



BOYS & GIRLS CLUBS
OF SOUTHEASTERN MICHIGAN

(A Michigan Non-Profit Corporation)

FINANCIAL STATEMENTS

December 31, 2019 and 2018

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

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INDEPENDENT AUDITOR'S REPORT

November 19, 2020

To the Board of Directors
Boys & Girls Clubs of Southeastern Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Boys & Girls Clubs of Southeastern Michigan ("B&GCSM," a Michigan non-profit Corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, as well as the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 B&GCSM'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 B&GCSM's internal control. Accordingly, we express no such opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility (continued)

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.

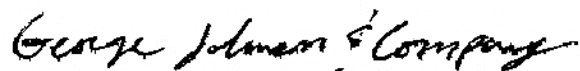
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of B&GCSM as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncements

As discussed in Note A, effective January 1, 2019, B&CGSM has adopted the provisions contained in Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.



CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 494,780	\$ 1,056,685
Contributions receivable – current portion (no allowance considered necessary) (Note C)	808,073	218,134
Accrued interest receivable	2,276	2,501
Prepaid expenses	22,148	23,345
	<u>1,327,277</u>	<u>1,300,665</u>
Total Current Assets		
Other Assets:		
Contributions receivable (net of current portion) (no allowance considered necessary) (Note C)	260,878	-0-
Investments (Note F)	1,301,183	1,116,879
Fixed assets (net of accumulated depreciation) (Note G)	5,435,774	5,169,391
	<u>6,997,835</u>	<u>6,286,270</u>
Total Other Assets		
Total Assets	<u><u>\$ 8,325,112</u></u>	<u><u>\$ 7,586,935</u></u>

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 340,489	\$ 195,066
Accrued pension (Note K)	5,064	9,243
Deferred revenue	7,664	10,224
Note payable – current portion (Note H)	32,564	31,596
	<u>385,781</u>	<u>246,129</u>
Total Current Liabilities		
Long-Term Liabilities:		
Note payable (net of current portion) (Note H)	47,845	80,409
	<u>47,845</u>	<u>80,409</u>
Total Liabilities		
	<u>433,626</u>	<u>326,538</u>
Net Assets:		
Net assets without donor restrictions:		
Board-designated for endowment (Note E)	258,380	80,857
Undesignated	6,171,385	5,546,669
	<u>6,429,765</u>	<u>5,627,526</u>
Total Net Assets without Donor Restrictions		
	6,429,765	5,627,526
Net assets with donor restrictions (Note B)	1,461,721	1,632,871
	<u>1,461,721</u>	<u>1,632,871</u>
Total Net Assets		
	<u>7,891,486</u>	<u>7,260,397</u>
Total Liabilities and Net Assets		
	<u><u>\$ 8,325,112</u></u>	<u><u>\$ 7,586,935</u></u>

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets without Donor Restrictions:		
Revenue and gains, net of losses:		
Direct contributions:		
Reimagine Campaign	\$ 2,267,731	\$ -0-
Individuals	164,372	432,877
Corporations	308,966	327,360
Foundations	108,491	457,730
Bequests and other direct contributions	1,528	5,776
Indirect contributions:		
United Way for Southeastern Michigan	13,982	165,951
Other United Way affiliates	48,885	28,771
In-kind contributions (Note I)	104,294	157,124
Federal and other grants	240,708	190,697
Special events, net (Note J)	731,631	1,074,168
Other fund raising events, net (Note J)	113,592	52,242
Interest and dividend income, net	20,561	19,128
Gain on sale of property	-0-	1,041,627
Net realized and unrealized gain (loss) on investments	178,442	(37,172)
Rental income	1,730	-0-
Membership dues and other income	81,681	150,057
	<u>4,386,594</u>	<u>4,066,336</u>
Total Revenue and Gains without Donor Restrictions, Net of Losses		
	<u>503,556</u>	<u>253,305</u>
Net assets released from restrictions (Note B)		
	<u>\$ 4,890,150</u>	<u>\$ 4,319,641</u>
Total Revenue, Gains, and Other Support without Donor Restrictions, Net of Losses		

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets without Donor Restrictions (continued):		
Expenses:		
Program services	\$ 2,635,661	\$ 2,564,599
Supporting services:		
Management and general	874,467	816,649
Fund raising	577,783	499,458
Total Supporting Services	1,452,250	1,316,107
Total Expenses	4,087,911	3,880,706
Change in Net Assets without Donor Restrictions	802,239	438,935
Changes in Net Assets with Donor Restrictions:		
Direct contributions:		
Individuals	80,406	36,776
Foundations and other direct contributions	252,000	289,740
Net assets released from restrictions (Note B)	(503,556)	(253,305)
Change in Net Assets with Donor Restrictions	(171,150)	73,211
Change in Net Assets	631,089	512,146
Net Assets, Beginning of Year	7,260,397	6,748,251
Net Assets, End of Year	\$ 7,891,486	\$ 7,260,397

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

	2019				Total Expenses	
	Supporting Services				2019	2018
	Program Services	Management and General	Fund Raising	Total Supporting Services		
Employee Compensation:						
Salaries and wages	\$ 1,141,119	\$ 467,672	\$ 261,896	\$ 729,568	\$ 1,870,687	\$ 1,832,263
Employee benefits and payroll taxes (Note K)	191,721	78,574	44,002	122,576	314,297	346,799
Total Employee Compensation	1,332,840	546,246	305,898	852,144	2,184,984	2,179,062
Other Expenses:						
Professional fees	141,318	165,514	78,157	243,671	384,989	453,757
Reimagine Campaign expenses	196,462	5,923	56,199	62,122	258,584	-0-
Supplies and postage	39,401	24,953	14,902	39,855	79,256	29,114
Utilities	206,562	13,417	13,215	26,632	233,194	257,078
Building equipment and maintenance	147,992	23,699	8,810	32,509	180,501	140,444
Insurance	120,615	16,784	10,736	27,520	148,135	158,145
Marketing and communications	17,523	5,935	70,417	76,352	93,875	14,447
Printing and subscriptions	1,709	2,278	5,711	7,989	9,698	13,888
Awards and scholarships	7,952				7,952	21,013
Transportation and conferences	58,859	8,703	5,682	14,385	73,244	54,915
Interest expense	2,950				2,950	57,923
Bank charges and fees	16,524	2,916		2,916	19,440	26,602
In-kind services (Note I)	87,904	8,585	7,805	16,390	104,294	157,124
Miscellaneous expenses	8,047	44,150	251	44,401	52,448	21,599
Total Expenses Before Depreciation	2,386,658	869,103	577,783	1,446,886	3,833,544	3,585,111
Depreciation (Note A)	249,003	5,364		5,364	254,367	295,595
Total Expenses	\$ 2,635,661	\$ 874,467	\$ 577,783	\$ 1,452,250	\$ 4,087,911	\$ 3,880,706

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fund Raising		
Employee Compensation:					
Salaries and wages	\$ 1,117,680	\$ 458,066	\$ 256,517	\$ 714,583	\$ 1,832,263
Employee benefits and payroll taxes (Note K)	211,547	86,700	48,552	135,252	346,799
Total Employee Compensation	1,329,227	544,766	305,069	849,835	2,179,062
Other Expenses:					
Professional fees	146,595	184,833	122,329	307,162	453,757
Supplies and postage	17,074	7,224	4,816	12,040	29,114
Utilities	219,988	19,735	17,355	37,090	257,078
Building equipment and maintenance	124,707	14,279	1,458	15,737	140,444
Insurance	129,904	17,079	11,162	28,241	158,145
Marketing and communications	100	1,040	13,307	14,347	14,447
Printing and subscriptions	879	1,767	11,242	13,009	13,888
Awards and scholarships	21,013				21,013
Transportation and conferences	42,882	7,220	4,813	12,033	54,915
Interest expense	57,923				57,923
Bank charges and fees	22,612	3,990		3,990	26,602
In-kind services (Note I)	140,519	8,698	7,907	16,605	157,124
Miscellaneous expenses	17,785	3,814		3,814	21,599
Total Expenses Before Depreciation	2,271,208	814,445	499,458	1,313,903	3,585,111
Depreciation (Note A)	293,391	2,204		2,204	295,595
Total Expenses	<u>\$ 2,564,599</u>	<u>\$ 816,649</u>	<u>\$ 499,458</u>	<u>\$ 1,316,107</u>	<u>\$ 3,880,706</u>

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash received from donors	\$ 2,459,996	\$ 1,987,909
Cash received from federal and other grantors	240,708	190,697
Cash received from fundraising events	842,663	1,136,634
Cash received from investment income	20,786	19,024
Cash received from other sources	2,330	-0-
Cash paid for employee compensation	(2,222,511)	(2,305,593)
Cash paid to suppliers and vendors	(1,361,348)	(1,140,433)
Cash paid for interest	(2,950)	(57,923)
Net Cash Flows from Operating Activities	<u>(20,326)</u>	<u>(169,685)</u>
Cash Flows from Investing Activities:		
Acquisition of fixed assets	(520,750)	(2,902)
Proceeds received on disposition of properties	-0-	2,088,728
Acquisition of investments	(501,722)	(130,608)
Proceeds received on disposition of investments	512,489	223,846
Net Cash Flows from Investing Activities	<u>(509,983)</u>	<u>2,179,064</u>
Cash Flows from Financing Activities:		
Repayments on notes payable	(31,596)	(632,995)
Repayments on line of credit	-0-	(500,000)
Net Cash Flows from Financing Activities	<u>(31,596)</u>	<u>(1,132,995)</u>
Change in Cash and Cash Equivalents	<u>(561,905)</u>	<u>876,384</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,056,685</u>	<u>180,301</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 494,780</u></u>	<u><u>\$ 1,056,685</u></u>
Schedule of Noncash Transactions:		
Acquisition of fixed assets under note payable	<u><u>\$ -0-</u></u>	<u><u>\$ 130,000</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose

Boys & Girls Clubs of Southeastern Michigan (“B&GCSM”) is a not-for-profit youth development organization providing a positive environment that enables its members to become responsible, self-reliant, caring adults. B&GCSM provides educational, recreational, social, and vocation programs for youths. B&GCSM receives contributions from individuals, corporations, foundations, governments (federal, state, and local), community groups (fraternal, civic, and social), special events (predominantly the Detroit Auto Dealers Association in connection with Detroit’s North American International Auto Show Charity Preview), and United Way organizations.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Adoption of New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. The objectives of ASU 2014-09 are to improve upon revenue recognition requirements by providing a single comprehensive model to determine the measurement of revenue and timing of recognition. The core principle is that an entity recognizes revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 also requires expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. B&GCSM adopted the provisions of ASU 2014-09 as of January 1, 2019, using the modified retrospective approach. The adoption of this pronouncement did not impact B&GCSM’s net assets or financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction by clarifying how an entity determines whether a resource provider is participating in an exchange transaction and clarifying the definition of “commensurate value”. ASU 2018-08 also modifies the definition of a “donor-imposed condition” so that the determination is based on whether an agreement includes both a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncements (continued)

ASU 2018-08 also permits an organization to elect a policy in which contributions that are restricted by the donor and that were initially conditional contributions are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized without also having to elect that policy for other contributions that are restricted by the donor. B&GCSM adopted the provisions of ASU 2018-08 as of January 1, 2019, using the modified prospective approach. The adoption of this pronouncement did not impact B&GCSM's net assets or financial statements.

Financial Statement Presentation

B&GCSM reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Tax-Exempt Status

B&GCSM is organized under section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation by the Internal Revenue Service. B&GCSM's management is not aware of any uncertain tax positions or unrecognized tax benefits as of December 31, 2019 or 2018.

Fair Value Measurements

B&GCSM uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. B&GCSM utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, B&GCSM applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value and provides specific disclosure requirements based on the hierarchy. Financial assets and liabilities are categorized into this three-level fair value hierarchy based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

The various levels of the fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that B&GCSM has the ability to access
- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Contributions

Contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions of cash and other assets, including unconditional promises to give in the future, are reported as support when received or when conditions related to a contractual promise to give are substantially met, measured at estimated realizable value. All contributions are considered to be available for general use unless specifically restricted by the donor. Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Upon the adoption of ASU 2014-09, revenue is measured based upon the consideration specified in a contract with a customer at the time when the related performance obligation is satisfied. A performance obligation is a promise in a contract to transfer a distinct good or service, or a series of distinct goods or services, to the customer. B&GCSM recognizes revenue when a performance obligation is satisfied by transferring control over a product or service to a customer. For merchandise sales, B&GCSM has determined control to be transferred at a point in time when the goods are provided to the customer. For federal and other grants, B&GCSM has determined control to be transferred over time as the service is provided to the customer. For the year ended December 31, 2019, recognition of revenue for B&GCSM subsequent to the adoption of ASU 2014-09 is substantially similar in amount and approach as in previous years.

Bequests

Bequests are recorded as support at the time B&GCSM has established a right to the bequest and the proceeds are measurable.

Cash Equivalents

B&GCSM considers all highly liquid investments purchased with an original maturity of three months or less from the date of purchase to be cash equivalents.

Contributions Receivable

B&GCSM reports unconditional promises to give as contributions. Contributions that are to be paid to B&GCSM over a period of years (all of which are due in one to five years as of December 31, 2019 and 2018) are recorded at a balance that approximates the present value of their estimated future cash flows. The discount rate used approximates the rate of return on U.S. government securities at the origination of each pledge and is commensurate with the risk management associated with the ultimate collection of the pledges.

Fixed Assets

Fixed assets are stated at their original cost if purchased or at their estimated value at the date of gift if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from four to ten years. B&GCSM capitalizes substantially all expenditures for property and equipment.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

B&GCSM allocates its expenses on a functional basis among its program and supporting services. Costs directly attributable to programs or supporting services are recorded in the appropriate function. Certain costs not directly attributable to a function are allocated to functions, including employee compensation, which is allocated based on time studies of the particular individuals, and occupancy, which is allocated based on square footage for each function.

Investments

B&GCSM's investments are stated at fair value. 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 (an exit price).

B&GCSM's investments are valued as follows:

- Stocks, bonds, U.S. government securities, and short-term investments are stated at quoted market prices.
- Shares of registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by B&GCSM as of the end of the year.
- Other investments are stated at fair value, based on observable model inputs for substantially the full term of the investments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

Purchases and sales of investments are reflected on a trade-date basis. Gains and losses on sales of securities are based on average costs. Dividend income is recorded on the ex-dividend date. Net appreciation and depreciation include gains and losses on investments bought and sold, as well as held, during the year. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the fair value of investments during the year.

Concentration of Credit Risk

Financial instruments which potentially subject B&GCSM to concentrations of credit risk consist principally of cash, cash equivalents, contributions receivable, and investments.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed the federally insured limit of \$250,000 per depositor at each financial institution. Cash and cash equivalents on deposit in excess of the federally insured limit as of December 31, 2019 approximated \$233,000. Contributions receivable are due from various organizations, located primarily in southeastern Michigan. As discussed in Note F, investments are diversified in stocks, bonds, U.S. government securities, registered investment companies, and short-term investments.

Reclassifications

Certain reclassifications have been made to the accompanying financial statements as of, and for the year ended, December 31, 2018 to conform to classifications used as of, and for the year ended, December 31, 2019.

Subsequent Events

B&GCSM has evaluated subsequent events through November 19, 2020, the date that the accompanying financial statements were available to be issued.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available as of December 31, 2019 and 2018 for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Restricted for specific purposes:		
Investment in perpetuity	\$ 1,033,359	\$ 1,033,359
Nicholas A. Showich Fund	54,995	56,789
Dauch Campus Club	50,000	111,430
Dick & Sandy Dauch Campus	50,000	100,000
Kosch Fund for Kitchen and Food	50,000	-0-
James McLernon Scholarship Fund	49,673	49,000
Allstate Youth for Unity program	25,000	41,256
RiteAid Triple Play program	30,000	30,000
Youth Program Quality	20,000	17,500
Dexter Family Scholarship Fund	18,288	20,112
Matilda R. Wilson Fund	-0-	75,000
Youth of the Year program	-0-	15,970
Comcast Technology at Donahey	-0-	10,000
DTE Workforce Readiness Program	-0-	9,409
Comcast Photography at Fauver Martin	-0-	8,000
Other purposes	-0-	18,270
	<u>1,381,315</u>	<u>1,596,095</u>
Restricted for use in future periods	<u>80,406</u>	<u>36,776</u>
	<u>\$ 1,461,721</u>	<u>\$ 1,632,871</u>

The interest income from investments to be held in perpetuity is available to support current operations, as outlined in the policies of the endowment fund.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished for the following purposes:		
Dauch Campus Club	\$ 161,430	\$ 3,570
Matilda R. Wilson Fund	75,000	75,000
Allstate Youth for Unity program	66,256	8,744
Dick & Sandy Dauch Campus	50,000	50,000
RiteAid Triple Play program	30,000	-0-
Youth Program Quality	17,500	-0-
Youth of the Year program	15,970	-0-
Comcast Photography at Fauver Martin	10,000	-0-
DTE Workforce Readiness Program	9,409	15,591
Comcast Technology at Donahey	8,000	-0-
Dexter Family Scholarship Fund	1,824	12,844
Nicholas A. Showich Fund	1,794	3,566
James McLernon Scholarship Fund	1,327	1,000
Lloyd H. Diehl Club renovation	-0-	61,000
Other purposes	18,270	21,990
	<u>466,780</u>	<u>253,305</u>
Time restrictions accomplished by passage of specified time	<u>36,776</u>	<u>-0-</u>
	<u>\$ 503,556</u>	<u>\$ 253,305</u>

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE C — CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 808,073	\$ 218,134
One to five years	<u>328,000</u>	<u>-0-</u>
	1,136,073	218,134
Less: Unamortized discount (at 4.75 percent)	<u>(67,122)</u>	<u>-0-</u>
	<u>\$ 1,068,951</u>	<u>\$ 218,134</u>

Changes in the contributions receivable balance include pledges paid off early, interest recognized for the year, and changes in pledge due dates.

NOTE D — CONDITIONAL PROMISES TO RECEIVE

B&GCSM periodically obtains conditional promises to receive from various foundations. These promises to receive are contingent upon meeting certain conditions stipulated by the donors. Conditional promises to receive are recognized when the conditions on which they depend are substantially met. B&GCSM has a conditional promise to receive from a foundation totaling \$1,619,000 as of December 31, 2019 for which payment is dependent on B&GCSM raising \$2 in matching contributions for each \$1 provided by the foundation. Subsequent to December 31, 2019, the foundation waived this condition for the next scheduled \$500,000 installment; as of November 19, 2020, the entire promise to receive of \$1,619,000 has been received.

NOTE E — ENDOWMENT FUND

B&GCSM has established an endowment fund that includes both funds with donor restrictions and funds designated by B&GCSM's Board of Directors to function as endowments. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Contributions to the endowment fund with donor restrictions include stipulations that the original principal of the gifts is to be held in perpetuity and invested by B&GCSM. Income from the fund is to be used to support ongoing operations.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE E — ENDOWMENT FUND (CONTINUED)

B&GCSM's policy is to allocate funds from the endowment fund to defray the ordinary and necessary operating expenses of B&GCSM on an annual basis. The allocation is limited to a maximum of seven percent of the fair value of the total assets held in the endowment fund as of December 31 of the previous year.

The endowment fund balance is reflected in the accompanying financial statements as of December 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Without donor restrictions:		
Board-designated	\$ 258,380	\$ 80,857
With donor restrictions	<u>1,033,359</u>	<u>1,033,359</u>
	<u>\$ 1,291,739</u>	<u>\$ 1,114,216</u>

Reconciliations of the fair value of endowment fund assets for the years ended December 31, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2019			
Changes in Endowment Fund Assets:			
Net realized and unrealized gain	\$ 160,832	\$ -0-	\$ 160,832
Interest and dividend income	30,780		30,780
Less:			
Transfers to general operations	1,089		1,089
Administrative expenses	<u>(15,178)</u>		<u>(15,178)</u>
Change in Endowment Fund Assets	177,523	-0-	177,523
Endowment Fund Assets, Beginning of Year	<u>80,857</u>	<u>1,033,359</u>	<u>1,114,216</u>
Endowment Fund Assets, End of Year	<u>\$ 258,380</u>	<u>\$ 1,033,359</u>	<u>\$ 1,291,739</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE E — ENDOWMENT FUND (CONTINUED)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2018			
Changes in Endowment Fund Assets:			
Net realized and unrealized loss	\$ (37,524)	\$ -0-	\$ (37,524)
Interest and dividend income	30,243		30,243
Transfers from general operations	100,088		100,088
Less:			
Transfers to general operations	(198,000)		(198,000)
Administrative expenses	<u>(11,257)</u>		<u>(11,257)</u>
Change in Endowment Fund Assets	(116,450)	-0-	(116,450)
Endowment Fund Assets, Beginning of Year	<u>197,307</u>	<u>1,033,359</u>	<u>1,230,666</u>
Endowment Fund Assets, End of Year	<u>\$ 80,857</u>	<u>\$ 1,033,359</u>	<u>\$ 1,114,216</u>

NOTE F — INVESTMENTS AND FAIR VALUE

B&GCSM's policy is to maintain a moderately conservative but balanced portfolio, with the primary investment objectives being the preservation of purchasing power and the preservation of capital. The investment portfolio is structured and maintained with the overall objective of providing the resources and liquidity for B&GCSM to fulfill its mission.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE F — INVESTMENTS AND FAIR VALUE (CONTINUED)

B&GCSM's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2019 and 2018 is summarized as follows:

	<u>Fair Value Measurements</u>		
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Total</u>
2019			
Assets:			
Investments at fair value:			
Short-term investments	\$ 186,715	\$ -0-	\$ 186,715
Common stocks	735,125		735,125
Foreign stocks	21,932		21,932
Corporate bonds	22,000		22,000
Registered investment companies:			
Equity fund	87,119		87,119
Fixed income fund	156,756		156,756
U.S. government and agency notes and bonds	91,470		91,470
Other		66	66
	<u>\$ 1,301,117</u>	<u>\$ 66</u>	<u>\$ 1,301,183</u>

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE F — INVESTMENTS AND FAIR VALUE (CONTINUED)

	<u>Fair Value Measurements</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>Total</u>
2018			
Assets:			
Investments at fair value:			
Short-term investments	\$ 184,841	\$ -0-	\$ 184,841
Common stocks	540,566		540,566
Foreign stocks	15,053		15,053
Corporate bonds	67,375		67,375
Registered investment companies:			
Equity fund	73,233		73,233
Fixed income fund	148,554		148,554
U.S. government and agency notes and bonds	87,173		87,173
Other		84	84
	<u>\$ 1,116,795</u>	<u>\$ 84</u>	<u>\$ 1,116,879</u>

B&GCSM did not have any assets classified in Level 3 of the fair value hierarchy as of December 31, 2019 or 2018.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE G — FIXED ASSETS

Fixed assets as of December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 140,000	\$ 140,000
Buildings	7,144,475	7,144,475
Building improvements	4,492,007	4,169,597
Equipment and software	2,102,453	1,904,113
	<u>13,878,935</u>	<u>13,358,185</u>
Less: Accumulated depreciation	<u>(8,443,161)</u>	<u>(8,188,794)</u>
	<u><u>\$ 5,435,774</u></u>	<u><u>\$ 5,169,391</u></u>

NOTE H — NOTE PAYABLE

B&GCSM acquired a lighting system in 2018 under a note payable. The monthly payment is \$2,879 for 48 months, including interest at 3.023 percent per annum. The future schedule of annual maturities of this note payable as of December 31, 2019 is as follows:

For the Years Ending December 31:	
2020	\$ 32,564
2021	33,562
2022	<u>14,283</u>
	<u><u>\$ 80,409</u></u>

NOTE I — IN-KIND CONTRIBUTIONS

B&GCSM receives substantial amounts of in-kind contributions to help fund its operations and special events. These donations include use of facilities, advertising, promotional services, salaries and benefits, and other items. The value of these items was \$104,294 and \$157,124 for the years ended December 31, 2019 and 2018, respectively. In-kind contributions are recognized in the financial statements if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The estimated fair value of these services and facilities is reflected in the accompanying financial statements.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE J — SPECIAL AND OTHER FUND RAISING EVENTS

Revenue and direct expenses related to special and other fund raising events for the years ended December 31, 2019 and 2018 are as follows:

	2019		2018	
	Special Events	Other Fund Raising Events	Special Events	Other Fund Raising Events
Gross revenue	\$ 915,679	\$ 152,909	\$ 1,225,739	\$ 102,455
Less: Direct expenses	(184,048)	(39,317)	(151,571)	(50,213)
	\$ 731,631	\$ 113,592	\$ 1,074,168	\$ 52,242

NOTE K — PENSION PLAN

B&GCSM participates in a national pension trust program with Boys & Girls Clubs of America that is recognized as a multiple-employer defined contribution pension plan. B&GCSM makes a matching contribution of five percent of eligible compensation for its employees. Pension expense was \$12,735 and \$17,070 for the years ended December 31, 2019 and 2018, respectively. The accrued pension balance was \$5,064 and \$9,243 as of December 31, 2019 and 2018, respectively.

NOTE L — LEASES

B&GCSM leases equipment and program space in southeastern Michigan under operating lease agreements expiring at various times. B&GCSM also has a lease for the property at the Dick & Sandy Dauch Campus, home of the NFL/Youth Education Town — Boys & Girls Club. The lease is \$1 annually for 75 years. This lease has been paid in full through 2082. Future minimum lease payments are as follows:

For the Years Ending December 31:	
2020	\$ 4,241
2021	4,241
2022	4,241
2023	3,419
2024	1,701
Total Minimum Lease Payments	\$ 17,843

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE L — LEASES (CONTINUED)

Rental expense under operating leases was \$5,466 and \$5,143 for the years ended December 31, 2019 and 2018, respectively.

NOTE M — RELATED-PARTY TRANSACTIONS

B&GCSM's Board of Directors includes officers of the lessor from whom B&GCSM leases office space and an officer of a construction company providing repairs and improvements to B&GCSM's facilities. B&GCSM had the following transactions with these companies:

- B&GCSM expensed \$78,052 per year in connection with this office lease during the years ended December 31, 2019 and 2018, which has been recognized in the statements of activities as in-kind donations of the use of facilities.
- Expenses for building repairs and improvements from the construction company were \$-0- and \$18,582 for the years ended December 31, 2019 and 2018, respectively. There is no amount due to the construction company as of December 31, 2019 and 2018.

NOTE N — LIQUIDITY AND AVAILABILITY OF RESOURCES

B&GCSM has the following financial assets available for general expenditures within one year as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash and cash equivalents	\$ 494,780	\$ 1,056,685
Contributions receivable – current portion	808,073	218,134
Investments	1,301,183	1,116,879
Accrued interest receivable	2,276	2,501
	<u>2,606,312</u>	<u>2,394,199</u>
Total Financial Assets	2,606,312	2,394,199
Less:		
Assets with donor restrictions for specific purposes	<u>(1,381,315)</u>	<u>(1,596,095)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 1,224,997</u>	<u>\$ 798,104</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE N — LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

B&GCSM has certain donor-restricted assets that are to be used for specific purposes or maintained in perpetuity. Therefore, these assets are not considered to be available for general expenditures within the next year. B&GCSM has a policy to manage its liquidity following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE O — NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued ASU 2016-02, *Leases (Topic 842)*, in February 2016. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases: finance leases, which are to be accounted for in substantially the same manner as the existing accounting for capital leases, and operating leases, which are to be accounted for (both in the statement of activities and the statement of cash flows) in a manner consistent with existing accounting for operating leases. ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 applies to B&GCSM's financial statements for the year ending December 31, 2022, with earlier implementation permitted. B&GCSM's management has not determined the impact on B&GCSM's financial statements as a result of implementing ASU 2016-02.

The FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in September 2020. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash and other financial assets in the statement of activities. This ASU also requires expanded disclosures regarding the types, uses, policies, valuation techniques, and donor restrictions related to contributed nonfinancial assets. ASU 2020-07 applies to B&GCSM's financial statements for the year ending December 31, 2022, with earlier implementation permitted, and is to be applied retrospectively. B&GCSM's management has not determined the impact on B&GCSM's financial statements as a result of implementing ASU 2020-07.

NOTE P — SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2019 and 2018

NOTE P — SUBSEQUENT EVENTS (CONTINUED)

The full impact of the COVID-19 outbreak continues to evolve as of the date that the accompanying financial statements were available to be issued. As such, it is uncertain as to the full magnitude that the pandemic will have on B&GCSM's financial condition, liquidity, and future results of operations. B&GCSM's operations are heavily dependent on private and public donations from individuals, foundations, and corporations. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available, depending on appropriations. The COVID-19 outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of regional economic slowdown.

In addition, B&GCSM obtained a line of credit arrangement with a bank on October 7, 2020 for \$250,000. Interest is payable monthly at 3.5 percent per annum, starting November 7, 2020. The line of credit is secured by the assets of B&GCSM, and no amounts have been drawn on this line of credit as of November 19, 2020.