

**BOYS & GIRLS CLUB OF BURBANK
AND GREATER EAST VALLEY, INC.**

Financial Statements and
Independent Auditor's Report

June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
Boys & Girls Club of Burbank and Greater East Valley, Inc.

We have audited the accompanying financial statements of Boys & Girls Club of Burbank and Greater East Valley, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Club of Burbank and Greater East Valley, Inc. as of June 30, 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.

JLK Rosenberg, LLP

Glendale, California
December 29, 2020

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Financial Position
As of June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,607,754	\$ 1,080,854
Investments	-	1,084
Promises to give, net of allowance for doubtful accounts of \$28,632 and \$26,922	266,521	383,971
Prepaid expenses and other assets	50,619	39,010
Total current assets	1,924,894	1,504,919
Property and equipment, net	458,638	441,714
Beneficial interest in endowment fund	39,748	216,424
Total assets	\$ 2,423,280	\$ 2,163,057
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 93,298	\$ 136,311
Compensated absences	77,906	29,720
Line of credit	-	80,000
Deferred support	18,620	42,430
Refundable advance - PPP loan	503,916	-
Current portion of notes payable	4,738	-
Total current liabilities	698,478	288,461
Noncurrent liabilities:		
Notes payable, less current portion	10,659	-
Total liabilities	709,137	288,461
Net assets:		
Without donor restrictions	232,741	488,941
With donor restrictions	1,481,402	1,385,655
Total net assets	1,714,143	1,874,596
Total liabilities and net assets	\$ 2,423,280	\$ 2,163,057

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Activities
For the Years Ended June 30, 2020 and 2019

	2020	2019
	<u> </u>	<u> </u>
Changes in unrestricted net assets:		
Unrestricted support:		
Contributions	\$ 366,324	\$ 328,208
Program services	2,050,462	2,278,673
Special events revenue, net	61,674	142,705
Fundraising revenue	197,166	163,860
Donated materials, services and facilities	439,219	470,129
Net (depreciation) appreciation in beneficial interest endowment fund	(16,676)	9,435
Net investment income	12,484	3,609
Total unrestricted support	<u>3,110,653</u>	<u>3,396,619</u>
 Net assets released from donor restrictions:		
Satisfaction of program restrictions	208,815	266,714
Total unrestricted support and other support	<u>3,319,468</u>	<u>3,663,333</u>
 Expenses:		
Program services	2,854,164	3,084,212
Support services:		
Management and general	356,592	348,644
Fundraising	364,912	337,739
Total unrestricted expenses	<u>3,575,668</u>	<u>3,770,595</u>
 Decrease in unrestricted net assets	<u>(256,200)</u>	<u>(107,262)</u>
 Changes in donor restricted net assets:		
Capital campaign contributions, net of discount	81,662	1,018,367
Contributions, net	222,900	251,152
Net assets released from donor restrictions	(208,815)	(266,714)
Increase in donor restricted net assets	<u>95,747</u>	<u>1,002,805</u>
 (Decrease) increase in net assets	(160,453)	895,543
Net assets, beginning of year	<u>1,874,596</u>	<u>979,053</u>
Net assets, end of year	<u>\$ 1,714,143</u>	<u>\$ 1,874,596</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Functional Expenses
For the Year Ended June 30, 2020

	2020			
	Program Services	Management and General	Fund Raising	Total
Personnel expenses:				
Salaries	\$ 1,758,895	\$ 251,346	\$ 171,784	\$ 2,182,025
Payroll taxes and employee benefits	298,952	42,720	29,197	370,869
Total personnel expenses	2,057,847	294,066	200,981	2,552,894
Operating expenses:				
Facilities rent	208,842	12,648	8,645	230,135
Facilities operating	108,135	10,879	7,435	126,449
Supplies and materials	222,405	-	97,242	319,647
Membership and dues	13,608	1,597	3,524	18,729
Insurance	25,116	3,589	2,453	31,158
Professional services	9,316	9,316	25,290	43,922
Vehicle expense	22,801	-	-	22,801
Postage and printing	940	134	1,041	2,115
Telephone	7,597	1,086	742	9,425
Office supplies	-	12,602	393	12,995
Workshops and training	23,301	3,330	2,276	28,907
Other	113,904	3,539	12,289	129,732
Depreciation	40,352	3,806	2,601	46,759
Total expenses	<u>\$ 2,854,164</u>	<u>\$ 356,592</u>	<u>\$ 364,912</u>	<u>\$ 3,575,668</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Functional Expenses (Continued)
For the Year Ended June 30, 2019

	2019			
	Program Services	Management and General	Fund Raising	Total
Personnel expenses:				
Salaries	\$ 1,896,380	\$ 248,994	\$ 169,361	\$ 2,314,735
Payroll taxes and employee benefits	275,215	36,136	24,579	335,930
Total personnel expenses	<u>2,171,595</u>	<u>285,130</u>	<u>193,940</u>	<u>2,650,665</u>
Operating expenses:				
Facilities rent	289,226	14,453	9,831	313,510
Facilities operating	103,647	13,609	9,257	126,513
Supplies and materials	263,969	-	83,624	347,593
Membership and dues	15,199	1,464	5,043	21,706
Insurance	21,611	2,838	1,930	26,379
Professional services	7,290	7,290	18,397	32,977
Vehicle expense	29,650	-	-	29,650
Postage and printing	4,068	534	1,177	5,779
Telephone	6,158	808	550	7,516
Office supplies	-	11,114	639	11,753
Workshops and training	30,555	4,012	2,729	37,296
Other	107,200	3,636	8,067	118,903
Depreciation	34,044	3,756	2,555	40,355
Total expenses	<u>\$ 3,084,212</u>	<u>\$ 348,644</u>	<u>\$ 337,739</u>	<u>\$ 3,770,595</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (160,453)	\$ 895,543
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized loss (gain) on investments	14,367	(4,723)
Community fund endowment loss (return)	2,309	(3,860)
Depreciation	46,759	40,355
Bad debt expense	1,710	8,300
Changes in assets and liabilities:		
Promises to give	115,740	49,088
Prepaid expenses and other assets	(11,609)	781
Accounts payable and accrued expenses	(43,013)	8,732
Compensated absences	(5,072)	13,021
Unemployment insurance	53,258	-
Deferred support	(23,810)	5,914
Refundable advance - PPP loan	503,916	-
Net cash provided by operating activities	<u>494,102</u>	<u>1,013,151</u>
Cash flows from investing activities:		
Purchase of property and equipment	(63,683)	(136,533)
Distribution from endowment fund	160,000	17,043
Proceeds from sale of marketable securities	1,084	-
Net cash provided by (used in) investing activities	<u>97,401</u>	<u>(119,490)</u>
Cash flows from financing activities:		
Proceeds from line of credit	-	80,000
Repayment of line of credit	(80,000)	-
Proceeds from notes payable	15,397	-
Net cash (used in) provided by financing activities	<u>(64,603)</u>	<u>80,000</u>
Net increase in cash	526,900	973,661
Cash and cash equivalents at beginning of year	<u>1,080,854</u>	<u>107,193</u>
Cash and cash equivalents at end of year	<u>\$ 1,607,754</u>	<u>\$ 1,080,854</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements June 30, 2020 and 2019

1. Summary of Significant Accounting Policies

Nature of Activities

The Boys & Girls Club of Burbank and Greater East Valley, Inc. (the “Organization”), headquartered in Burbank, California, is a member of Boys & Girls Clubs of America (“BGCA”). The primary mission of BGCA is to assure and enhance the quality of life for youth as participating members of a richly diverse urban society. With special concern for the disadvantaged, Boys & Girls Clubs help youths realize their potential for growth and development. The Organization is concentrated in Burbank, California, and the surrounding communities. The Organization provides services, based on principles and behavioral guidance, which will achieve the health, social, educational, vocational, character, and leadership development of their members. The Organization is supported primarily through program services, donor contributions, and fundraising events.

The Organization has a policy where no child is turned away for an inability to pay. Low income families can apply for financial aid and may qualify for a reduced tuition. For the years ended June 30, 2020 and 2019, the Organization offered approximately \$279,000 and \$495,000, respectively, of financial aid in the form of reduced tuition to families in need.

Basis of Presentation

These financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. These assets are available to support the Organization’s activities and operations at the direction of the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that will be met by actions of the donor, the Organization, and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Cash and Cash Equivalents

Cash equivalents consist of certificates of deposit with original maturities of three months or less at the date of purchase, and are carried at cost, which approximates fair value.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. An allowance for doubtful accounts is established when events or changes in circumstances indicate that specific receivable balances may be uncollectible.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Realized gains or losses are recognized based on the difference between the investment's fair value and the sales proceeds less the unrealized gain or loss previously recognized.

Fair Value Measurements

The fair value of a financial instrument is the amount 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 (the exit price). Accordingly, when market observable data is not readily available, the Organization's own assumptions are set to reflect those that market participants would be presumed to use in pricing the asset or liability at the measurement date. Financial assets and financial liabilities recorded in the balance sheets at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

Level 1 - Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets that the Organization can access.

Level 2 - Financial assets and financial liabilities whose values are based on (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in non-active markets, or (c) valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Financial assets and financial 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. These inputs reflect the Organization's estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

Property and Equipment

Property and equipment are carried at cost if purchased and estimated fair market value if contributed, less accumulated depreciation and amortization. Property and equipment are depreciated on a straight-line basis over their estimated service lives, which range from five to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the remaining lease term.

Deferred Support

The Organization recognizes support revenues with respect to fundraising events in the period the event occurs. Accordingly, payments received in advance are deferred until the time of the event.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued)
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as unrestricted or restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Conditional contributions received prior to incurring qualifying expenditures are reported as refundable advances and recognized in contributions upon satisfaction of donor-imposed conditions.

Program Services

The Organization collects registration and other fees from its members to help offset the costs associated with the registration process and certain elective programs. Such fees are recorded as unrestricted support and reported as program services in the statement of activities. Payments received in advance are deferred until earned.

Donated Assets and Services

Donations of non-cash assets are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions.

Donated 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 the Organization.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Organization is a public charity that has obtained an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for federal or state income taxes. The Organization is subject, however, to Federal and California income taxes on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. For the fiscal year ended June 30, 2020, the Organization had no unrelated business income.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

The Organization is evaluating the impact the following accounting standard will have on its future financial statements and related disclosures.

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-07, *Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU No. 2020-07”). The amendments in this update apply to not-for-profit entities that receive contributed nonfinancial assets and address their presentation and disclosure. Following this update, the contributed nonfinancial assets should be presented as a separate line item in the statement of activities disaggregated by the type. For each category identified, qualitative information about whether the assets were either monetized or utilized during the reporting period should be disclosed. A policy about monetizing rather than utilizing following a description of the use should be added if the assets were utilized. A description of any donor-imposed restrictions associated with the contributed nonfinancial assets and their valuation should be disclosed. ASU No. 2020-07 should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year presentation. Such reclassifications had no effect on net assets previously reported.

2. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and receivables. The Organization maintains most of its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Concentration of credit risk with respect to promises to give are limited generally due to no right of return on the asset after it has been pledged to the Organization. During fiscal year 2018, the Organization started a capital campaign to raise \$6 million for a new main facility. For the years ending June 30, 2020 and 2019, two donors accounted for approximately 87% and one donor accounted for approximately 99% of total capital campaign contribution, respectively. As of June 30, 2020 and 2019, three donors accounted for approximately 61% and two donors accounted for approximately 59% of the capital campaign receivable, respectively.

For the years ending June 30, 2020 and 2019, two donors accounted for approximately 29% and three donors accounted for approximately 38% of contribution, other than capital campaign contributions, respectively. As of June 30, 2020 and 2019, four donors accounted for approximately 82% and two donors accounted for approximately 56% of the pledged receivable, respectively.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued)
June 30, 2020 and 2019

3. Investments

Investments consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Equity securities	\$ -	\$ 1,084
Total	<u>\$ -</u>	<u>\$ 1,084</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 15,914	\$ 922
Unrealized (losses) gains	<u>(3,430)</u>	<u>2,687</u>
Total	<u>\$ 12,484</u>	<u>\$ 3,609</u>

4. Fair Value Measurements

The following table sets forth by level within fair value hierarchy the Organization's invested assets as of June 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2020				
Beneficial interest in endowment fund	\$ -	\$ -	\$ 39,748	\$ 39,748
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,748</u>	<u>\$ 39,748</u>
2019				
Equity securities	\$ 1,084	\$ -	\$ -	\$ 1,084
Beneficial interest in endowment fund	-	-	216,424	216,424
Total	<u>\$ 1,084</u>	<u>\$ -</u>	<u>\$ 216,424</u>	<u>\$ 217,508</u>

See Note 7 for summary of changes in the fair value of the endowment fund (level 3 asset) for the years ended June 30, 2020 and 2019.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2020 and 2019

5. Promises to Give

Unconditional promises to give are due in one year and consisted of the following as of June 30:

	2020	2019
Unrestricted, net of allowance for doubtful account of \$9,210 and \$7,500, respectively	\$ 93,883	\$ 201,460
Donor restricted - capital campaign, net of discount of \$15,660 and \$10,917 and allowance for doubtful account of \$19,422 and \$19,422, respectively	172,638	182,511
Total	\$ 266,521	\$ 383,971

During fiscal year 2018, the Organization started a capital campaign to raise \$6 million for a new main facility. Certain promises to give were commitments over time (3 – 5 years) and as such the donations were discounted using the Organization’s cost of funds (as determined by the line of credit interest of 4.25% and 6.50% at June 30, 2020 and 2019, respectively). Additionally, an allowance for doubtful accounts was recorded against these receivables for donations that may not be received for various reasons. The gross amount of the capital campaign receivable was \$207,720 and \$212,850 on June 30, 2020 and 2019, respectively.

6. Property and Equipment

Property and equipment consist of the following as of June 30:

	2020	2019
Leasehold improvements	\$ 721,235	\$ 721,235
Sports equipment	53,066	53,066
Computer equipment	140,148	137,161
Office equipment	89,886	89,886
Vehicles	156,840	96,144
Land	30,700	30,700
Total property and equipment	1,191,875	1,128,192
Accumulated depreciation and amortization	(733,237)	(686,478)
Property and equipment, net	\$ 458,638	\$ 441,714

Depreciation and amortization for the years ended June 30, 2020 and 2019 were \$46,759 and \$40,355, respectively.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2020 and 2019

7. **Beneficial Interest in Endowment Fund**

On September 19, 2011, the Organization received an unrestricted contribution from a member of the local community. The board of the Organization sought to preserve the assets of the contribution and irrevocably gifted \$85,526 to the Community Foundation of the Verdugos (the "Foundation") which created the Boys & Girls Club of Burbank and Greater East Valley Endowment (the "Fund"). The purpose of the Fund is "to provide financial support to the Boys & Girls Club of Burbank and Greater East Valley or for its specific programs or projects."

Variance power has been granted to the Foundation protecting the Fund from obsolescence. If, in the sole judgment of the Board of Directors of the Foundation, the purpose for which the Fund was created ever becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by the Foundation, the Foundation's Board of Directors shall modify any restriction or condition on the use or distribution of the income and principal of the Fund.

Of the Fund's annual balance, 4.5% may be distributed to the Organization, subject to the Foundation's discretion. During 2020 and 2019, the Organization requested and was granted by the Foundation distributions in excess of the 4.5% available for spending. The Fund is invested by the Foundation in a pool with similar funds. The Organization is credited its share of earnings from the pool and charged fees for administration of the fund. Net earnings of the Fund are included in investment return in the accompanying statement of activities.

The Foundation has employed a total return investment policy with an objective of preserving the endowment capital, protecting the purchasing power of the funds, and providing cash flows to assist in the funding of the Foundation's grants and expenses. The Foundation invests funds in a diversified portfolio of cash, bonds, common stocks, preferred stocks, mutual funds, exchange traded funds, and where appropriate, alternative investments. The investments are further diversified within asset classes such as by economic sectors, industry, quality, and capitalization.

The Fund had \$9,268 and \$0 available for use by the Organization at June 30, 2020 and 2019, respectively. Management elected to withdraw available funds.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued)
June 30, 2020 and 2019

7. Beneficial Interest in Endowment Fund (Continued)

The Fund activities for the years ended June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 216,424	\$ 224,032
Earnings:		
Interest and dividends	9,827	5,161
Realized gains	817	2,557
Unrealized (losses) gains	(25,650)	5,575
Other income	-	2
Expenses charged to the Fund:		
Administrative fees	(1,020)	(2,725)
Other	(650)	(1,135)
Net (depreciation) appreciation of the Fund	<u>(16,676)</u>	<u>9,435</u>
Distributions	<u>(160,000)</u>	<u>(17,043)</u>
Balance, end of year	<u>\$ 39,748</u>	<u>\$ 216,424</u>

8. Line of Credit

The Organization maintains a one year revolving line of credit with a financial institution that renews annually. The line of credit is for \$100,000, expires on January 28, 2021, and bears interest at the bank's prime rate (3.25% at June 30, 2020) plus 1%. As of June 30, 2020 and 2019, \$0 and \$80,000, respectively, was outstanding on the line of credit.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Capital campaign for new facility	1,467,317	1,385,655
Consulting for merger opportunities	10,125	-
Purchase of vehicle	3,960	-
Total net assets with donor restrictions	<u>\$ 1,481,402</u>	<u>\$ 1,385,655</u>

Management has asked for and received permission from the board and specific donors to utilize \$100,000 of capital campaign funds for operational purposes. During December 2019, the Organization replenished the capital campaign fund from the beneficial interest endowment fund distribution (see Note 7).

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2020 and 2019

10. Donated Materials, Services and Facilities

The value of donated materials, services, and facilities included as contributions in the statements of activities and the corresponding expenses for the years ended June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Facility rental	\$ 196,016	\$ 261,020
Materials and supplies	<u>243,203</u>	<u>209,109</u>
Total donated materials, services and facilities	<u>\$ 439,219</u>	<u>\$ 470,129</u>

The Organization rents its facilities for \$1 a year on a month-to-month basis. For the year ended June 30, 2020, the Organization rented four facilities, Club Facilities, Our Lady of Holy Rosary, St. Patrick Catholic Church, and St. Jane Frances Catholic Church for estimated values of \$109,800, \$4,399, \$16,363, and \$65,450, respectively. For the year ended June 30, 2019, the Organization rented four facilities, Club Facilities, Our Lady of Holy Rosary, St. Patrick Catholic Church, and St. Jane Frances Catholic Church for estimated values of \$134,364, \$7,656, \$25,500, and \$93,500, respectively.

11. Defined Contribution Plan

The Organization has elected to be part of the BGCA's 401(k) Safe Harbor Master Plan ("the Plan") whereby employees and employer can make contributions to the Plan up to the maximum allowed by law. The Organization may elect to contribute a Safe Harbor Matching Contribution to the Trust Fund on behalf of each eligible participant in a uniform percentage equal to 100% of a participant's elective deferrals which do not exceed 3% of compensation, plus 50% of elective deferrals which exceed 3%, but do not exceed 5% of compensation. The defined contribution plan expense for the years ended June 30, 2020 and 2019 were \$37,925 and \$39,694, respectively.

12. Commitments and Contingencies

An annual lease with the Burbank Unified School District is paid monthly. Rent expense paid for the year ended June 30, 2020 and 2019 was \$34,119 and \$52,490, respectively. In September 2020, the Burbank Unified School District lease was renewed for \$1,260 per month, totaling approximately \$12,600 for the 2021 fiscal year. The Organization was not billed for the months of March to August 2020 as a result of school closures relating to COVID-19 events.

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Notes to Financial Statements (Continued) June 30, 2020 and 2019

13. Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of June 30:

	2020	2019
Cash and cash equivalents	\$ 1,607,754	\$ 1,080,854
Donor-imposed restrictions	(1,234,466)	(1,022,272)
Cash and cash equivalents available for general expenditures	373,288	58,582
Investments	-	1,084
Promises to give, net of allowance for doubtful accounts of \$9,210 and \$7,500	93,883	201,460
Prepaid expenses	50,619	39,010
Total financial assets	517,790	300,136
Amounts not available to be used within one year	-	-
Financial assets available to meet general expenditures over the next twelve months	\$ 517,790	\$ 300,136

The Organization is substantially supported by program revenues. The Organization reviews its liquidity monthly with the board of directors. In the event of an unanticipated liquidity need, the Organization also has \$100,000 available on its line of credit at June 30, 2020.

14. Notes Payable

The Organization has a finance agreement in connection with the purchase of a vehicle. The agreement is secured by the underlying asset. The note is noninterest bearing. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest of 4.25%, which is the Organization's long-term borrowing rate at the time of the respective acquisition. The note matures in October 2023. As of June 30, 2020, the outstanding balance on this note was \$15,397.

The following is a schedule by years of the future minimum payments on the Organization's notes payable:

Years ended June 30,		
2021	\$	4,360
2022		4,360
2023		4,360
2024		2,317
Total	\$	15,397

For the year ended June 30, 2020, interest expense on notes payable was \$248.

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Notes to Financial Statements (Continued) June 30, 2020 and 2019

15. Refundable Advance – PPP Loan

On May 1, 2020, the Organization received a loan administered by the Small Business Administration in the amount of \$503,916 under the Paycheck Protection Program (“PPP”) established by the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan amount if the proceeds are used for expenditures such as payroll, rent, utilities, and other expenses described in the CARES Act. The loan is recorded as a refundable advance and the forgiveness will be recorded in accordance with guidance for conditional contribution when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. No contribution revenue has been recorded for the year ended June 30, 2020. The Organization will be required to repay unforgivable amounts, plus interest accrued at 1%, in monthly installments commencing upon notification of forgiveness or partial forgiveness over a two year period. Management believes that the Organization is eligible for full forgiveness and will not be required to repay any of the funds.

16. Subsequent Events

The COVID-19 outbreak in the United States has caused disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. This matter may impact the Organization’s mission; however, the financial impact and duration cannot be reasonably estimated at this time.

On December 18, 2020, the Organization closed escrow on a new facility for \$5.3 million. City of Burbank and Cusumano Real Estate Group contributed \$1 million each for this purpose, while the remaining balance was financed.

Management has evaluated subsequent events through December 29, 2020 which is the date the financial statements were available to be issued. Except as discussed in the previous paragraphs or elsewhere in the financial statements, no events have occurred subsequent to June 30, 2020 requiring recording or disclosure in these financial statements.