for the plan after completing one year of service. Employees may voluntarily contribute the maximum allowable by the Internal Revenue Code. In fiscal year 2020, BGCMD made a safe harbor contribution of 3% of the annual salaries of eligible participants and a discretionary matching contribution equal to a percentage of the participant's elective deferral, not to exceed 6% of eligible compensation. Participants are immediately vested in their pre-tax contributions and the employer's safe harbor contributions, plus actual earnings thereon. Vesting in the employer's matching contributions is based on years of service. A participant is 33% vested after one year of credited service, 67% vested after two years of credited service, and 100% vested after three years of credited service. Contributions to the plan during fiscal year 2020 were \$386,366.

Effective January 1, 2021, the plan was amended to change the safe-harbor contribution from 3% of the annual salaries of eligible participants to a 100% match on employee contributions up to 3% of eligible compensation, plus a 50% match on employee contributions above 3% and up to 5% of eligible compensation.

(10) Boys and Girls Clubs of Metro Denver Foundation

The Boys and Girls Clubs of Metro Denver Foundation (the Foundation) is a separate, tax exempt Colorado nonprofit organization established in 1983 with the transfer to the Foundation of certain assets of BGCMD. The Foundation was formed to benefit the activities and operations of BGCMD or other organizations designated by BGCMD as furthering its purposes and objectives. The Foundation is governed by a separate board of directors, the majority of whom are not members of BGCMD's board.

BGCMD follows the *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* standard of accounting. This standard requires a beneficiary organization, such as BGCMD, to report in its financial statements assets held for its benefit by an endowment organization, such as the Foundation, and to adjust its interest in such assets for the changes in net assets held by the Foundation, notwithstanding that BGCMD has no legal claim to such assets unless the Foundation distributes such assets to BGCMD. At September 30, 2020, the net assets of the Foundation were \$8,336,203.

Boys and Girls Clubs of Metro Denver, Inc.

Notes to Financial Statements, Continued

(10) Boys and Girls Clubs of Metro Denver Foundation, Continued

During the year ended September 30, 2020, BGCMD received a commitment from the Foundation for an unrestricted contribution totaling \$360,000 based on a formula established by the Foundation. The amount is included in contributions and grants receivable at September 30, 2020.

(11) Land Lease

BGCMD has a 99-year land lease for the site of the Nancy P. Anschutz Center. The lease was paid in advance in the amount of \$245,000 and is being amortized over 99 years. The balance of the lease deposit was \$227,500 at September 30, 2020. The lease can be renewed for an additional 99 years with annual payments of \$3,000.

(12) Paycheck Protection Program Loan

In April 2020, BGCMD received a \$1,854,190 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, this loan may be partially or fully forgiven if certain eligibility requirements are met, including that 60% of the loan must be spent on payroll. The loan is being treated as a conditional contribution until such time that the loan has been explicitly forgiven by the SBA. Therefore, the proceeds have been recognized as a refundable advance at September 30, 2020. The proceeds will be recognized as contribution revenue when BGCMD is notified that the loan has been forgiven.

In the case that the loan is not forgiven, the loan is payable in equal amounts required to fully amortize the principal amount outstanding on the note by the maturity date April 21, 2022. The loan is unsecured and interest is charged at 1.00% per annum.