



**BOYS & GIRLS CLUBS
OF DORCHESTER**

**FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors of
Boys and Girls Clubs of Dorchester, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Boys and Girls Clubs of Dorchester, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of Dorchester, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the June 30, 2019 financial statements have been restated to include investments that had not previously been recorded. Our opinion is not modified with respect to this matter.

AAFCPA, Inc.

Boston, Massachusetts
November 2, 2020

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

 Statements of Financial Position
 June 30, 2020 and 2019

	2020			2019 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets:						
Cash	\$ 841,710	\$ 351,122	\$ 1,192,832	\$ 124,972	\$ 506,300	\$ 631,272
Grants, contracts and other receivables, net of allowance for doubtful accounts	748,128	-	748,128	325,138	-	325,138
Prepaid expenses and other	15,340	-	15,340	7,609	-	7,609
Total current assets	<u>1,605,178</u>	<u>351,122</u>	<u>1,956,300</u>	<u>457,719</u>	<u>506,300</u>	<u>964,019</u>
Investments	721,984	1,348,050	2,070,034	755,840	1,319,127	2,074,967
Cash Surrender Value of Life Insurance Policies	106,542	-	106,542	102,404	-	102,404
Property and Equipment, net	<u>4,017,722</u>	<u>-</u>	<u>4,017,722</u>	<u>3,868,927</u>	<u>-</u>	<u>3,868,927</u>
Total assets	<u>\$ 6,451,426</u>	<u>\$ 1,699,172</u>	<u>\$ 8,150,598</u>	<u>\$ 5,184,890</u>	<u>\$ 1,825,427</u>	<u>\$ 7,010,317</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 295,968	\$ -	\$ 295,968	\$ 288,163	\$ -	\$ 288,163
Deferred revenue	-	-	-	78,115	-	78,115
Total current liabilities	<u>295,968</u>	<u>-</u>	<u>295,968</u>	<u>366,278</u>	<u>-</u>	<u>366,278</u>
Note Payable	<u>717,500</u>	<u>-</u>	<u>717,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,013,468</u>	<u>-</u>	<u>1,013,468</u>	<u>366,278</u>	<u>-</u>	<u>366,278</u>
Net Assets:						
Without donor restrictions:						
Operating	1,420,236	-	1,420,236	949,685	-	949,685
Property and equipment	<u>4,017,722</u>	<u>-</u>	<u>4,017,722</u>	<u>3,868,927</u>	<u>-</u>	<u>3,868,927</u>
Total without donor restrictions	<u>5,437,958</u>	<u>-</u>	<u>5,437,958</u>	<u>4,818,612</u>	<u>-</u>	<u>4,818,612</u>
With donor restrictions	<u>-</u>	<u>1,699,172</u>	<u>1,699,172</u>	<u>-</u>	<u>1,825,427</u>	<u>1,825,427</u>
Total net assets	<u>5,437,958</u>	<u>1,699,172</u>	<u>7,137,130</u>	<u>4,818,612</u>	<u>1,825,427</u>	<u>6,644,039</u>
Total liabilities and net assets	<u>\$ 6,451,426</u>	<u>\$ 1,699,172</u>	<u>\$ 8,150,598</u>	<u>\$ 5,184,890</u>	<u>\$ 1,825,427</u>	<u>\$ 7,010,317</u>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

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

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:						
Grants and contributions	\$ 2,358,257	\$ 293,956	\$ 2,652,213	\$ 1,398,313	\$ 269,520	\$ 1,667,833
Contracts	1,232,675	-	1,232,675	1,500,962	-	1,500,962
Special events and contributions, net	941,682	-	941,682	789,475	-	789,475
Rodman Ride contributions	570,786	-	570,786	563,680	-	563,680
Program service fees	551,655	-	551,655	725,907	-	725,907
Donated goods and services	339,644	-	339,644	245,360	-	245,360
United Way contributions	66,759	-	66,759	63,053	-	63,053
Investment income	37,418	-	37,418	31,354	-	31,354
Other	2,993	-	2,993	3,529	-	3,529
Net assets released from program restrictions	449,311	(449,311)	-	286,833	(286,833)	-
Investment appreciation - endowment allocated to operations	-	-	-	62,671	-	62,671
Total operating revenue and support	<u>6,551,180</u>	<u>(155,355)</u>	<u>6,395,825</u>	<u>5,671,137</u>	<u>(17,313)</u>	<u>5,653,824</u>
Operating Expenses:						
Program services:						
Licensed Childcare	1,493,058	-	1,493,058	1,618,150	-	1,618,150
Recreation and Education	2,877,400	-	2,877,400	2,795,216	-	2,795,216
Total program services	<u>4,370,458</u>	<u>-</u>	<u>4,370,458</u>	<u>4,413,366</u>	<u>-</u>	<u>4,413,366</u>
General and administrative	702,877	-	702,877	716,624	-	716,624
Fundraising	846,043	-	846,043	527,248	-	527,248
Total operating expenses	<u>5,919,378</u>	<u>-</u>	<u>5,919,378</u>	<u>5,657,238</u>	<u>-</u>	<u>5,657,238</u>
Changes in net assets from operations	<u>631,802</u>	<u>(155,355)</u>	<u>476,447</u>	<u>13,899</u>	<u>(17,313)</u>	<u>(3,414)</u>
Non-Operating Revenues (Expenses):						
Grants and contributions - capital	-	50,004	50,004	-	45,000	45,000
Investment return on cash value of life insurance policies	4,138	-	4,138	5,989	-	5,989
Net gain (loss) on investments	(66,421)	28,923	(37,498)	25,553	11,855	37,408
Net assets released from capital restrictions	49,827	(49,827)	-	4,200	(4,200)	-
Investment appreciation - endowment allocated to operations	-	-	-	-	(62,671)	(62,671)
Total non-operating revenues (expenses)	<u>(12,456)</u>	<u>29,100</u>	<u>16,644</u>	<u>35,742</u>	<u>(10,016)</u>	<u>25,726</u>
Changes in net assets	<u>\$ 619,346</u>	<u>\$ (126,255)</u>	<u>\$ 493,091</u>	<u>\$ 49,641</u>	<u>\$ (27,329)</u>	<u>\$ 22,312</u>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.Statements of Changes in Net Assets
For the Years Ended June 30, 2020 and 2019 (Restated)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets , June 30, 2018, as previously stated	\$ 4,495,971	\$ 1,852,756	\$ 6,348,727
Prior period adjustment	<u>273,000</u>	<u>-</u>	<u>273,000</u>
Net Assets , June 30, 2018, as restated	4,768,971	1,852,756	6,621,727
Changes in net assets	<u>49,641</u>	<u>(27,329)</u>	<u>22,312</u>
Net Assets , June 30, 2019, as restated	4,818,612	1,825,427	6,644,039
Changes in net assets	<u>619,346</u>	<u>(126,255)</u>	<u>493,091</u>
Net Assets , June 30, 2020	<u>\$ 5,437,958</u>	<u>\$ 1,699,172</u>	<u>\$ 7,137,130</u>

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u> (Restated)
Cash Flows from Operating Activities:		
Changes in net assets	\$ 493,091	\$ 22,312
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	206,123	220,860
Bad debt	28,519	59,673
Net (gain) loss on investments	37,498	(37,408)
Investment return on cash surrender value of life insurance policies	(4,138)	(5,989)
Grants and contributions - capital	(50,004)	(45,000)
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	(451,509)	18,495
Prepaid expenses and other	(7,731)	12,660
Accounts payable and accrued expenses	7,805	47,247
Deferred revenue	(78,115)	(3,086)
Net cash provided by operating activities	<u>181,539</u>	<u>289,764</u>
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	414,728	413,860
Purchase of investments	(447,293)	(437,360)
Acquisition of property and equipment	(354,918)	(39,925)
Net cash used in investing activities	<u>(387,483)</u>	<u>(63,425)</u>
Cash Flows from Financing Activities:		
Grants and contributions - capital	50,004	45,000
Proceeds (principal payments) on notes payable	717,500	(94,564)
Net cash provided by (used in) financing activities	<u>767,504</u>	<u>(49,564)</u>
Net Change in Cash	561,560	176,775
Cash:		
Beginning of year	<u>631,272</u>	<u>454,497</u>
End of year	<u>\$ 1,192,832</u>	<u>\$ 631,272</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 3,241</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gain (loss) on investments	<u>\$ (84,904)</u>	<u>\$ 37,408</u>

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

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

(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020					2019	
	Program Services			General and Administrative	Fundraising	Total	Total
Licensed Childcare	Recreation and Education	Total Program Services					
Salaries and Related:							
Salaries	\$ 1,046,126	\$ 1,837,366	\$ 2,883,492	\$ 404,523	\$ 456,919	\$ 3,744,934	\$ 3,313,739
Employee benefits	84,828	125,084	209,912	83,538	35,542	328,992	311,856
Payroll taxes	86,078	134,315	220,393	25,931	36,184	282,508	241,040
Total salaries and related	<u>1,217,032</u>	<u>2,096,765</u>	<u>3,313,797</u>	<u>513,992</u>	<u>528,645</u>	<u>4,356,434</u>	<u>3,866,635</u>
Occupancy:							
Depreciation	52,947	86,830	139,777	16,134	18,172	174,083	173,042
Utilities	27,289	101,271	128,560	3,911	3,394	135,865	170,769
Repairs and maintenance	29,261	85,422	114,683	6,719	6,321	127,723	163,748
Insurance	14,157	51,914	66,071	2,953	3,630	72,654	72,648
Interest	-	-	-	1,500	-	1,500	3,241
Total occupancy	<u>123,654</u>	<u>325,437</u>	<u>449,091</u>	<u>31,217</u>	<u>31,517</u>	<u>511,825</u>	<u>583,448</u>
Other:							
Program activities and supplies	93,732	370,760	464,492	26	-	464,518	589,712
Consulting	1,311	5,337	6,648	48,183	233,550	288,381	194,127
Special event	-	-	-	-	214,887	214,887	256,390
Professional fees	-	-	-	44,000	-	44,000	129,361
Staff training and travel	10,668	11,938	22,606	9,297	4,768	36,671	39,399
Depreciation	5,071	21,850	26,921	3,614	1,505	32,040	47,818
Miscellaneous	4,489	2,266	6,755	18,824	4,169	29,748	43,092
Bad debt	28,519	-	28,519	-	-	28,519	59,673
Dues and subscriptions	-	21,908	21,908	469	165	22,542	24,002
Advertising	-	-	-	762	21,172	21,934	17,227
Postage and printing	-	22	22	9,306	12,305	21,633	5,480
Telephone	6,875	8,786	15,661	4,051	1,186	20,898	17,476
Office supplies	-	3,892	3,892	11,928	2,017	17,837	13,483
Equipment rental	1,707	8,439	10,146	946	5,044	16,136	19,878
Insurance	-	-	-	5,919	-	5,919	6,084
Investment management fees	-	-	-	343	-	343	343
Total other	<u>152,372</u>	<u>455,198</u>	<u>607,570</u>	<u>157,668</u>	<u>500,768</u>	<u>1,266,006</u>	<u>1,463,545</u>
Total expenses before special events - direct expenses	1,493,058	2,877,400	4,370,458	702,877	1,060,930	6,134,265	5,913,628
Special Events - Direct Expenses	-	-	-	-	(214,887)	(214,887)	(256,390)
Total expenses	<u>\$ 1,493,058</u>	<u>\$ 2,877,400</u>	<u>\$ 4,370,458</u>	<u>\$ 702,877</u>	<u>\$ 846,043</u>	<u>\$ 5,919,378</u>	<u>\$ 5,657,238</u>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

 Statement of Functional Expenses
 For the Year Ended June 30, 2019

	Program Services			General and Adminis- trative	Fundraising	Total
	Licensed Childcare	Recreation and Education	Total Program Services			
Salaries and Related:						
Salaries	\$ 1,074,786	\$ 1,614,719	\$ 2,689,505	\$ 295,342	\$ 328,892	\$ 3,313,739
Employee benefits	97,556	111,042	208,598	76,231	27,027	311,856
Payroll taxes	84,525	115,225	199,750	15,321	25,969	241,040
Total salaries and related	<u>1,256,867</u>	<u>1,840,986</u>	<u>3,097,853</u>	<u>386,894</u>	<u>381,888</u>	<u>3,866,635</u>
Occupancy:						
Depreciation	52,639	86,064	138,703	16,152	18,187	173,042
Utilities	34,014	128,023	162,037	4,674	4,058	170,769
Repairs and maintenance	41,174	107,839	149,013	7,437	7,298	163,748
Insurance	14,157	51,914	66,071	2,947	3,630	72,648
Interest	646	2,345	2,991	126	124	3,241
Total occupancy	<u>142,630</u>	<u>376,185</u>	<u>518,815</u>	<u>31,336</u>	<u>33,297</u>	<u>583,448</u>
Other:						
Program activities and supplies	134,230	455,482	589,712	-	-	589,712
Consulting	312	16,484	16,796	96,429	80,902	194,127
Special event	-	-	-	-	256,390	256,390
Professional fees	-	-	-	129,361	-	129,361
Staff training and travel	7,020	20,207	27,227	7,797	4,375	39,399
Depreciation	6,365	35,076	41,441	4,490	1,887	47,818
Miscellaneous	3,018	5,141	8,159	32,060	2,873	43,092
Bad debt	59,673	-	59,673	-	-	59,673
Dues and subscriptions	51	23,212	23,263	699	40	24,002
Advertising	265	-	265	5,347	11,615	17,227
Postage and printing	51	948	999	3,489	992	5,480
Telephone	5,757	8,216	13,973	2,930	573	17,476
Office supplies	-	3,738	3,738	8,748	997	13,483
Equipment rental	1,911	9,541	11,452	617	7,809	19,878
Insurance	-	-	-	6,084	-	6,084
Investment management fees	-	-	-	343	-	343
Total other	<u>218,653</u>	<u>578,045</u>	<u>796,698</u>	<u>298,394</u>	<u>368,453</u>	<u>1,463,545</u>
Total expenses before special events - direct expenses	1,618,150	2,795,216	4,413,366	716,624	783,638	5,913,628
Special Events - Direct Expenses	-	-	-	-	(256,390)	(256,390)
Total expenses	<u>\$ 1,618,150</u>	<u>\$ 2,795,216</u>	<u>\$ 4,413,366</u>	<u>\$ 716,624</u>	<u>\$ 527,248</u>	<u>\$ 5,657,238</u>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2020 and 2019

1. OPERATIONS AND NONPROFIT STATUS

Operations

Boys and Girls Clubs of Dorchester, Inc. (the Club) is a nonprofit organization dedicated to inspiring and enabling all young people, from diverse circumstances, to realize their full potential by providing opportunities for personal growth to become contributing, caring and responsible members of the community. The Club provides education and recreation related activities for children of all ages of the Dorchester, Massachusetts and surrounding communities.

Nonprofit Status

The Club is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Club is also exempt from state income taxes. Contributions made to the Club are deductible by donors within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

The Club prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Recently Adopted Accounting Pronouncement

Contributions Received and Contributions Made

On July 1, 2019, the Club adopted FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Club adopted Topic 958 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of July 1, 2019.

Revenue from Contracts with Customers

Also, during fiscal year 2020, the Club adopted ASC Topic 606, *Revenue from Contracts with Customers*, with respect to its revenue recognition policies. The core principle of the new accounting guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this standard did not have a significant impact on the Club's financial statements as the Club's primary sources of revenue are recognized under Topic 958.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement (Continued)

Fair Value of Financial Instruments

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10: Recognition and Measurement of Financial Assets and Financial Liabilities)*, and subsequently issued related ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10)*. These standards amend certain aspects of accounting and disclosure requirements for financial instruments, including the requirement that equity investments with readily determinable fair values are to be measured at fair value with any changes in fair value recognized in an entity's statement of activities. This standard did not have a significant impact on the accompanying financial statements.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grants, Contracts and Other Receivables and Allowance for Doubtful Accounts

Grants, contracts and other receivables are recorded at the invoiced or pledged amount and do not bear interest. The Club recorded an allowance for doubtful accounts of \$25,000 as of June 30, 2020 and 2019. The decision whether or not to record an allowance is based on historical collections and write-off experience, as well as the amounts that were collected subsequent to each fiscal year-end.

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at estimated fair value at the date of gift, if donated. Renewals and betterments over \$1,000 are capitalized, while repairs and maintenance are expensed as they are incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Building and improvements	10 - 40 years
Furniture, vehicles and equipment	3 - 10 years
Land improvements	15 years

Land is not depreciated.

The Club accounts for the carrying value of its property and equipment in accordance with ASC Topic, *Property, Plant and Equipment*. The Club has not recognized any reduction in the carrying value of its property and equipment when considering this standard during fiscal year 2020 or 2019.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue consists of ticket sales and other amounts received for program and other events that will be held in the following fiscal year.

Fair Value Measurements

The Club follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Club would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Club uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Club. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments in marketable securities, primarily mutual funds, are reported at fair value as established by major securities markets. Investments in nonmarketable investments (alternative investments) qualify to use the measurement alternative defined as cost, less impairment, plus or minus changes resulting from observable price changes for identical or similar investments. These estimated values may differ significantly from the values that would have been used had a ready market existed for the underlying investments.

Cash Surrender Value of Life Insurance Policies

The Club records its cash surrender value of life insurance policies using Level 2 inputs which includes valuations provided by insurance companies.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

All Other Assets and Liabilities

The carrying value of all other assets and liabilities, including notes payable, does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions include the following:

Operating net assets consist of amounts relating to program and other operating activities which bear no external restrictions and are currently available for operations.

Property and equipment net assets reflect amounts expended and resources available for property and equipment, net of related debt, if any.

Net Assets With Donor Restrictions

Net assets with donor restrictions include amounts received with purpose or time restrictions, which have not yet been expended for their purposes, as well as assets restricted to be held in perpetuity. Net assets with donor restrictions also include appreciation on net assets with donor restrictions to be held in perpetuity in accordance with Massachusetts state law and the Club's spending policy.

Net assets with donor restrictions also includes an endowment of approximately \$1,047,000 as of June 30, 2020 and 2019, which is restricted by donors against any expenditure of principal. Substantially all interest and dividend income earned on principal may be used for general purposes.

Net assets with donor restrictions consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Subject to the Club's endowment spending policy:		
Investment in perpetuity	\$ 1,046,626	\$ 1,046,626
Unspent appreciation on endowment	<u>301,424</u>	<u>272,501</u>
	<u>1,348,050</u>	<u>1,319,127</u>
Subject to expenditure for specific purposes:		
Program	165,994	456,473
Time	135,124	-
Capital	<u>50,004</u>	<u>49,827</u>
	<u>351,122</u>	<u>506,300</u>
Total net assets with donor restrictions	<u>\$ 1,699,172</u>	<u>\$ 1,825,427</u>

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions (Continued)

Endowment and Investment Return Allocations

Massachusetts state law allows the Club to appropriate as much of the appreciation of net assets with donor restrictions as is deemed prudent considering the Club's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

During fiscal year 2019, the Board of Directors of the Club voted to allow for the use of a portion of the investment return for operations each year which totaled \$62,671 for the year ended June 30, 2019. The Club appropriated for operations 5% of the average fair value for each investment portfolio over a three year period, determined at least quarterly, in addition to all interest and dividends earned. During fiscal year 2020, the Board of Directors of the Club did not vote to approve a spending policy appropriation based on budgetary decisions.

The overall goal of the Club's endowment is to provide a level of support to the Club as determined by the spending policy and reach the objective of maintaining or enhancing purchasing power. The primary investment objective is to achieve a competitive total rate of return (realized and unrealized capital gains plus income, after fees) commensurate with prudent diversification and moderate risk. Consistent with this objective, the portfolio will be structured among various asset classes employing equity-based mutual funds for both growth of capital and income and fixed income based mutual funds for current income and relative price stability. The investment objectives for the endowment portfolio assets shall be to achieve an average annual rate of return of the Consumer Price Index plus 5%.

Revenue Recognition

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Club must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barriers or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Club should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. There were no conditional grants outstanding at June 30, 2020.

Unconditional grants and contributions are recorded as services are provided and costs are incurred. Grants and contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. Transfers are made to revenue and support and net assets without donor restrictions as services are provided and costs are incurred, or pro-rata over the period covered by the contribution or grant as time restrictions lapse. Donor restricted grants and contributions received and satisfied in the same year are included in net assets without donor restrictions.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contracts

Amounts recognized under contracts with various state and local agencies have been recorded as revenue in accordance with ASU Topic 958 as services are provided and costs are incurred.

Program Service Fees

The Club generally measures revenue for qualifying exchange transactions based on the amount of consideration the Club expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue as the Club satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Club evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

The Club enters into contracts with club members who pay for a portion of the services received which it records as an exchange transaction under ASC Topic 606. The Club recognizes revenue for the services as the performance obligations are satisfied. Revenue from contracts with customers is presented as program service fees in the accompanying statement of activities for the years ended June 30, 2020 and 2019.

Special Event Revenue

The Club conducts fundraising events where the obligation is delivery of the event. Sponsorship tickets for this event are set by the Club and recorded in accordance with ASC Topic 606 and have not been allocated as the event is considered to be an obligation. Sponsorship tickets collected in advance of event are initially recorded as deferred revenue (contract liabilities) and are only recognized in the statements of activities after delivery of the event has occurred. The event also receives event contributions from donors which are recorded as net assets without donor restrictions when received in accordance with ASC Topic 958.

At June 30, 2020, the Club's accounts receivable consisted of \$620,223 of grants and contributions and \$127,905 from program service fees.

Donated Goods and Services

The Club receives donated goods and services from various individuals or organizations for use in its programs and fundraising efforts. These goods and services are reflected in the accompanying financial statements at fair value as determined by management and the donors who contributed these goods and services. The donated goods associated with special events (see Note 9) are included in special events and contributions in the accompanying statements of activities for the years ended June 30, 2020 and 2019.

During fiscal years 2020 and 2019, the Club had volunteers who donated their time to the Club's program services. The value of these goods and services is not reflected in the accompanying financial statements, since the donations did not meet the criteria for recognition under U.S. GAAP.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and support and operating expenses in the accompanying statements of activities. Non-operating revenues (expenses) include endowment and investment activity, investment return on cash value of life insurance policies, capital grant activity, and donated property and equipment.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentages attributable to program services, general and administrative and fundraising activities.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions; therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll, payroll taxes and employee benefits which are allocated based on an estimate of time and level of effort spent on the Club's program and supporting functions as well as occupancy which is allocated based on square footage of space that is occupied by each program or department.

Advertising Costs

Advertising costs are expensed as incurred by the Club.

Income Taxes

The Club accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Club has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2020 and 2019. The Club's informational returns are subject to examination by Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through November 2, 2020, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.Notes to Financial Statements
June 30, 2020 and 2019

3. INVESTMENTS AND ENDOWMENT

The Club's investments consist of the following at June 30:

<u>2020</u>	<u>Level 1</u>	<u>Alternative Investments</u>	<u>Total</u>
Money market funds	\$ 141,199	\$ -	\$ 141,199
Mutual funds:			
Equities	1,352,777	-	1,352,777
Fixed income	377,058	-	377,058
Non-marketable investments	<u>-</u>	<u>199,000</u>	<u>199,000</u>
Total investments	<u>\$ 1,871,034</u>	<u>\$ 199,000</u>	<u>\$ 2,070,034</u>
<u>2019</u>	<u>Level 1</u>	<u>Alternative Investments</u>	<u>Total</u>
Money market funds	\$ 370,786	\$ -	\$ 370,786
Mutual funds:			
Equities	1,209,893	-	1,209,893
Fixed income	221,288	-	221,288
Non-marketable investments	<u>-</u>	<u>273,000</u>	<u>273,000</u>
Total investments	<u>\$ 1,801,967</u>	<u>\$ 273,000</u>	<u>\$ 2,074,967</u>

Investments in nonmarketable investments (alternative investments) qualify to use the measurement alternative defined as cost, less impairment, plus or minus changes resulting from observable price changes for identical or similar investments. These estimated values may differ significantly from the values that would have been used had a ready market existed for the underlying investments. During fiscal year 2020, the Club recorded an impairment of its alternative investment totaling \$74,000. This amount was determined based on data provided by the asset manager. This amount is included in net gain (loss) on investments in the accompanying statement of activities for the year ended June 30, 2020. No impairment losses were recognized for the year ended June 30, 2019.

The Club intends to hold the investments indefinitely. Accordingly, the investments are reflected as long-term assets in the accompanying statements of financial position regardless of maturity or liquidity. Investments are not insured and are subject to on-going market fluctuations.

The Board of Directors, through the Investment Committee, may employ the services of one or more investment managers to handle invested funds in accordance with these guidelines.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2020 and 2019

3. INVESTMENTS AND ENDOWMENT (Continued)

A reconciliation of endowment activity for fiscal years 2020 and 2019, is as follows:

Endowment net assets, June 30, 2018	\$ 1,369,943
Investment income, net	11,855
Investment appreciation - endowment allocated to operations	<u>(62,671)</u>
Endowment net assets, June 30, 2019	1,319,127
Investment income, net	<u>28,923</u>
Endowment net assets, June 30, 2020	<u>\$ 1,348,050</u>

4. CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES

The Club is the owner and beneficiary of two life insurance policies on a member of the Board of Directors with an aggregate face value of \$80,512. As of June 30, 2020 and 2019, the cash surrender value of the policies was \$106,542 and \$102,404, respectively. Investment return on cash value of life insurance policies totaled \$4,138 and \$5,989 for the years ended June 30, 2020 and 2019, respectively, and are included in non-operating revenues (expenses) in the accompanying statements of activities.

5. PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 7,376,406	\$ 7,250,343
Furniture, vehicles and equipment	815,253	586,298
Land and land improvements	<u>578,105</u>	<u>578,205</u>
	8,769,764	8,414,846
Less - accumulated depreciation	<u>4,752,042</u>	<u>4,545,919</u>
Net property and equipment	<u>\$ 4,017,722</u>	<u>\$ 3,868,927</u>

6. LINE OF CREDIT

The Club has a \$250,000 line of credit agreement with a bank that renews annually. Borrowings are due on demand and interest is payable monthly at the bank's prime rate (3.25% and 5.50% at June 30, 2020 and 2019, respectively). There was no balance as of June 30, 2020 and 2019. The line of credit is secured by all business assets of the Club and was cross-collateralized and cross-defaulted with the note payable. The line of credit has various non-financial covenants in which the Club must comply. The Club was in compliance with these covenants at June 30, 2020 and 2019.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2020 and 2019

7. CONCENTRATIONS

FDIC Coverage

The Club maintains its cash balances in a Massachusetts bank. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, cash balances may exceed the insured amounts. The Club has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

Commonwealth Funding

The Club receives funding under unit-rate contracts from departments within the Commonwealth of Massachusetts (the Commonwealth). These reimbursements are subject to audit by the Commonwealth. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Club at June 30, 2020 and 2019, or on its changes in net assets for the years then ended.

For the years ended June 30, 2020 and 2019, the Club received 9% and 10%, respectively, of its operating revenue and support without donor restrictions from various departments within the Commonwealth. As of June 30, 2020 and 2019, 6% and 12% of grants, contracts and other receivables was due from the Commonwealth, respectively.

Other Funding

As of June 30, 2020 and 2019, 13% and 24% of grants, contracts and other receivables, respectively, were due from one payer each year.

8. DONATED GOODS AND SERVICES

The value of donated goods and services, excluding donated land, is as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Salaries	\$ 157,161	\$ 141,218
Technology	135,550	-
Event tickets and program supplies	46,933	104,142
Special event advertising, raffle items and other (see Note 9)	<u>74,779</u>	<u>27,258</u>
	<u>\$ 414,423</u>	<u>\$ 272,618</u>

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2020 and 2019

9. SPECIAL EVENTS AND CONTRIBUTIONS, NET

Included in special events and contributions, net are the results of various special events that are held annually, which are shown net of related expenses in the accompanying statements of activities. Special event revenue and direct expenses are summarized as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Special events contributions	\$ 689,970	\$ 692,232
Special events donated goods (see Note 8)	74,779	27,258
Special events revenue	\$ 392,219	\$ 326,375
Less - direct expenses (including donated goods)	<u>(214,887)</u>	<u>(256,390)</u>
	<u>177,332</u>	<u>69,985</u>
Special events and contributions, net	<u>\$ 941,682</u>	<u>\$ 789,475</u>

The indirect expenses associated with special events are included in fundraising in the accompanying statements of functional expenses.

10. RELATED PARTY TRANSACTIONS

The spouse of the President/Chief Executive Officer (CEO) is the Vice President of Education at the Club. The Vice President of Education received compensation from the Club in the amount of approximately \$139,000 and \$138,000 for the years ended June 30, 2020 and 2019, respectively.

The President/CEO and the Vice President of Programming of the Club are also members of the Board of Directors of a foundation that provided support, both directly and indirectly, to the Club. For the year ended June 30, 2020, \$225,000 was donated to the Rodman Ride and is included in Rodman Ride contributions in the accompanying 2020 statement of activities. The support provided to the Club by this foundation during fiscal year 2019 totaled \$356,400, of which \$200,000 was included in Rodman Ride contributions in the accompanying 2019 statement of activities. These individuals abstain from any votes taken that pertain to funding for the Club.

The President/CEO is a voting Board member and a member of the Executive Committee of Rodman Ride. The Rodman Ride is a not-for-profit organization that provided support, both directly and indirectly, to the Club totaling \$570,786 and \$563,680 (including the \$225,000 and \$200,000 mentioned above pertaining to fiscal years 2020 and 2019, respectively) for the years ended June 30, 2020 and 2019, respectively.

11. EMPLOYEE BENEFIT PLAN

The Club participates in a safe harbor 401(k) plan (the Plan), administered by the Boys and Girls Club Pension Trust, a separate corporation. The Plan covers all employees who have completed one year of service, worked at least 1,000 hours, and reached the age of 21. Under the Plan, the participants may contribute the maximum allowable by law. The Club contributes 3% of each eligible employee's current earnings and will make a matching contribution of an employee's contribution up to 2% of current earnings. Matching contributions made by the Club fully vest after three years. During fiscal years 2020 and 2019, the Club made contributions totaling \$104,098 and \$90,081, respectively, which are included in employee benefits in the accompanying statements of functional expenses.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.

Notes to Financial Statements
June 30, 2020 and 2019

12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Club's financial assets available within one year from the statements of financial position date for general operating expenses are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 1,192,832	\$ 631,272
Grants, contracts and other receivables	<u>748,128</u>	<u>325,138</u>
Total financial assets and liquidity resources available	1,940,960	956,410
Less - donor restricted amounts pertaining to capital costs	<u>(50,004)</u>	<u>(49,827)</u>
Total financial assets and liquidity resources available within one year	<u>\$ 1,890,956</u>	<u>\$ 906,583</u>

As part of the Club's liquidity management, the Club has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, the Club has a \$250,000 line of credit (see Note 6). The Club's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure unless appropriated for operations. The Club has approximately \$722,000 and \$756,000 of investments without donor restrictions as of June 30, 2020 and 2019, respectively. These amounts could be liquidated and utilized to support operations if necessary, with the prior approval of the Board of Directors.

13. NOTE PAYABLE

The Club applied for and was awarded a forgivable loan of \$717,500 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds will be used to pay certain payroll costs, including benefits as well as rent and utilities during a covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until December 2020, when the note, plus interest, will be due in equal monthly payments through May 2022. There are no covenants with which to comply and the note is not secured by any collateral as of June 30, 2020. The Club accrued interest of \$1,500 on the note payable as of and for the year ended June 30, 2020.

As of November 2, 2020, the Club has not submitted the application for forgiveness. However, the Club anticipates the note payable will be forgiven in full and, therefore, the balance has been classified as long-term in the accompanying statement of financial position as of June 30, 2020.

BOYS AND GIRLS CLUBS OF DORCHESTER, INC.Notes to Financial Statements
June 30, 2020 and 2019

14. CONTINGENCY

During fiscal year 2020, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on the Club's operations and financial position. As a result, the adverse impact COVID-19 will have on the Club's businesses, operating results, cash flows and financial condition is uncertain. It is management's opinion that the adverse impact would not be material.

15. PRIOR PERIOD ADJUSTMENT

During fiscal year 2020, the Club discovered that investments with a fair value of \$273,000 that were donated in fiscal year 2018 were not previously recorded. Accordingly, the Club has restated the prior year financial statement amounts as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets, June 30, 2018, as previously stated	\$ 4,495,971	\$ 1,852,756	\$ 6,348,727
Record value of non-marketable investment	<u>273,000</u>	<u>-</u>	<u>273,000</u>
Net Assets, June 30, 2018, as restated	<u>\$ 4,768,971</u>	<u>\$ 1,852,756</u>	<u>\$ 6,621,727</u>