



**BOYS & GIRLS CLUBS**  
OF SOUTHEASTERN MICHIGAN

(A Michigan Non-Profit Corporation)

**FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

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

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1200 Buhl Building  
535 Griswold Street  
Detroit, Michigan 48226-3689

(313) 965.2655 • Fax (313) 965.4614

## **INDEPENDENT AUDITOR'S REPORT**

June 1, 2021

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

### **Opinion**

We have audited the 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, 2020 and 2019, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of B&GCSM as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“U.S. GAAS”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are required to be independent of B&GCSM and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

B&GCSM’s management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about B&GCSM’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

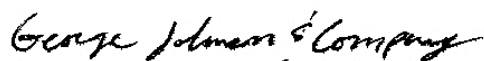
**Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with U.S. GAAS:

- We exercise professional judgment and maintain professional skepticism throughout the audit.
- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and we design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of B&GCSM's internal control. Accordingly, no such opinion is expressed.
- We evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and we evaluate the overall presentation of the financial statements.
- We conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about B&GCSM's ability to continue as a going concern for a reasonable period of time.

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



CERTIFIED PUBLIC ACCOUNTANTS  
Detroit, Michigan

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

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,239,910	\$ 494,780
Contributions receivable – current portion (no allowance considered necessary) (Note C)	1,771,841	808,073
Accrued interest receivable	2,243	2,276
Prepaid expenses	70,298	22,148
	<u>3,084,292</u>	<u>1,327,277</u>
<b>Total Current Assets</b>		
<b>Other Assets:</b>		
Contributions receivable (net of current portion) (no allowance considered necessary) (Note C)	207,075	260,878
Investments (Note E)	1,504,625	1,301,183
Fixed assets (net of accumulated depreciation) (Note F)	5,444,462	5,435,774
	<u>7,156,162</u>	<u>6,997,835</u>
<b>Total Other Assets</b>		
<b>Total Assets</b>	<u><u>\$ 10,240,454</u></u>	<u><u>\$ 8,325,112</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 358,872	\$ 340,489
Accrued pension (Note K)	80,556	5,064
Deferred revenue	-0-	7,664
Note payable – current portion (Note G)	33,562	32,564
<b>Total Current Liabilities</b>	<b>472,990</b>	<b>385,781</b>
<b>Long-Term Liabilities:</b>		
Note payable (net of current portion) (Note G)	14,284	47,845
<b>Total Liabilities</b>	<b>487,274</b>	<b>433,626</b>
<b>Net Assets:</b>		
Net assets without donor restrictions:		
Board-designated for endowment (Note D)	449,010	258,380
Undesignated	7,318,503	6,171,385
Total Net Assets without Donor Restrictions	7,767,513	6,429,765
Net assets with donor restrictions (Note B)	1,985,667	1,461,721
<b>Total Net Assets</b>	<b>9,753,180</b>	<b>7,891,486</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,240,454</b>	<b>\$ 8,325,112</b>

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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Changes in Net Assets without Donor Restrictions:</b>		
<b>Revenue and gains:</b>		
Direct contributions:		
Reimagine Campaign	\$ 2,121,678	\$ 2,267,731
Individuals	199,857	164,372
Corporations	709,578	308,966
Foundations	495,714	156,211
Bequests and other direct contributions	1,501,955	1,528
Indirect contributions:		
United Way affiliates	18,920	48,885
In-kind contributions (Note I)	200,148	104,294
Federal grants	364,221	61,581
Boys & Girls Clubs of America grant	232,000	144,765
Special events, net (Note J)	86,558	731,631
Other fund raising events, net (Note J)	70,015	113,592
Interest and dividend income, net	7,001	20,561
Net realized and unrealized gain on investments	133,634	178,442
Membership dues	22,338	63,658
Program revenue	72,334	19,642
Other revenue	2,462	735
	<u>6,238,413</u>	<u>4,386,594</u>
Net assets released from restrictions (Note B)	<u>516,054</u>	<u>503,556</u>
<b>Total Revenue, Gains, and Other Support without Donor Restrictions</b>	<b><u>\$ 6,754,467</u></b>	<b><u>\$ 4,890,150</u></b>

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Changes in Net Assets without Donor Restrictions (continued):</b>		
<b>Expenses:</b>		
Program services	\$ 3,843,906	\$ 2,635,661
Supporting services:		
Management and general	1,028,630	874,467
Fund raising	544,183	577,783
Total Supporting Services	<u>1,572,813</u>	<u>1,452,250</u>
<b>Total Expenses</b>	<b><u>5,416,719</u></b>	<b><u>4,087,911</u></b>
<b>Change in Net Assets without Donor Restrictions</b>	<b><u>1,337,748</u></b>	<b><u>802,239</u></b>
<b>Changes in Net Assets with Donor Restrictions:</b>		
Direct contributions:		
Individuals	-0-	80,406
Foundations and other direct contributions	1,040,000	252,000
Net assets released from restrictions (Note B)	<u>(516,054)</u>	<u>(503,556)</u>
<b>Change in Net Assets with Donor Restrictions</b>	<b><u>523,946</u></b>	<b><u>(171,150)</u></b>
<b>Change in Net Assets</b>	<b>1,861,694</b>	<b>631,089</b>
Net Assets, Beginning of Year	<u>7,891,486</u>	<u>7,260,397</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 9,753,180</u></b>	<b><u>\$ 7,891,486</u></b>

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, 2020  
(With Comparative Totals for the Year Ended December 31, 2019)**

	2020				Total Expenses	
	Supporting Services				2020	2019
	Program Services	Management and General	Fund Raising	Total Supporting Services		
<b>Employee Compensation:</b>						
Salaries and wages	\$ 1,431,002	\$ 586,476	\$ 328,427	\$ 914,903	\$ 2,345,905	\$ 1,870,687
Employee benefits and payroll taxes (Note K)	251,733	103,169	57,775	160,944	412,677	314,297
<b>Total Employee Compensation</b>	<b>1,682,735</b>	<b>689,645</b>	<b>386,202</b>	<b>1,075,847</b>	<b>2,758,582</b>	<b>2,184,984</b>
<b>Other Expenses:</b>						
Professional fees	541,017	107,939	68,900	176,839	717,856	384,989
Reimagine Campaign expenses	131,706		14,634	14,634	146,340	258,584
Supplies and postage	188,264	33,538	1,030	34,568	222,832	79,256
Utilities	165,304	13,209	11,555	24,764	190,068	233,194
Building equipment and maintenance	323,093	50,039	18,317	68,356	391,449	180,501
Insurance	107,862	15,427	9,905	25,332	133,194	148,135
Marketing and communications	220,667	41,375	13,792	55,167	275,834	93,875
Printing and subscriptions	1,203	2,650	2,692	5,342	6,545	9,698
Awards and scholarships	2,548				2,548	7,952
Transportation and conferences	34,129	4,953	2,669	7,622	41,751	73,244
Interest expense	1,982				1,982	2,950
Bank charges and fees	8,121	1,433		1,433	9,554	19,440
In-kind services (Note I)	176,357	12,462	11,329	23,791	200,148	104,294
Miscellaneous expenses	16,699	50,596	3,158	53,754	70,453	52,448
<b>Total Expenses Before Depreciation</b>	<b>3,601,687</b>	<b>1,023,266</b>	<b>544,183</b>	<b>1,567,449</b>	<b>5,169,136</b>	<b>3,833,544</b>
Depreciation (Note A)	242,219	5,364		5,364	247,583	254,367
<b>Total Expenses</b>	<b>\$ 3,843,906</b>	<b>\$ 1,028,630</b>	<b>\$ 544,183</b>	<b>\$ 1,572,813</b>	<b>\$ 5,416,719</b>	<b>\$ 4,087,911</b>

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, 2019**

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

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>		
Cash received from donors	\$ 5,183,734	\$ 2,476,311
Cash received from federal and other grantors	596,221	206,346
Cash received from fundraising events	148,909	842,663
Cash received from investment income	7,034	20,786
Cash received from other sources	74,796	20,377
Cash paid for employee compensation	(2,646,829)	(2,222,511)
Cash paid to suppliers and vendors	(2,274,452)	(1,361,348)
Cash paid for interest	(1,982)	(2,950)
<b>Net Cash Flows from Operating Activities</b>	<b><u>1,087,431</u></b>	<b><u>(20,326)</u></b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of fixed assets	(256,271)	(520,750)
Acquisition of investments	(56,524)	(501,722)
Proceeds received on disposition of investments	3,057	512,489
<b>Net Cash Flows from Investing Activities</b>	<b><u>(309,738)</u></b>	<b><u>(509,983)</u></b>
<b>Cash Flows from Financing Activities:</b>		
Payments on notes payable	(32,563)	(31,596)
<b>Net Cash Flows from Financing Activities</b>	<b><u>(32,563)</u></b>	<b><u>(31,596)</u></b>
<b>Change in Cash and Cash Equivalents</b>	<b>745,130</b>	<b>(561,905)</b>
Cash and Cash Equivalents, Beginning of Year	<u>494,780</u>	<u>1,056,685</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u><u>\$ 1,239,910</u></u></b>	<b><u><u>\$ 494,780</u></u></b>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

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**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 organization serving youth and their families in Wayne, Oakland, Macomb, and Washtenaw Counties. B&GCSM’s mission is to enable youth to become ready for careers, start-ups, and homeownership by receiving, in a safe and positive environment, the economic, social, human, and cultural capital needed to become economically mobile. B&GCSM’s multi-generational approach provides youth with an ecosystem of support needed to successfully transition into adulthood and a productive post-secondary future, whether that means college, entrepreneurship, skilled trades, or a direct career path into a growth industry. By promoting economic mobility among the region’s youth, B&GCSM is making strides at reversing years of poverty in southeastern Michigan. B&GCSM receives contributions from individuals, corporations, foundations, governments (federal, state, and local), community groups (fraternal, civic, and social), and special events. B&GCSM often collaborates with its community partners and funders in pursuit of its mission.

**Basis of Accounting**

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

**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, 2020 or 2019.

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2020 and 2019

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

**Fair Value Measurements (continued)**

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.

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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2020 and 2019

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

**Contributions (continued)**

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.

**Revenue Recognition**

Revenue is measured based upon the consideration specified in a contract with a purchaser of goods or services 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 purchaser. B&GCSM recognizes revenue when a performance obligation is satisfied by transferring control over a product or service to the purchaser. For merchandise sales, B&GCSM has determined control to be transferred at a point in time when the goods are provided to the purchaser. For federal grants and program revenue, B&GCSM has determined control to be transferred over time as the service is provided to the purchaser.

**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, 2020 and 2019) 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2020 and 2019**

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

**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 all expenditures for fixed assets in excess of \$3,000.

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2020 and 2019**

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

**Investments (continued)**

- Other investments are stated at fair value, based on observable model inputs for substantially the full term of the investments.

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, 2020 approximated \$945,000. Contributions receivable are due from various organizations, located primarily in southeastern Michigan. As discussed in Note E, 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, 2019 to conform to classifications used as of, and for the year ended, December 31, 2020.

**Subsequent Events**

B&GCSM has evaluated subsequent events through June 1, 2021, 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, 2020 and 2019

**NOTE B — NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available as of December 31, 2020 and 2019 for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Restricted for specific purposes:		
Investment in perpetuity	\$ 1,033,359	\$ 1,033,359
Dauch Family Foundation	250,000	-0-
Rocket Community Fund	250,000	-0-
United Way for Southeastern Michigan:		
Dick & Sandy Dauch Campus	100,000	-0-
Pontiac Youth Recreation Center	95,852	-0-
Matilda R. Wilson Fund	75,000	-0-
Nicholas A. Showich Fund	53,995	54,995
James McLernon Scholarship Fund	49,173	49,673
Kohl's	30,000	-0-
Bank of America	25,000	-0-
Dexter Family Scholarship Fund	18,288	18,288
Jack and Jill of America Foundation	5,000	-0-
Kosch Fund for Kitchen and Food	-0-	50,000
Dauch Campus Club	-0-	50,000
Dick & Sandy Dauch Campus	-0-	50,000
RiteAid Triple Play program	-0-	30,000
Allstate Youth for Unity program	-0-	25,000
Youth Program Quality	-0-	20,000
	<u>1,985,667</u>	<u>1,381,315</u>
Restricted for use in future periods	<u>-0-</u>	<u>80,406</u>
	<u><b>\$ 1,985,667</b></u>	<u><b>\$ 1,461,721</b></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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2020 and 2019

**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>2020</u>	<u>2019</u>
Purpose restrictions accomplished for the following purposes:		
United Way for Southeastern Michigan:		
Pontiac Youth Recreation Center	\$ 104,148	\$ -0-
Matilda R. Wilson Fund	75,000	75,000
Dick & Sandy Dauch Campus	50,000	50,000
Skillman Club 215 at Dauch Site	50,000	-0-
Kosch Fund for Kitchen and Food	50,000	-0-
RiteAid Triple Play program	30,000	30,000
Allstate Youth for Unity program	25,000	66,256
Bank of America	25,000	-0-
FCA Wilson Club	20,000	-0-
Jack and Jill of America Foundation	5,000	-0-
Dexter Family Scholarship Fund	1,000	1,824
James McLernon Scholarship Fund	500	1,327
Dauch Campus Club	-0-	161,430
Youth Program Quality	-0-	17,500
Youth of the Year program	-0-	15,970
Comcast Photography at Fauver Martin	-0-	10,000
DTE Workforce Readiness Program	-0-	9,409
Comcast Technology at Donahey	-0-	8,000
Nicholas A. Showich Fund	-0-	1,794
Other purposes	-0-	18,270
	<u>435,648</u>	<u>466,780</u>
Time restrictions accomplished by passage of specified time	<u>80,406</u>	<u>36,776</u>
	<u><b>\$ 516,054</b></u>	<u><b>\$ 503,556</b></u>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2020 and 2019**

**NOTE C — CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following unconditional promises to give as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 1,771,841	\$ 808,073
One to five years	<u>230,000</u>	<u>328,000</u>
	2,001,841	1,136,073
Less:		
Unamortized discount (at 3.25 and 4.75 percent in 2020 and 2019, respectively)	<u>(22,925)</u>	<u>(67,122)</u>
	<u><u>\$ 1,978,916</u></u>	<u><u>\$ 1,068,951</u></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 — 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.

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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2020 and 2019

**NOTE D — ENDOWMENT FUND (CONTINUED)**

The endowment fund balance is reflected in the accompanying financial statements as of December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Without donor restrictions:		
Board-designated	\$ 449,010	\$ 258,380
With donor restrictions	<u>1,033,359</u>	<u>1,033,359</u>
	<u><u>\$ 1,482,369</u></u>	<u><u>\$ 1,291,739</u></u>

Reconciliations of the fair value of endowment fund assets for the years ended December 31, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>2020</b>			
<b>Changes in Endowment Fund Assets:</b>			
Net realized and unrealized gain	\$ 134,127	\$ -0-	\$ 134,127
Interest and dividend income	23,599		23,599
Transfers from general operations	50,086		50,086
Less: Administrative expenses	<u>(17,182)</u>		<u>(17,182)</u>
<b>Change in Endowment Fund Assets</b>	<b>190,630</b>	<b>-0-</b>	<b>190,630</b>
Endowment Fund Assets, Beginning of Year	<u>258,380</u>	<u>1,033,359</u>	<u>1,291,739</u>
<b>Endowment Fund Assets, End of Year</b>	<u><u>\$ 449,010</u></u>	<u><u>\$ 1,033,359</u></u>	<u><u>\$ 1,482,369</u></u>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2020 and 2019

**NOTE D — ENDOWMENT FUND (CONTINUED)**

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

**NOTE E — 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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2020 and 2019**

**NOTE E — 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, 2020 and 2019 is summarized as follows:

	<b><u>Fair Value Measurements</u></b>		
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b><u>Total</u></b>
<b>2020</b>			
<b>Assets:</b>			
Investments at fair value:			
Short-term investments	\$ 214,746	\$ -0-	\$ 214,746
Common stocks	904,176		904,176
Foreign stocks	26,129		26,129
Corporate bonds	1,100		1,100
Registered investment companies:			
Equity fund	96,671		96,671
Fixed income fund	164,827		164,827
U.S. government and agency notes and bonds	96,928		96,928
Other		48	48
	<b><u>\$ 1,504,577</u></b>	<b><u>\$ 48</u></b>	<b><u>\$ 1,504,625</u></b>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2020 and 2019

**NOTE E — INVESTMENTS AND FAIR VALUE (CONTINUED)**

	<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>
<b>2019</b>			
<b>Assets:</b>			
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>

B&GCSM did not have any assets classified in Level 3 of the fair value hierarchy as of December 31, 2020 or 2019.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2020 and 2019**

**NOTE F — FIXED ASSETS**

Fixed assets as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 140,000	\$ 140,000
Buildings	7,144,475	7,144,475
Building improvements	4,208,302	4,492,007
Equipment and software	2,095,600	2,102,453
Construction in progress	174,738	-0-
	<u>13,763,115</u>	<u>13,878,935</u>
Less: Accumulated depreciation	<u>(8,318,653)</u>	<u>(8,443,161)</u>
	<u><u>\$ 5,444,462</u></u>	<u><u>\$ 5,435,774</u></u>

**NOTE G — 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, 2020 is as follows:

<b>For the Years Ending December 31:</b>	
2021	\$ 33,562
2022	<u>14,284</u>
	<u><u>\$ 47,846</u></u>

**NOTE H — LINE OF CREDIT**

B&GCSM obtained a \$250,000 line of credit with a bank on October 7, 2020. Interest is payable monthly at 3.5 percent per annum, starting November 7, 2020. This line of credit is secured by the assets of B&GCSM. No balance is outstanding on this line of credit as of December 31, 2020.



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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2020 and 2019

**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 \$200,148 and \$104,294 for the years ended December 31, 2020 and 2019, 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.

**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, 2020 and 2019 are as follows:

	2020		2019	
	Special Events	Other Fund Raising Events	Special Events	Other Fund Raising Events
Gross revenue	\$ 132,844	\$ 70,015	\$ 915,679	\$ 152,909
Less: Direct expenses	(46,286)	-0-	(184,048)	(39,317)
	<b>\$ 86,558</b>	<b>\$ 70,015</b>	<b>\$ 731,631</b>	<b>\$ 113,592</b>

**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 \$82,629 and \$12,735 for the years ended December 31, 2020 and 2019, respectively. The accrued pension balance was \$80,556 and \$5,064 as of December 31, 2020 and 2019, respectively.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2020 and 2019**

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**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:

<b>For the Years Ending December 31:</b>	
2021	\$ 10,181
2022	10,181
2023	7,710
2024	<u>1,701</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 29,773</u></b>

Rental expense under operating leases was \$6,676 and \$5,466 for the years ended December 31, 2020 and 2019, respectively.

**NOTE M — RELATED-PARTY TRANSACTIONS**

B&GCSM's Board of Directors includes officers of the lessor from whom B&GCSM leases office space. In addition, a key member of B&GCSM's management serves on the Board of Directors for a website and social media development company with whom B&GCSM contracts for services. 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, 2020 and 2019, which has been recognized in the statements of activities as in-kind donations of the use of facilities.
- B&GCSM had marketing-related expenses totaling \$249,252 and \$130,152 during the years ended December 31, 2020 and 2019, respectively, with the website and social media development company.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2020 and 2019

**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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<b>Financial Assets:</b>		
Cash and cash equivalents	\$ 1,239,910	\$ 494,780
Contributions receivable – current portion	1,771,841	808,073
Investments	1,504,625	1,301,183
Accrued interest receivable	<u>2,243</u>	<u>2,276</u>
<b>Total Financial Assets</b>	<b>4,518,619</b>	<b>2,606,312</b>
Less:		
Assets with donor restrictions for specific purposes	<u>(1,985,667)</u>	<u>(1,381,315)</u>
<b>Financial Assets Available to Meet General Expenditures within One Year</b>	<b><u>\$ 2,532,952</u></b>	<b><u>\$ 1,224,997</u></b>

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 — CONTINGENCIES**

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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2020 and 2019**

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**NOTE O — CONTINGENCIES (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.

**NOTE P — NEW ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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.