

**BOYS & GIRLS CLUBS OF PALM BEACH  
COUNTY, INC. AND AFFILIATES  
REPORT ON AUDITS OF CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019**

# BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES

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## Independent Auditor's Report

Boards of Directors of  
Boys & Girls Clubs of Palm Beach County, Inc.,  
Boys & Girls Clubs of Palm Beach County Foundation, Inc., and  
Boys & Girls Clubs of Palm Beach County Leverage Lender, Inc.  
West Palm Beach, Florida

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of Palm Beach County, Inc. and Affiliates (a non-profit Organization) (the Organization) which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boys & Girls Clubs of Palm Beach County, Inc. and Affiliates as of September 30, 2020 and 2019, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of a Matter

As more fully described in Note 17 to the consolidated financial statements, in January 2020, the World Health Organization declared COVID-19 a global health emergency. Given the uncertainty of the situation and the duration and severity of any Organization operational disruption, the related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

## Other Matters

### Report on Supplementary and Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 2020 consolidated financial statements. Such information and the consolidating information listed in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. The supplementary and consolidating information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary and consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary and consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Templeton & Company, LLP*

West Palm Beach, Florida  
January 28, 2021

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2020 and 2019**

	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,844,711	\$ 7,302,191
Investments	11,057,594	7,634,312
Grants and accounts receivable, net	2,378,307	1,484,787
Current portion of unconditional promises to give, net	207,250	201,730
Prepaid expenses	562,323	610,370
Total current assets	20,050,185	17,233,390
Property and equipment, net	20,647,620	16,660,778
Unconditional promises to give, net of current portion	583,178	749,185
Note receivable - New Market Tax Credit	5,719,080	5,719,080
Beneficial interest in assets held by Community Foundation	154,471	142,230
Other assets	148,189	135,947
Total assets	\$ 47,302,723	\$ 40,640,610
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 915,663	\$ 598,782
Current portion of long-term debt	217,435	219,637
Deferred revenue	1,756,966	1,354,152
Total current liabilities	2,890,064	2,172,571
Long-term debt, net	9,363,046	7,930,251
Total liabilities	12,253,110	10,102,822
Net assets:		
Without donor restrictions	15,143,559	13,850,095
With donor restrictions	19,906,054	16,687,693
Total net assets	35,049,613	30,537,788
Total liabilities and net assets	\$ 47,302,723	\$ 40,640,610

See accompanying notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
For the Years Ended September 30, 2020 and 2019**

	For the Year Ended September 30, 2020			For the Year Ended September 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions and grants	\$ 5,228,109	\$ 2,963,958	\$ 8,192,067	\$ 3,645,320	\$ 4,129,973	\$ 7,775,293
Federal, state and local government grants	6,406,271	-	6,406,271	4,722,095	-	4,722,095
Special events, net of direct expenses	2,570,508	-	2,570,508	2,783,231	-	2,783,231
Program revenue	158,521	-	158,521	375,616	-	375,616
Snack bar and vending, net	(1,436)	-	(1,436)	13,711	-	13,711
Donated facilities and goods	3,489,815	-	3,489,815	2,700,580	-	2,700,580
Other	49,190	57,179	106,369	49,679	24,000	73,679
Net assets released from restrictions	797,784	(797,784)	-	2,254,347	(2,254,347)	-
Total support and revenue	<u>18,698,762</u>	<u>2,223,353</u>	<u>20,922,115</u>	<u>16,544,579</u>	<u>1,899,626</u>	<u>18,444,205</u>
Expenses:						
Program services:						
Character and leadership development	2,045,222	-	2,045,222	1,700,375	-	1,700,375
Education and career development	3,099,300	-	3,099,300	4,244,397	-	4,244,397
Sports, fitness and recreation	3,933,120	-	3,933,120	3,269,954	-	3,269,954
Health and life skills	1,573,249	-	1,573,249	1,307,978	-	1,307,978
Cultural arts	2,509,332	-	2,509,332	2,086,246	-	2,086,246
Technology	2,005,892	-	2,005,892	-	-	-
Total program services	15,166,115	-	15,166,115	12,608,951	-	12,608,951
Supporting services:						
Management and general	1,263,263	-	1,263,263	1,348,974	-	1,348,974
Fund raising	970,938	-	970,938	924,753	-	924,753
Total expenses	<u>17,400,316</u>	<u>-</u>	<u>17,400,316</u>	<u>14,882,679</u>	<u>-</u>	<u>14,882,679</u>
Increase in net assets before non-operating activities	1,298,446	2,223,353	3,521,799	1,661,900	1,899,626	3,561,526
Transfer of assets	(995,008)	995,008	-	(1,660,615)	1,660,615	-
Net investment return	1,090,412	-	1,090,412	61,395	-	61,395
Net unrealized gain on beneficial interest in assets held by Community Foundation	12,241	-	12,241	409	-	409
Interest expense	(112,628)	-	(112,628)	(49,022)	-	(49,022)
Increase in net assets	1,293,463	3,218,361	4,511,824	14,067	3,560,241	3,574,308
Net assets - beginning of year	13,850,095	16,687,693	30,537,788	13,836,028	13,127,452	26,963,480
Net assets - end of year	<u>\$ 15,143,559</u>	<u>\$ 19,906,054</u>	<u>\$ 35,049,613</u>	<u>\$ 13,850,095</u>	<u>\$ 16,687,693</u>	<u>\$ 30,537,788</u>

See accompanying notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2020**

	Program Services						Supporting Services		Total Expenses
	Character and Leadership Development	Education and Career Development	Sports, Fitness and Recreation	Health and Life Skills	Cultural Arts	Technology	Management and General	Fund Raising	
Marketing and public relations	\$ 4,751	\$ 7,201	\$ 9,138	\$ 3,655	\$ 5,830	\$ 4,660	\$ 2,934	\$ 2,257	\$ 40,426
Conferences and staff training	1,920	2,909	3,692	1,477	2,356	1,883	1,186	911	16,334
Core programs	143,097	216,847	275,186	110,074	175,569	140,345	88,386	67,933	1,217,437
Employee benefits	69,115	104,736	132,913	53,165	84,799	67,786	42,690	32,811	588,015
Equipment leasing and maintenance	27,612	41,842	53,100	21,240	33,878	27,081	17,055	13,108	234,915
Insurance	49,681	75,286	95,541	38,216	60,955	48,726	30,686	23,585	422,677
Building maintenance	58,856	89,189	113,184	45,274	72,211	57,724	36,353	27,941	500,731
In-kind food program and other	404,639	613,183	778,151	311,260	496,460	396,857	249,931	192,096	3,442,578
In-kind utilities	15,033	22,781	28,910	11,564	18,445	14,744	9,286	7,137	127,901
Supplies and office expenses	47,109	71,388	90,593	36,237	57,799	46,203	29,097	22,364	400,789
Permits and dues	1,265	1,916	2,432	973	1,552	1,240	781	600	10,759
Payroll taxes	81,316	123,225	156,376	62,551	99,768	79,752	50,226	38,603	691,817
Postage and shipping	382	578	734	293	468	374	236	181	3,246
Professional fees	18,364	27,828	35,315	14,126	22,531	18,011	11,343	8,718	156,236
Salaries and casual labor	933,027	1,413,895	1,794,282	717,713	1,144,752	915,084	576,299	442,940	7,937,992
Recruitment	6,663	10,097	12,813	5,125	8,175	6,535	4,115	3,163	56,687
Dues and subscriptions	4,043	6,126	7,774	3,110	4,960	3,965	2,497	1,919	34,394
Telephone	10,826	16,405	20,818	8,327	13,282	10,617	6,687	5,139	92,102
Utilities	22,955	34,785	44,143	17,657	28,163	22,513	14,178	10,897	195,292
Travel and lodging	35,703	54,104	68,659	27,464	43,805	35,016	22,052	16,949	303,752
Enhancement activities	15,270	23,139	29,365	11,746	18,735	14,976	9,432	7,249	129,911
Miscellaneous	12,096	18,329	23,261	9,304	14,840	11,863	7,471	5,742	102,906
Bad debt expense (recoveries), net	(3,176)	(4,813)	(6,108)	(2,443)	(3,897)	(3,115)	(1,962)	(1,508)	(27,024)
Total expenses before depreciation	1,960,542	2,970,976	3,770,272	1,508,109	2,405,435	1,922,840	1,210,958	930,737	16,679,870
Depreciation	84,681	128,324	162,848	65,139	103,897	83,052	52,304	40,201	720,446
Total expenses	\$ 2,045,222	\$ 3,099,300	\$ 3,933,120	\$ 1,573,249	\$ 2,509,332	\$ 2,005,892	\$ 1,263,263	\$ 970,938	\$ 17,400,316

See accompanying notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended September 30, 2019**

	Program Services					Supporting Services		Total Expenses
	Character and Leadership Development	Education and Career Development	Sports, Fitness and Recreation	Health and Life Skills	Cultural Arts	Management and General	Fund Raising	
Marketing and public relations	\$ 2,554	\$ 6,378	\$ 4,914	\$ 1,966	\$ 3,135	\$ 1,721	\$ 1,390	\$ 22,058
Conferences and staff training	5,568	13,898	10,707	4,283	6,831	3,749	3,028	48,064
Core programs	95,647	238,748	183,936	73,574	117,351	161,862	52,018	923,136
Employee benefits	62,046	154,875	119,318	47,727	76,125	41,778	33,744	535,613
Equipment leasing and maintenance	22,438	56,009	43,150	17,260	27,530	15,109	12,203	193,699
Insurance	45,962	114,729	88,389	35,356	56,392	30,948	24,997	396,773
Building maintenance	60,002	149,775	115,389	46,156	73,618	40,402	32,632	517,974
In-kind food program and other	304,962	761,233	586,468	234,586	374,185	205,344	165,856	2,632,634
In-kind utilities	14,005	34,959	26,933	10,773	17,183	9,430	7,617	120,900
Supplies and office expenses	12,029	30,024	23,131	9,252	14,757	7,317	6,541	103,052
Permits and dues	5,584	13,940	10,739	4,296	6,852	3,760	3,037	48,208
Payroll taxes	74,075	184,902	142,451	56,980	90,884	49,877	40,286	639,455
Planning and resource development	1,975	4,930	3,798	1,519	2,423	1,330	1,074	17,049
Postage and shipping	700	1,747	1,346	538	859	471	381	6,042
Professional fees	11,791	29,433	22,676	9,070	14,467	7,940	6,413	101,790
Salaries and casual labor	819,601	2,045,851	1,576,156	630,463	1,005,588	553,371	445,742	7,076,772
Recruitment	5,307	13,247	10,206	4,082	6,511	3,573	2,886	45,813
Dues and subscriptions	1,657	4,137	3,187	1,275	2,033	1,116	901	14,307
Telephone	6,190	15,450	11,903	4,761	7,594	4,168	3,366	53,433
Utilities	22,261	55,566	42,809	17,124	27,312	14,989	12,106	192,167
Travel and lodging	46,541	116,172	89,501	35,800	57,102	9,393	25,311	379,819
Enhancement activities	4,007	10,002	7,706	3,082	4,916	2,698	2,179	34,590
Miscellaneous	2,687	6,709	5,168	2,067	3,297	1,900	1,461	23,289
Bad debt expense (recoveries), net	(579)	(1,446)	(1,114)	(446)	(711)	127,327	(315)	122,716
Total expenses before depreciation	1,627,010	4,061,268	3,128,869	1,251,544	1,996,234	1,299,574	884,854	14,249,354
Depreciation	73,365	183,129	141,085	56,434	90,012	49,399	39,899	633,325
Total expenses	\$ 1,700,375	\$ 4,244,397	\$ 3,269,954	\$ 1,307,978	\$ 2,086,246	\$ 1,348,974	\$ 924,753	\$ 14,882,678

See accompanying notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase in net assets	\$ 4,511,824	\$ 3,574,312
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	720,446	633,325
Amortization of in-kind rent	45,237	43,035
Realized and unrealized (gains) losses on investments, net	(947,104)	211,803
Unrealized gain on beneficial interest in assets held by Community Foundation	(12,241)	(409)
Contributions received for long-term investment	(4,537,689)	(3,967,069)
(Increase) decrease in operating assets:		
Unconditional promises to give, net	160,487	443,951
Grants and accounts receivable, net	(893,520)	(353,891)
Prepaid expenses	48,047	(321,974)
Other assets	(12,242)	68,257
Increase in operating liabilities:		
Accounts payable and accrued expenses	316,881	20,430
Deferred revenue	<u>402,814</u>	<u>663,166</u>
Net cash provided by (used in) operating activities	<u>(197,060)</u>	<u>1,014,936</u>
Cash flows from investing activities:		
Sales (purchases) of investments, net	(2,476,178)	1,808,567
Purchases of property and equipment	(4,752,524)	(1,918,378)
Advance on note receivable - New Market Tax Credit	<u>-</u>	<u>(5,719,080)</u>
Net cash used in investing activities	<u>(7,228,702)</u>	<u>(5,828,891)</u>
Cash flows from financing activities:		
Contributions received for long-term investment	4,537,689	3,967,069
Principal payments on long-term debt	(106,407)	(141,045)
Proceeds from New Market Tax Credit loan	-	8,022,000
Proceeds from Payroll Protection Protection loan	1,537,000	-
Loan costs paid	<u>-</u>	<u>(538,929)</u>
Net cash provided by financing activities	<u>5,968,282</u>	<u>11,309,095</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	(1,457,480)	6,495,140
Cash and cash equivalents and restricted cash, beginning of year	<u>7,302,191</u>	<u>807,051</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 5,844,711</u>	<u>\$ 7,302,191</u>
Interest paid	<u>\$ 11,604</u>	<u>\$ 7,360</u>
Assumption of note payable for equipment acquisition	<u>\$ -</u>	<u>\$ 194,650</u>

See accompanying notes to consolidated financial statements.

# BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1 – Nature of Activities and Summary of Significant Accounting Policies

#### Nature of activities and organization

The Boys & Girls Clubs of Palm Beach County, Inc. (the Club) is a not-for-profit organization which provides educational, athletic and social services to children and teenagers throughout Palm Beach County. The Club's Affiliate, Boys & Girls Clubs of Palm Beach County Foundation, Inc. (the Foundation), is a not-for-profit organization organized to solicit, accept and administer funds and property donated to the Foundation in order to ensure, in perpetuity, the financial stability of the Boys & Girls Clubs of Palm Beach County, Inc. Another affiliate, the Boys and Girls Clubs of Palm Beach County Leverage Lender, Inc. (Leverage Lender) is a Florida not-for-profit organization which provides for New Market Tax Credit (NMTC) financing (see Note 14). The Organization encompasses the Club, Foundation and Leverage Lender.

The Organization has a long-standing commitment to meeting the needs of members and the general community through six broad program classifications:

Character and leadership development – Nurturing and guiding youthful potential and developing a moral compass through programs, volunteerism and community projects.

Education and career development – Programs such as daily homework help, literacy programs and employability skills training, stress a positive attitude to learning and encourage vocational competence.

Sports, fitness and recreation – Athletic leagues, individual sports and social competence programs build sportsmanship and teamwork and encourage constructive use of leisure time.

Health and life skills – Comprehensive health programs teach nutrition, fitness and personal hygiene, as well as conflict resolution and substance abuse prevention, as part of a healthy lifestyle.

Cultural arts – Developing and nurturing untapped artistic talent through fine arts instruction, photography workshops and the performing arts.

Technology/STEM – providing members with basic computer skills while introducing them to digital movie making, music making, photography, graphic design and web development, as well as, homework help and educational software.

#### Principles of consolidation

The Organization's consolidated financial statements include the accounts of the Boys & Girls Clubs of Palm Beach County, Inc., the Boys & Girls Clubs of Palm Beach County Foundation, Inc., and the Boys and Girls Clubs of Palm Beach County Leverage Lender, Inc., for which the Club has both control and economic interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

#### Basis of presentation

The consolidated financial statements of the Organization have been prepared in accordance with the U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* - Net assets available for the support of the Organization's operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purpose specified in the corporate documents and its application for tax-exempt status, and any limits resulting from contractual arrangements with creditors or others that are entered into in the course of operations.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued**

Basis of presentation, continued

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time and net assets subject to donor-imposed stipulations to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the earnings on related investments for general or specific purposes. The Organization's unspent contributions are included in this class if the donor limited their use, as are its donor-imposed endowment funds.

When a donor's restriction is satisfied either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the consolidated financial statements by releasing the net assets from net assets with donor restrictions to net assets without donor restrictions.

Net assets restricted for acquisition of property or equipment (or less commonly the contribution of those assets directly) are reported as net assets with donor restrictions until the specified assets are placed in service by the Organization, unless the donor provided more specific directions about the period of its use.

Classification of transactions

All revenue and net gains are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses, other than losses on endowment investments, are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Contributions

Contributions, including unconditional promises (pledges) to give, are recognized as revenue in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donor indicates that payment is merely postponed.

The Organization reports non-cash contributions as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as donor restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue recognition

Program revenue is recognized as revenue in the period in which the related services are provided. Fees collected prior to the commencement of the program are recognized as deferred revenue.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued**

Revenue recognition, continued

Special events represents various activities undertaken to raise funds for the Organization for unrestricted purposes. Special events revenue is recognized as revenue at the time of the event. Amounts received prior to the event are reported as deferred revenue. The Organization had special event revenues of \$3,541,963 less related direct expenses of \$971,455 for the year ended September 30, 2020 and revenues of \$3,792,890 less direct expenses of \$1,009,659 for the year ended September 30, 2019.

The Organization receives various grants from federal, state, and local agencies, as well as private foundations for program and supporting service expenses. These grants are generally on a cost reimbursement basis, including recoverable overhead. Revenue from grants are deemed earned and recognized in the consolidated statements of activities when expenditures are made for the purposes specified. Grant funds that have been received but have not yet been expended for the purposes specified are reported as deferred revenue.

Donated facilities, goods, and services

Donated goods are recorded at their fair value on the date donated and are reflected as contributions in the accompanying consolidated statement of activities. Donated facilities represent the excess of the fair rental value of the building or land leases over below market rent payments due under lease agreements. Time donated by volunteers is not recorded in the consolidated financial statements as these services do not require specialized skills or create or enhance nonfinancial assets and, therefore, do not meet the recognition criteria.

Donated facilities and goods consisting of the following were recognized as revenue for the years ended September 30, 2020 and 2019:

	2020	2019
Use of recreational facilities, Belle Glade Schools	\$ 463,524	\$ 494,356
Use of recreational facilities, DeGeorge Club	156,804	156,804
Use of other facilities	235,500	235,500
Land under lease, Wellington (see Note 7)	19,256	94,475
Amortization of discount	59,064	32,900
Utilities	127,901	120,899
Food	2,427,766	1,565,646
	\$ 3,489,815	\$ 2,700,580

Cash and cash equivalents

Cash and cash equivalents include demand deposit and money market accounts, and other highly liquid investments with an original maturity of three months or less.

Restricted cash

New Market Tax Credit (NMTC) restricted cash are funds set aside for new construction in progress and certain operating expenses of the NMTC. The balance of restricted cash included in cash and cash equivalents at September 30, 2020 and 2019 was \$904,487, and \$5,440,813, respectively.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued**

Statement of cash flows

Cash and cash equivalents includes demand deposits and money market accounts. For purposes of the consolidated statements of cash flows, all investment instruments without donor restrictions with original maturities of three months or less are considered cash equivalents.

Note receivable – New Market Tax Credit (NMTC)

The note receivable – NMTC is collateralized by membership interests related to the NMTC transaction (see Notes 9 and 14) and is stated at the principal amount. The Organization has one class of financing receivable from a highly credible financial institution. Management assesses the credit quality of the NMTC note based on indicators such as collateralization and collection experience. As of September 30, 2020 and 2019, no allowance has been established as the Organization deems the note to be fully collectible given the credit worthiness of the financial institution and membership interests.

Investments

Investments include investments in money market funds, mutual funds, exchange traded funds, common stocks, alternative investments, and corporate bonds. Investments are measured at fair value. Investments received as contributions are recorded at quoted market prices or estimated fair value on the date of receipt. The resulting fair value is intended to represent a good faith approximation of the amount that the funds could reasonably expect to receive from the investment if the interest were sold at the time of valuation, based on information reasonably available to the manager at the time the valuation is made.

Investment income and realized gains and losses on investments are recognized upon realization. Unrealized gains and losses are recognized based on changes in fair values during the period. Net investment returns are reported in appropriate net asset classifications based upon the existence of donor restrictions, if any.

Investments are exposed to various risks such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investments will occur in the near-term.

Beneficial interest in assets held by Community Foundation

Beneficial interest in assets held by Community Foundation for Palm Beach and Martin Counties (the Community Foundation) represents the fiscal year end value of an endowment fund. The Organization previously entered into an agreement to establish this fund at the Community Foundation with funds received from a donor which were then transferred to the Community Foundation and specified itself as the primary beneficiary. The agreement permits the Community Foundation to substitute another beneficiary in place of the Organization if the Organization ceases to exist or, if the governing board of the Community Foundation decides that the stated restrictions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served by the Community Foundation.

Grants and accounts receivable

Grants receivable represent amounts owed to the Organization from federal, state and local grants for services rendered under contractual obligations and grants from Boys and Girls Clubs of America, corporations and foundations. All outstanding grants receivable are expected to be collected within one year and are considered collectible.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued**

Grants and accounts receivable, continued

An account receivable is recorded when the Organization has a right to consideration in exchange for goods or services that the Organization has provided. These accounts receivable are evaluated for collectability and allowances for amounts deemed potentially uncollectible are determined based on historical trends and aging of these balances. The allowance for doubtful accounts was approximately \$22,000 and \$15,000 at September 30, 2020 and 2019, respectively.

Property and equipment

Property and equipment is stated at cost when purchased or, if acquired by contribution, at the estimated market value on the date of contribution. The Organization's policy is to capitalize assets greater than \$5,000 at acquisition. The Organization provides for depreciation on property and equipment over the estimated useful lives of the related assets using the straight-line method.

The estimated useful lives are summarized in the following table:

Building and leasehold improvements	10-39 years
Vehicles	5 years
Equipment and furniture	3-10 years

Income taxes

The Organization has been recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been recorded in the consolidated financial statements. The Organization is required to operate in conformity with the provisions of the IRC to maintain its exempt status.

Management analyzes tax positions in jurisdictions where it is required to file income tax returns. Based on its evaluation, management did not identify any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease. Interest and penalties attributable to income taxes, if any, are included in operating expenses. No such interest or penalties were recorded for the years 2020 or 2019. The Organization is no longer subject to income tax examinations for fiscal years prior to 2017.

Fair value disclosures

The consolidated financial statements provide for fair value disclosures for financial instruments for which it is practicable to estimate fair value. Financial instruments include cash and cash equivalents, unconditional promises to give, due in one year or less, grants and accounts receivable, and accounts payable and accrued expenses, and are stated at carrying value at year-end, which approximates their fair values due to the short-term nature of these instruments. Other financial instruments at year-end include investments and the non-current portion of unconditional promises to give, which are stated at fair value.

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the consolidated financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

# BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

### Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued

#### Functional allocation of expenses

The cost of providing the Organization's various programs and other related activities have been summarized on a functional basis in the accompanying consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Occupancy, depreciation, insurance, and maintenance costs are allocated using a percentage basis dependent on the programs and supporting activities occupying the space.
- Certain salaries, benefits and payroll taxes (costs that benefit all programs and cannot be identified to a specific program) are allocated to programs, and support services based on time studies and budgeted allocations.
- Information technology, utilities, insurance, and supplies that cannot be directly identified are allocated using a percentage basis most appropriate to the particular cost being allocated.

Management periodically evaluates the basis on which the costs are allocated when new space or programs are added. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activity that include fundraising. Additionally, advertising costs are expensed as incurred.

#### Change in accounting principle

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (*Topic 958*): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update provides guidance in evaluating whether transactions should be accounted for as contributions or as an exchange transaction and determining whether a contribution is conditional or not. The adoption of this update in 2020 had no effect on the Organization's financial position and changes in net assets.

#### New accounting pronouncements

In June 2020, the FASB issued ASU 2020-05 allowing certain private entities and not for profits to defer the implementation of ASU 2014-09, *Revenue from Contracts with Customers* and ASU 2016-02, *Leases*. The FASB issued ASU 2020-05 in response to the coronavirus (COVID-19) pandemic to give some relief to organizations and the difficulties they are facing during the pandemic.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. Management believes the impact of this ASU will not be material to the consolidated financial statements.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies, Continued**

New accounting pronouncements, continued

In February 2016, the FASB issued guidance on lease accounting. The new guidance will continue to classify leases as either finance or operating and will result in the lessee recording a right-of-use asset and a corresponding lease liability on its balance sheet, with classification affecting the presentation for fiscal years beginning on or after December 15, 2021, and early adoption is permitted. A modified retrospective approach is required for all leases existing or entered into after the beginning of the earliest comparative period in the financial statements.

Management is currently evaluating the impact of this guidance on its consolidated financial statements and expects that a majority of its operating lease commitments will be recognized on the Organization's balance sheet as operating lease liabilities and right-of-use assets upon adoption.

**Note 2 – Liquidity and Availability of Resources**

Financial assets available for general expenditure within one year of September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 5,844,711	\$ 7,302,191
Grants and accounts receivable, net	2,378,307	1,484,787
Investments	11,057,594	7,634,312
Unconditional promises to give – to be received in one year	<u>207,250</u>	<u>201,730</u>
Total financial assets	19,487,862	16,623,020
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets (Note 12)	(4,071,323)	(3,331,314)
Donor-restricted endowment funds perpetual in nature (Note 12)	(7,635,897)	(4,893,435)
Less contractual restrictions on financial assets (Note 9)	<u>(904,487)</u>	<u>(5,440,813)</u>
Amount available for general operating expenditures within one year	<u>\$ 6,876,155</u>	<u>\$ 2,957,458</u>

The above table reflects donor-restricted and any board-designated endowment funds as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization's programs. However, in the case of need, the Board of Directors could appropriate resources from the donor restricted endowment funds for general use. Note 13 provides more information about those funds and about the spending policies for all endowment funds.

As part of the Organization's liquidity management, the Organization invests cash in excess of daily requirements in cash equivalents and money market accounts. In the event of unanticipated liquidity need, the Organization has a line of credit available that can be used to meet its current obligations, if necessary (Note 8).

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 3 – Investments**

Investments at September 30, 2020 and 2019 are summarized as follows:

	2020	2019
Money market funds	\$ 349,937	\$ 884,474
Mutual funds	5,007,923	2,946,232
Corporate bonds	2,618,780	2,542,505
Alternative investments	666,501	485,137
Common stocks	2,414,453	775,964
Total investments	\$ 11,057,594	\$ 7,634,312

The following schedule summarizes the net investment return on the Organization's investments for the years ended September 30, 2020 and 2019:

	2020	2019
Dividends and interest	\$ 143,308	\$ 273,198
Realized and unrealized gains (losses), net	947,104	(211,803)
Net investment return	\$ 1,090,412	\$ 61,395

Net investment return includes \$86,681 and \$38,726 of investment expenses for the years ended September 30, 2020 and 2019, respectively.

**Note 4 – Note Receivable, New Market Tax Credit**

The note receivable – NMTC is due from Twain Investment Fund 342, LLC (Twain or Investment Fund), an unrelated party, with interest at 1.0% per annum. The note receivable – NMTC receives interest annually through December 2027, at which point interest and principal payments will be due at a rate sufficient to amortize the note receivable – NMTC through the maturity date of December 2046. The note is collateralized by a security interest in the membership interests of the community development entity. Interest receivable accrued related to the note receivable – NMTC is \$42,893 and \$24,000 for the years ended September 30, 2020 and 2019, respectively, and is included in other assets.

The note payable – NMTC and regulatory agreement restricts the use of funds to the Organization who qualifies as a qualified active low-income community business for the term of the loan. The balance of the note payable – NMTC at September 30, 2020 and 2019 was \$ \$8,022,000 (Note 9).

**Note 5 – Fair Value Measurements**

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.
- Level 2 – Quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of the fair value require significant management judgment or estimation.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 5 – Fair Value Measurements, Continued**

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no significant changes in the methodologies used during the years ended September 30, 2020 and 2019:

*Money market funds* – fair value is measured based on quoted market prices for the money market funds. The money market funds have a constant net asset value of \$1.

*Mutual funds* – consist of domestic, international and fixed income mutual funds with fair value measured at the closing price quoted an active markets on which the individual securities are traded.

*Corporate bonds* – measured at quoted market prices based on the last trade price of the fiscal year. When a bond has not been traded on the last day of the fiscal year, the price is obtained from an independent third party pricing company.

*Alternative investments* – consisting of hedge funds valued daily at net asset value on active markets as of the reporting date.

*Common stocks* – valued at the closing price reported on the active market on which the individual securities are traded.

*Donor advised account* – investment account with the Community Foundation for Palm Beach and Martin Counties and is valued at the net asset value of the account at the end of the year.

The following table summarizes the Organization's determination of fair value as of September 30, 2020 and 2019 on the following financial assets using these input levels that are measured at fair value on a recurring basis:

	Fair Value Measurements as of September 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 349,937	\$ -	\$ -	\$ 349,937
Mutual funds	5,007,923	-	-	5,007,923
Corporate bonds	2,618,780	-	-	2,618,780
Alternative investments	666,501	-	-	666,501
Common stocks	<u>2,414,453</u>	<u>-</u>	<u>-</u>	<u>2,414,453</u>
Total investments	11,057,594	-	-	11,057,594
Beneficial interest in assets held by Community Foundation	<u>-</u>	<u>-</u>	<u>154,471</u>	<u>154,471</u>
Total	<u>\$ 11,057,594</u>	<u>\$ -</u>	<u>\$ 154,471</u>	<u>\$ 11,212,065</u>

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 5 – Fair Value Measurements, Continued**

	Fair Value Measurements as of September 30, 2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 884,474	\$ -	\$ -	\$ 884,474
Mutual funds	2,946,232	-	-	2,946,232
Corporate bonds	2,542,505	-	-	2,542,505
Alternative investments	485,137	-	-	485,137
Common stocks	775,964	-	-	775,964
Total investments	7,634,312	-	-	7,634,312
Beneficial interest in assets held by Community Foundation	-	-	142,230	142,230
Total	\$ 7,634,312	\$ -	\$ 142,230	\$ 7,776,542

The following is a schedule of Level 3 investment activity for the year ended September 30, 2020 measured on a recurring basis using significant unobservable inputs:

	Community Foundation
Balance as of October 1, 2019	\$ 142,230
Net investment return	13,921
Fees	(1,680)
Balance as of September 30, 2020	\$ 154,471

**Note 6 – Unconditional Promises to Give**

Unconditional promises to give as of September 30, 2020 and 2019 are detailed as follows:

	2020	2019
Capital campaign pledges	\$ 981,250	\$ 1,190,750
Unconditional promises to give before unamortized discount and allowances for uncollectible pledges	981,250	1,190,750
Less: unamortized discount	(33,822)	(49,315)
Subtotal	947,428	1,141,435
Less: allowance for uncollectible pledges	(157,000)	(190,520)
Net unconditional promises to give	\$ 790,428	\$ 950,915
Current portion of unconditional promises to give	\$ 207,250	\$ 201,730
Non-current portion of unconditional promises to give	583,178	749,185
	\$ 790,428	\$ 950,915
Amounts due in:		
Less than one year	\$ 364,250	\$ 392,250
One to five years	607,000	783,500
After five years	10,000	15,000
Total	\$ 981,250	\$ 1,190,750

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 6 – Unconditional Promises to Give, Continued**

The Organization applies discount rates ranging from 3.5% to 5% to its pledges with terms in excess of one year. At September 30, 2020 and 2019, respectively, approximately 51% and 58% of total unconditional promises to give were from two donors in each year.

**Note 7 – Property and Equipment**

Property and equipment as of September 30, 2020 and 2019, consists of the following:

	2020	2019
Land	\$ 354,024	\$ 354,024
Land under lease, net	1,950,575	1,995,812
Building and leasehold improvements	21,964,653	15,556,778
Vehicles	1,228,372	1,207,137
Equipment and furniture	1,403,754	1,148,383
Subtotal	26,901,378	20,262,134
Less: accumulated depreciation	(6,253,758)	(5,603,747)
	20,647,620	14,658,387
Construction in progress	-	2,002,391
Property and equipment, net	\$ 20,647,620	\$ 16,660,778

Depreciation expense totaled \$720,446 and \$633,325 for the years ended September 30, 2020 and 2019, respectively.

Prior to 2015, the Organization entered into a long-term lease with the Village of Wellington to facilitate the relocation of its Wellington, Florida club. The net value of the land under lease represents the unamortized difference between the fair rental value of the land and the stated amount of lease payments using a 5% discount rate. The land under lease asset was recognized as a donor restricted contribution. The asset is being amortized over the initial 30-year lease term and recorded in the consolidated statements of activities as in-kind rent expense. Such amortization amounted to \$45,237 and \$43,035 for the years ended September 30, 2020 and 2019, respectively.

**Note 8 – Line of Credit**

On April 10, 2020, the Organization executed an amended and restated Revolving Line of Credit agreement. The amended and restated agreement provides for borrowings up to \$750,000. Monthly interest payments at a rate equal to the daily LIBOR rate plus 250 basis points (2.50%) were due beginning on May 1, 2020. The outstanding principal balance and any accrued but unpaid interest will be due and payable on the expiration date (October 25, 2021). As of September 30, 2020, there were no outstanding borrowings under the revolving line of credit.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 9 – Long-term Debt**

Long-term debt at September 30, 2019 and 2018 is as follows:

	2020	2019
Note payable – Wellington Club, repayment of construction advances to the Village of Wellington. Payable in annual installments of \$116,030 through 2024. The note is not charged interest by the Village of Wellington and as a result, the Organization applies an imputed interest rate discount of 5%.	\$ 378,650	\$ 450,448
Vehicle and equipment notes payable - various financing companies and financial institutions; monthly payments of principal and interest with interest rates ranging from 1.30% to 4.75%; maturing through 2024; collateralized by certain vehicles and equipment.	186,631	260,629
Payroll Protection Program Loan - See (I).	1,537,700	-
NMTC loan payable – loan payable to Florida Community Loan Fund as part of the New Market Tax Credit financing - See (II).	<u>8,022,000</u>	<u>8,022,000</u>
Subtotal	10,124,981	8,733,077
Less: discount on note payable – Wellington Club	(28,027)	(50,866)
Less: current portion of long-term debt	(217,435)	(219,637)
Less: unamortized loan costs	<u>(516,473)</u>	<u>(532,323)</u>
Long-term debt, net	<u>\$ 9,363,046</u>	<u>\$ 7,930,251</u>

(I) Paycheck Protection Program Loan

During April 2020, the Organization applied for and received a loan from an unrelated third party lender pursuant to the Paycheck Protection Program (the PPP) under the Coronavirus Aid, Relief and Economic Security Act (the CARES Act), enacted March 27, 2020, in the principal amount of \$1,537,700. The PPP Loan to the Organization is included in long-term debt, net in the consolidated statement of financial position at September 30, 2020.

The PPP Loan, which is in the form of a promissory note (the Note) issued by the Organization, matures two years from the date of funding (April 20, 2022) and bears interest at a rate of 1.00% per annum, payable monthly, commencing approximately six months from the PPP Loan (issuance date April 20, 2020). The PPP Loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Proceeds from the PPP Loan are available to the borrower to fund designated expenses, including certain payroll costs, group health care benefits and other permitted expenses, including rent and interest on mortgages and other debt obligations incurred before February 15, 2020.

Under the terms of the PPP, up to the entire amounts of principal and accrued interest may be forgiven to the extent the proceeds of the PPP Loan are used for qualifying expenses as described in the CARES Act and applicable implementing guidance issued by the U.S. Small Business Administration (SBA) under the PPP. No assurance can be given that the Organization will obtain forgiveness of the PPP Loan in whole or in part.

With respect to any portion of the PPP Loan that is not forgiven under the terms of the PPP, such amounts would be subject to customary provisions for a loan of this type, including customary events of default relating to, among other things, payment default, breaches of the provisions of the PPP Loan and cross-defaults on any other loan with the Organization’s primary lender or other creditors.

In accordance with the PPP guidelines, the third party lender is required to submit the application to the SBA no later than sixty (60) days after receiving the forgiveness application. The Organization has submitted its forgiveness application to the third party lender as of the date of this audit report.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 9 – Long-term Debt, Continued**

(II) NMTC loan

The Organization has a loan payable to the Florida Community Loan Fund (FCLF) as part of the New Market Tax Credit (NMTC) financing. The NMTC loan is a 27 year loan executed in April 2019. Interest is charged at a fixed annual rate of 1.31% and paid annually effective December 2019. The NMTC loan is interest only through December 2027. Principal payments are scheduled to begin in December 2027. The NMTC loan is collateralized by substantially all of the assets of the Foundation, the restricted cash held in escrow, and the construction assets acquired by the NMTC loan proceeds. Interest accrued on the NMTC loan at September 30, 2020 and 2019 totaled \$87,581 and \$43,787, respectively.

Loan costs paid with the NMTC loan totaled \$538,929 and accumulated amortization at September 30, 2020 and 2019 was \$22,456 and \$6,605, respectively.

Principal maturities

Principal due on long-term debt (excluding PPP loan principal) in each of the five years subsequent to September 30, 2020, and thereafter, follows:

Year Ending September 30,	Amount
2021	\$ 217,435
2022	158,030
2023	177,324
2024	12,492
2025	-
Thereafter	8,022,000
Total, excluding PPP loan	\$ 8,587,281

**Note 10 – Description of Leasing Arrangements**

The Organization has operating lease agreements for the rental of office space, recreational facilities, and land, expiring through May 2043. All operating lease agreements for recreational facilities and land requires annual rent of \$1 each. The office lease requires contingent rental payments of the Organization's proportionate share of the landlord's common area operating costs. The recreational facilities leases require the Organization to pay all costs of maintaining and repairing the leased premises and may generally be extended for an additional five to ten years. Total in-kind rent expense for the years ended September 30, 2020 and 2019 totaled \$1,014,812 and \$1,057,070, respectively.

**Note 11 – 401(k) Safe Harbor Plan**

The Organization maintains a Safe Harbor 401(k) profit sharing plan covering certain qualified employees in accordance with the provisions of Section 401(k) of the IRC. Under the plan, employees may elect to defer a portion of their salary, subject to IRS limits.

The Organization may make a safe harbor non-elective contribution in an amount equal to 3% of the eligible employee's compensation, which is allocated, to all eligible employees. The Organization may also make profit sharing contributions at its discretion which is allocated as defined by the plan, among all eligible employees. The Organization's contributions totaled \$114,349 and \$114,696 for the years ended September 30, 2020 and 2019, respectively.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 12 – Net Assets with Donor Restrictions**

At September 30, 2020 and 2019, net assets with donor restrictions are available for the following purposes or periods:

	2020	2019
Purpose and time restrictions:		
Club:		
United Way allocation for next year	\$ 150,000	\$ 147,450
Warsaw Scholarship Fund	196,217	188,034
West Palm Beach land grant	286,024	286,024
Land under lease	1,950,575	1,995,812
Belle Glade Club grant	175,871	257,300
Foundation:		
Capital campaigns	1,134,750	927,977
Club buildings	2,630,461	2,248,581
Leverage Lender:		
Belle Glade Teen Center	5,800,259	5,743,080
	12,324,157	11,794,258
Endowment funds with perpetual restrictions:		
Foundation:		
DeGeorge Club	2,506,606	2,506,606
Beneficial interest in assets held by Community Foundation	125,000	125,000
Belle Glade Endowment	4,765,741	2,123,279
Wellington Endowment	200,000	100,000
Delray Beach Club	38,550	38,550
	7,635,897	4,893,435
Total net assets with donor restrictions	\$ 19,960,054	\$ 16,687,693

Net assets are released from donor restrictions by the Organization incurring costs or expenses satisfying the restricted purposes or by the occurrence of events and passage of time as specified by the donors.

Net assets were released from donor restrictions during the years ended September 30, 2020 and 2019 for the following purposes:

	2020	2019
Purpose of restriction:		
Club:		
Time restrictions expired on United Way allocations	\$ 197,450	\$ 200,650
Scholarships and enterprise club	2,053	1,941
Land under lease	45,237	43,035
Belle Glade grant	81,429	67,430
Belle Glade operations	-	133,429
Foundation:		
Capital campaign	358,000	1,360,193
Club buildings	113,615	447,669
	\$ 797,784	\$ 2,254,347

# BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

### Note 13 – Endowment

The Organization's endowment is established for the purposes expressed in the Organization's charter and consists of donor-restricted endowment funds and funds designated by the Board of Directors (the Board) to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted and Board designated endowments may fall below the level that the donor or Board requires the Organization to retain as a fund of perpetual duration. Any such losses are recorded as reductions in net assets with donor restrictions and restored with subsequent gains. There were no such funds with deficiencies as of September 30, 2020 and 2019.

#### Interpretation of relevant law

The Organization adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). FUPMIFA requires the Board to use reasonable care, skill and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUPMIFA, the Board may expend so much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment fund.

The Board considers the following factors in making its determination:

- 1) The purpose of the Organization,
- 2) The intent of the donor of the endowment funds,
- 3) The term of the applicable instrument,
- 4) General economic conditions,
- 5) The possible effect of inflation or deflation,
- 6) The long-term and short-term needs of the Organization in carrying out its exempt purpose, and
- 7) Perpetuation of the endowment.

#### Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to specified programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board, the assets are invested in a manner that is intended to produce results that exceed the price and yield results of multiple benchmarks based on the type of investment, while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return that will meet its spending rate plus the inflation rate. Actual returns in any given year may vary from this amount.

#### Strategies employed to achieve objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified allocation of the investments to achieve its long-term return objectives within prudent risk constraints.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 13 – Endowment, Continued**

Spending policy

The Organization’s spending policy is designed to provide for positive growth in the market value of its endowment, net of distributions, over an extended period of time. Over the long-term, the spending policy is designed to return a net positive gain in the market value (growth) after spendable transfers. The Organization expects the current spending policy to allow its endowment to grow at an average annual rate consistent with the Organization’s objective to preserve and strengthen its endowment for the future.

Beneficial interest in assets held by Community Foundation

The Organization has an agreement with the Community Foundation of Palm Beach and Martin Counties (the Community Foundation) whereby an agency endowment fund was established totaling \$100,000. Under the terms of the agreement, the Organization may make irrevocable transfers to the Community Foundation to be maintained in perpetuity. Annual distributions of income and capital appreciation from the fund are subject to the Community Foundation’s spending policy and are to be used to fulfill the purposes of the Organization.

Changes in endowment net assets for the year ended September 30, 2020 are presented as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, October 1, 2019	\$ -	\$ 4,893,435	\$ 4,893,435
Net investment return	-	758,261	758,261
Transfers	-	(332,694)	(332,694)
Contributions	-	<u>2,316,895</u>	<u>2,316,895</u>
Endowment net assets, September 30, 2020	<u>\$ -</u>	<u>\$ 7,635,897</u>	<u>\$ 7,635,897</u>

**Note 14 – New Market Tax Credit**

On April 30, 2019, the Organization entered into a NMTC financing transaction to partially fund the construction of the Belle Glade Teen Center. The NMTC program is designed to spur new or increased investment into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investments. To earn the tax credit, the NMTC Investor must remain invested for a seven-year period, which will end in 2026 for the Organization’s project.

As part of the financing arrangement, the Foundation issued a \$5,719,080 note receivable to the Investment Fund (Note 4). The Investment Fund in turn made an investment in FCNMF 28, LLC (FCNMF) and holds a 99.99% investment interest in FCNMF. FCNMF made a \$8,022,000 loan to the Organization’s project (Note 9).

As part of this financing arrangement, the Organization entered into a put and call agreement (Agreement) to take place at the end of the seven-year tax credit period. Under the Agreement, the NMTC Investor can exercise a put option to sell all interest in the Investment Fund to the Organization for \$1,000. If the NMTC Investor does not exercise that put option then the Agreement allows the Organization to exercise a call option to purchase the interest in the Investment Fund at an appraised fair market value.

Leverage Lender received an initial contribution from the Foundation in the amount of \$5,719,080 and in turn, Leverage Lender made a loan (Note 4) to the Investment Fund. The transactions between the Foundation and Leverage Lender eliminate in consolidation.

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 15 – Legal Matters**

From time to time, the Organization is a party to certain legal and regulatory proceedings with respect to a variety of matters. The Organization evaluates the likelihood of an unfavorable outcome of all legal regulatory proceedings to which it is a party and accrues a loss contingency when the loss is probable and reasonably estimable. These judgments are subjective based on the status of the legal or regulatory proceedings, the merits of its defenses and consultation with external legal counsel. Legal costs are expensed as incurred and recorded in general and administration expenses.

Management believes that the final resolution of these matters will not have a material adverse effect on the Organization's financial position, cash flows, or results of operations.

**Note 16 – Concentrations of Credit Risk**

For the years ended September 30, 2020 and 2019, approximately 23% and 17%, respectively, of the Organization's total support and revenue is provided through grants with the State of Florida. For the years ended September 30, 2020 and 2019, approximately 6% each year, of the Organization's support and revenue is provided through grant programs with Family Central, a pass-through agency for the Children's Services Council of Palm Beach County.

The Organization maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. Cash and cash equivalents exceeded the FDIC insured limit by \$5,054,175 and \$6,281,770 as of September 30, 2020 and 2019, respectively. The Organization has not experienced any losses in such accounts.

**Note 17 – Significant Uncertainty – Impact of COVID-19**

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 and, as a result, the United States President declared a national emergency.

The ultimate impact of the COVID-19 pandemic on the Organization's operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Organization, may direct, which may result in an extended period of operational disruption. Any resulting financial impact cannot be reasonably estimated at this time but, could be anticipated to have a material adverse impact on the Organization's business operations, financial position, and results of operations for fiscal year 2021.

**Note 18 – Subsequent Events**

Management evaluated activity of the Organization subsequent to September 30, 2020 through January 28, 2021, the date the consolidated financial statements were available to be issued, for events that require recognition in the consolidated financial statements or disclosure in the notes thereto.

## **SUPPLEMENTARY INFORMATION**

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended September 30, 2020**

Federal grantor/program title	Grant Period	Federal CFDA Number	Passthrough Grantor's Identifying Number	Total Program Expenditures
U.S. Department of Justice:				
Passed through:				
Boys and Girls Clubs of America, Inc.				
Mentoring Programs Implementation	1/1/19-12/31/19	16.726	OJP 2018	\$ 28,070
Mentoring Programs Implementation	1/1/20-12/31/20	16.726	OJP 2019	<u>60,747</u>
				<u>88,817</u>
U.S. Department of Housing and Urban Development:				
Passed through:				
City of Boca Raton				
Community Development Block Grant	10/1/18-9/30/19	14.218	FY2019-20	<u>9,800</u>
Total Community Development Block Grant				<u>9,800</u>
U.S. Department of Education:				
Passed through:				
Florida Department of Education				
Twenty-first Century Community Learning Centers	8/1/19-7/31/20	84.287	PPC1	270,153
	8/1/19-7/31/20	84.287	PPC2	78,242
	8/1/19-7/31/20	84.287	PPC3	98,057
	8/1/19-7/31/20	84.287	PPC4	36,182
	8/1/19-7/31/20	84.287	PPC5	130,544
	8/1/19-7/31/20	84.287	PPC6	10,674
	8/1/19-7/31/20	84.287	PPC8	19,714
	8/1/19-7/31/20	84.287	PPC9	380,793
	8/1/19-7/31/20	84.287	PPC10	215,745
	8/1/19-7/31/20	84.287	PPC12	356,183
	8/1/19-7/31/20	84.287	PPC13	448,787
	8/1/19-7/31/20	84.287	PPC14	529,476
	8/1/19-7/31/20	84.287	PPC15	477,770
	8/1/19-7/31/20	84.287	PPC16	128,702
	8/1/19-7/31/20	84.287	PPC17	304,229
	8/1/19-7/31/20	84.287	PPC18	176,408
	8/1/19-7/31/20	84.287	PPC20	184,736
	8/1/19-7/31/20	84.287	PPC22	473,975
	8/1/19-7/31/20	84.287	PPC23	<u>470,845</u>
Total Twenty-first Century Community Learning Centers				<u>4,791,215</u>
Total expenditures of federal awards				<u>\$ 4,889,832</u>

None of the expenditures presented in this schedule were provided to subrecipients, were for loan or loan guarantee programs or non-cash assistance.

See notes to schedule of expenditures of federal awards.

# BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### **Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Boys & Girls Clubs of Palm Beach County, Inc. (the Organization) under programs of the federal government for the year ended September 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

### **Note 2 – Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### **Note 3 – Indirect Cost Rate**

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. The reimbursement of indirect costs reflected in the accompanying consolidated financial statements as federal revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment will not be material to the Organization's financial position, or changes in net assets.

### **Note 4 – Contingency**

The grant revenue amounts received or receivable are subject to audit and adjustment. If any expenditure is disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement by the grantor agency would become a liability to the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements, and applicable federal laws and regulations.

## **CONSOLIDATING INFORMATION**

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**September 30, 2020**

	Boys and Girls Clubs of Palm Beach County, Inc.			Boys & Girls Clubs of Palm Beach County Foundation, Inc.		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,213,224	\$ -	\$ 1,213,224	\$ 4,399,308	\$ 193,893	\$ 4,593,201
Investments	219,216	192,146	411,362	676,224	9,970,008	10,646,232
Grant and accounts receivable, net	2,230,857	147,450	2,378,307	-	-	-
Current portion of unconditional promises to give, net	-	-	-	-	207,250	207,250
Due from the Foundation	355,800	-	355,800	-	-	-
Prepaid expenses	<u>562,323</u>	<u>-</u>	<u>562,323</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	4,581,420	339,596	4,921,016	5,075,532	10,371,151	15,446,683
Property and equipment, net	17,948,308	2,699,312	20,647,620	-	-	-
Unconditional promises to give, net of current portion	-	-	-	-	583,178	583,178
Note receivable - New Market Tax Credit	-	-	-	-	-	-
Beneficial interest in assets held by Community Foundation	-	-	-	41,913	112,558	154,471
Other assets	<u>105,296</u>	<u>-</u>	<u>105,296</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 22,635,024</u>	<u>\$ 3,038,908</u>	<u>\$ 25,673,932</u>	<u>\$ 5,117,445</u>	<u>\$ 11,066,887</u>	<u>\$ 16,184,332</u>
<b>LIABILITIES AND NET ASSETS</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 915,663	\$ -	\$ 915,663	\$ -	\$ -	\$ -
Due to the Clubs	-	-	-	355,800	-	355,800
Current portion of long-term debt	217,435	-	217,435	-	-	-
Deferred revenue	<u>1,756,966</u>	<u>-</u>	<u>1,756,966</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	2,890,064	-	2,890,064	355,800	-	355,800
Long-term debt, net	<u>9,363,046</u>	<u>-</u>	<u>9,363,046</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>12,253,110</u>	<u>-</u>	<u>12,253,110</u>	<u>355,800</u>	<u>-</u>	<u>355,800</u>
Net assets:						
Without donor restrictions	10,381,914	-	10,381,914	4,761,645	-	4,761,645
With donor restrictions	<u>-</u>	<u>3,038,908</u>	<u>3,038,908</u>	<u>-</u>	<u>11,066,887</u>	<u>11,066,887</u>
Total net assets	<u>10,381,914</u>	<u>3,038,908</u>	<u>13,420,822</u>	<u>4,761,645</u>	<u>11,066,887</u>	<u>15,828,532</u>
Total liabilities and net assets	<u>\$ 22,635,024</u>	<u>\$ 3,038,908</u>	<u>\$ 25,673,932</u>	<u>\$ 5,117,445</u>	<u>\$ 11,066,887</u>	<u>\$ 16,184,332</u>

Boys & Girls Clubs of Palm Beach  
County Leverage Lender, Inc.

Boys & Girls Clubs of Palm Beach County Leverage Lender, Inc.			Consolidated			
Without Donor Restrictions	With Donor Restrictions	Total	Eliminating	Without Donor Restrictions	With Donor Restrictions	Total
\$ -	\$ 38,286	\$ 38,286	\$ -	\$ 5,612,532	\$ 232,179	\$ 5,844,711
-	-	-	-	895,440	10,162,154	11,057,594
-	-	-	-	2,230,857	147,450	2,378,307
-	-	-	-	-	207,250	207,250
-	-	-	(355,800)	-	-	-
-	-	-	-	<u>562,323</u>	-	<u>562,323</u>
-	38,286	38,286	(355,800)	9,301,152	10,749,033	20,050,185
-	-	-	-	17,948,308	2,699,312	20,647,620
-	-	-	-	-	583,178	583,178
-	5,719,080	5,719,080	-	-	5,719,080	5,719,080
-	-	-	-	41,913	112,558	154,471
-	42,893	42,893	-	105,296	42,893	148,189
<u>\$ -</u>	<u>\$ 5,800,259</u>	<u>\$ 5,800,259</u>	<u>\$ (355,800)</u>	<u>\$ 27,396,669</u>	<u>\$ 19,906,054</u>	<u>\$ 47,302,723</u>
\$ -	\$ -	\$ -	\$ -	\$ 915,663	\$ -	\$ 915,663
-	-	-	(355,800)	-	-	-
-	-	-	-	217,435	-	217,435
-	-	-	-	<u>1,756,966</u>	-	<u>1,756,966</u>
-	-	-	(355,800)	2,890,064	-	2,890,064
-	-	-	-	<u>9,363,046</u>	-	<u>9,363,046</u>
-	-	-	(355,800)	12,253,110	-	12,253,110
-	-	-	-	15,143,559	-	15,143,559
-	5,800,259	5,800,259	-	-	19,906,054	19,906,054
-	5,800,259	5,800,259	-	15,143,559	19,906,054	35,049,613
<u>\$ -</u>	<u>\$ 5,800,259</u>	<u>\$ 5,800,259</u>	<u>\$ (355,800)</u>	<u>\$ 27,396,669</u>	<u>\$ 19,906,054</u>	<u>\$ 47,302,723</u>

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**September 30, 2019**

	Boys and Girls Clubs of Palm Beach County, Inc.			Boys & Girls Clubs of Palm Beach County Foundation, Inc.		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 5,740,968	\$ 36,086	\$ 5,777,054	\$ 1,301,943	\$ 223,194	\$ 1,525,137
Investments	215,669	178,565	394,234	676,224	6,563,854	7,240,078
Grant and accounts receivable, net	1,337,337	147,450	1,484,787	-	-	-
Current portion of unconditional promises to give, net	-	-	-	-	201,730	201,730
Due from the Foundation	476,969	-	476,969	-	-	-
Prepaid expenses	<u>610,370</u>	<u>-</u>	<u>610,370</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current assets	8,381,313	362,101	8,743,414	1,978,167	6,988,778	8,966,945
Property and equipment, net	13,916,229	2,744,549	16,660,778	-	-	-
Unconditional promises to give net of current portion	-	-	-	-	749,185	749,185
Note receivable - New Market Tax Credit	-	-	-	-	-	-
Beneficial interest in assets held by Community Foundation	-	-	-	42,230	100,000	142,230
Other assets	<u>111,947</u>	<u>-</u>	<u>111,947</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 22,409,489</u>	<u>\$ 3,106,650</u>	<u>\$ 25,516,139</u>	<u>\$ 2,020,397</u>	<u>\$ 7,837,963</u>	<u>\$ 9,858,360</u>
<b>LIABILITIES AND NET ASSETS</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 598,782	\$ -	\$ 598,782	\$ -	\$ -	\$ -
Due to the Clubs	-	-	-	476,969	-	476,969
Current portion of Long-term debt	219,637	-	219,637	-	-	-
Deferred revenue	<u>1,354,152</u>	<u>-</u>	<u>1,354,152</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	2,172,571	-	2,172,571	476,969	-	476,969
Long-term debt, net	<u>7,930,251</u>	<u>-</u>	<u>7,930,251</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>10,102,822</u>	<u>-</u>	<u>10,102,822</u>	<u>476,969</u>	<u>-</u>	<u>476,969</u>
Net assets:						
Without donor restrictions	12,306,667	-	12,306,667	1,543,428	-	1,543,428
With donor restrictions	<u>-</u>	<u>3,106,650</u>	<u>3,106,650</u>	<u>-</u>	<u>7,837,963</u>	<u>7,837,963</u>
Total net assets	<u>12,306,667</u>	<u>3,106,650</u>	<u>15,413,317</u>	<u>1,543,428</u>	<u>7,837,963</u>	<u>9,381,391</u>
Total liabilities and net assets	<u>\$ 22,409,489</u>	<u>\$ 3,106,650</u>	<u>\$ 25,516,139</u>	<u>\$ 2,020,397</u>	<u>\$ 7,837,963</u>	<u>\$ 9,858,360</u>

Boys & Girls Clubs of Palm Beach  
County Leverage Lender, Inc.

Boys & Girls Clubs of Palm Beach County Leverage Lender, Inc.			Consolidated			
Without Donor Restrictions	With Donor Restrictions	Total	Eliminating	Without Donor Unrestricted	With Donor Restricted	Total
\$ -	\$ -	\$ -	\$ -	\$ 7,042,911	\$ 259,280	\$ 7,302,191
-	-	-	-	891,893	6,742,419	7,634,312
-	-	-	-	1,337,337	147,450	1,484,787
-	-	-	-	-	201,730	201,730
-	-	-	(476,969)	-	-	-
-	-	-	-	610,370	-	610,370
-	-	-	(476,969)	9,882,511	7,350,879	17,233,390
-	-	-	-	13,916,229	2,744,549	16,660,778
-	-	-	-	-	749,185	749,185
-	5,719,080	5,719,080	-	-	5,719,080	5,719,080
-	-	-	-	42,230	100,000	142,230
-	24,000	24,000	-	111,947	24,000	135,947
<u>\$ -</u>	<u>\$ 5,743,080</u>	<u>\$ 5,743,080</u>	<u>\$ (476,969)</u>	<u>\$ 23,952,917</u>	<u>\$ 16,687,693</u>	<u>\$ 40,640,610</u>
\$ -	\$ -	\$ -	\$ -	\$ 598,782	\$ -	\$ 598,782
-	-	-	(476,969)	-	-	-
-	-	-	-	219,637	-	219,637
-	-	-	-	1,354,152	-	1,354,152
-	-	-	(476,969)	2,172,571	-	2,172,571
-	-	-	-	7,930,251	-	7,930,251
-	-	-	(476,969)	10,102,822	-	10,102,822
-	-	-	-	13,850,095	-	13,850,095
-	5,743,080	5,743,080	-	-	16,687,693	16,687,693
-	5,743,080	5,743,080	-	13,850,095	16,687,693	30,537,788
<u>\$ -</u>	<u>\$ 5,743,080</u>	<u>\$ 5,743,080</u>	<u>\$ (476,969)</u>	<u>\$ 23,952,917</u>	<u>\$ 16,687,693</u>	<u>\$ 40,640,610</u>

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2020**

	Boys & Girls Clubs of Palm Beach County, Inc.			Boys & Girls Clubs of Palm Beach County Foundation, Inc.		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
<b>Support and revenue:</b>						
Contributions and grants	\$ 5,228,109	\$ 677,172	\$ 5,905,281	\$ -	\$ 2,286,786	\$ 2,286,786
Federal, state and local government grants	6,406,271	-	6,406,271	-	-	-
Special events, net of direct expenses	2,570,508	-	2,570,508	-	-	-
Program revenue	158,521	-	158,521	-	-	-
Snack bar and vending, net	(1,436)	-	(1,436)	-	-	-
Donated facilities and goods	3,489,815	-	3,489,815	-	-	-
Other	46,690	-	46,690	2,500	-	2,500
Net assets released from restrictions	326,169	(326,169)	-	471,615	(471,615)	-
<b>Total support and revenue</b>	<b>18,224,647</b>	<b>351,003</b>	<b>18,575,650</b>	<b>474,115</b>	<b>1,815,171</b>	<b>2,289,286</b>
<b>Expenses:</b>						
Program services:						
Character and leadership development	2,045,222	-	2,045,222	-	-	-
Education and career development	3,099,300	-	3,099,300	-	-	-
Sports, fitness and recreation	3,933,120	-	3,933,120	-	-	-
Technology	2,005,892	-	2,005,892	-	-	-
Health and life skills	1,573,249	-	1,573,249	-	-	-
Cultural arts	2,509,332	-	2,509,332	-	-	-
Total program services	15,166,115	-	15,166,115	-	-	-
Management and general	1,224,197	-	1,224,197	39,066	-	39,066
Fund raising	970,938	-	970,938	-	-	-
<b>Total expenses</b>	<b>17,361,250</b>	<b>-</b>	<b>17,361,250</b>	<b>39,066</b>	<b>-</b>	<b>39,066</b>
Increase in net assets before non-operating activities	863,397	351,003	1,214,400	435,049	1,815,171	2,250,220
Transfer of assets	(2,661,395)	(418,745)	(3,080,140)	1,666,387	1,413,753	3,080,140
Net investment return (loss)	(14,128)	-	(14,128)	1,104,540	-	1,104,540
Net unrealized gain on beneficial interest in assets held by community foundation	-	-	-	12,241	-	12,241
Interest expense	(112,628)	-	(112,628)	-	-	-
Increase (decrease) in net assets	(1,924,754)	(67,742)	(1,992,496)	3,218,217	3,228,924	6,447,141
Net assets - beginning of year	12,306,667	3,106,650	15,413,317	1,543,428	7,837,963	9,381,391
Net assets - end of year	\$ 10,381,914	\$ 3,038,908	\$ 13,420,822	\$ 4,761,645	\$ 11,066,887	\$ 15,828,532

Boys & Girls Clubs of Palm Beach  
County Leverage Lender, Inc.

Boys & Girls Clubs of Palm Beach County Leverage Lender, Inc.			Consolidated			
Without Donor Restrictions	With Donor Restrictions	Total	Eliminating	Without Donor Restrictions	With Donor Restrictions	Total
\$ -	\$ -	\$ -	\$ -	\$ 5,228,109	\$ 2,963,958	\$ 8,192,067
-	-	-	-	6,406,271	-	6,406,271
-	-	-	-	2,570,508	-	2,570,508
-	-	-	-	158,521	-	158,521
-	-	-	-	(1,436)	-	(1,436)
-	-	-	-	3,489,815	-	3,489,815
-	57,179	57,179	-	49,190	57,179	106,369
-	-	-	-	797,784	(797,784)	-
-	57,179	57,179	-	18,698,762	2,223,353	20,922,115
-	-	-	-	2,045,222	-	2,045,222
-	-	-	-	3,099,300	-	3,099,300
-	-	-	-	3,933,120	-	3,933,120
-	-	-	-	2,005,892	-	2,005,892
-	-	-	-	1,573,249	-	1,573,249
-	-	-	-	2,509,332	-	2,509,332
-	-	-	-	15,166,115	-	15,166,115
-	-	-	-	1,263,263	-	1,263,263
-	-	-	-	970,938	-	970,938
-	-	-	-	17,400,316	-	17,400,316
-	57,179	57,179	-	1,298,446	2,223,353	3,521,799
-	-	-	-	(995,008)	995,008	-
-	-	-	-	1,090,412	-	1,090,412
-	-	-	-	12,241	-	12,241
-	-	-	-	(112,628)	-	(112,628)
-	57,179	57,179	-	1,293,463	3,218,361	4,511,824
-	5,743,080	5,743,080	-	13,850,095	16,687,693	30,537,788
\$ -	\$ 5,800,259	\$ 5,800,259	\$ -	\$ 15,143,559	\$ 19,906,054	\$ 35,049,613

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2019**

	Boys & Girls Clubs of Palm Beach County, Inc.			Boys & Girls Clubs of Palm Beach County Foundation, Inc.		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
Support and revenue:						
Contributions and grants	\$ 3,645,320	\$ 677,172	\$ 4,322,492	\$ -	\$ 3,452,801	\$ 3,452,801
Federal, state and local government grants	4,722,095	-	4,722,095	-	-	-
Special events, net of direct expenses	2,783,231	-	2,783,231	-	-	-
Program revenue	375,616	-	375,616	-	-	-
Snack bar and vending, net	13,711	-	13,711	-	-	-
Donated facilities and goods	2,700,580	-	2,700,580	-	-	-
Other	49,679	-	49,679	-	-	-
Net assets released from restrictions	446,485	(446,485)	-	1,807,862	(1,807,862)	-
<b>Total support and revenue</b>	<b>14,736,717</b>	<b>230,687</b>	<b>14,967,404</b>	<b>1,807,862</b>	<b>1,644,939</b>	<b>3,452,801</b>
Expenses:						
Program services:						
Character and leadership development	1,700,375	-	1,700,375	-	-	-
Education and career development	4,244,397	-	4,244,397	-	-	-
Sports, fitness and recreation	3,269,954	-	3,269,954	-	-	-
Health and life skills	1,307,978	-	1,307,978	-	-	-
Cultural arts	2,086,246	-	2,086,246	-	-	-
Total program services	12,608,951	-	12,608,951	-	-	-
Management and general	1,144,935	-	1,144,935	204,039	-	204,039
Fund raising	924,753	-	924,753	-	-	-
<b>Total expenses</b>	<b>14,678,640</b>	<b>-</b>	<b>14,678,640</b>	<b>204,039</b>	<b>-</b>	<b>204,039</b>
Increase (decrease) in net assets before non-operating activities	58,077	230,687	288,764	1,603,823	1,644,939	3,248,762
Transfer of assets	(1,575,142)	-	(1,575,142)	(85,473)	1,660,615	1,575,142
Contribution - Leverage Lender	-	-	-	-	(5,719,080)	(5,719,080)
Net investment return	17,618	-	17,618	43,777	-	43,777
Net unrealized gain (loss) on beneficial interest in assets held by community foundation	-	-	-	409	-	409
Interest expense	(49,022)	-	(49,022)	-	-	-
<b>Increase (decrease) in net assets</b>	<b>(1,548,469)</b>	<b>230,687</b>	<b>(1,317,782)</b>	<b>1,562,536</b>	<b>(2,413,526)</b>	<b>(850,990)</b>
Net assets - beginning of year	13,855,136	2,875,963	16,731,099	(19,108)	10,251,489	10,232,381
<b>Net assets - end of year</b>	<b>\$ 12,306,667</b>	<b>\$ 3,106,650</b>	<b>\$ 15,413,317</b>	<b>\$ 1,543,428</b>	<b>\$ 7,837,963</b>	<b>\$ 9,381,391</b>

Boys & Girls Clubs of Palm Beach County Leverage Lender, Inc.			Consolidated			
Without Donor Restrictions	With Donor Restrictions	Total	Eliminating	Without Donor Restrictions	With Donor Restrictions	Total
\$ -	\$ 5,719,080	\$ 5,719,080	\$ (5,719,080)	\$ 3,645,320	\$ 4,129,973	\$ 7,775,293
-	-	-	-	4,722,095	-	4,722,095
-	-	-	-	2,783,231	-	2,783,231
-	-	-	-	375,616	-	375,616
-	-	-	-	13,711	-	13,711
-	-	-	-	2,700,580	-	2,700,580
-	24,000	24,000	-	49,679	24,000	73,679
-	-	-	-	2,254,347	(2,254,347)	-
-	5,743,080	5,743,080	(5,719,080)	16,544,579	1,899,626	18,444,205
-	-	-	-	1,700,375	-	1,700,375
-	-	-	-	4,244,397	-	4,244,397
-	-	-	-	3,269,954	-	3,269,954
-	-	-	-	1,307,978	-	1,307,978
-	-	-	-	2,086,246	-	2,086,246
-	-	-	-	12,608,951	-	12,608,951
-	-	-	-	1,348,974	-	1,348,974
-	-	-	-	924,753	-	924,753
-	-	-	-	14,882,679	-	14,882,679
-	5,743,080	5,743,080	(5,719,080)	1,661,900	1,899,626	3,561,526
-	-	-	-	(1,660,615)	1,660,615	-
-	-	-	5,719,080	-	-	-
-	-	-	-	61,395	-	61,395
-	-	-	-	409	-	409
-	-	-	-	(49,022)	-	(49,022)
-	5,743,080	5,743,080	-	14,067	3,560,241	3,574,308
-	-	-	-	13,836,028	13,127,452	26,963,480
\$ -	\$ 5,743,080	\$ 5,743,080	\$ -	\$ 13,850,095	\$ 16,687,693	\$ 30,537,788

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Boards of Directors  
Boys & Girls Clubs of Palm Beach County, Inc. and Affiliates  
West Palm Beach, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Boys & Girls Clubs of Palm Beach County, Inc. and Affiliates (a nonprofit Organization) (the Organization), which comprise the consolidated statement of financial position as of September 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 28, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Templeton & Company, LLP*

West Palm Beach, Florida  
January 28, 2021

**Independent Auditors' Report on Compliance with Requirements for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance**

Boards of Directors  
Boys & Girls Clubs of Palm Beach County, Inc. and Affiliates  
West Palm Beach, Florida

**Report on Compliance for Each Major Federal Program**

We have audited Boys & Girls Clubs of Palm Beach County, Inc. and Affiliates' (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.



## Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



West Palm Beach, Florida  
January 28, 2021

**BOYS & GIRLS CLUBS OF PALM BEACH COUNTY, INC. AND AFFILIATES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2020**

**Section I – Summary of Auditor's Results:**

*Financial statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted	No

*Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified?	No
Significant deficiencies identified?	None reported

Type of auditor's report issued on compliance for major Federal Programs: Unmodified

Any audit findings disclosed that are required to be reported with section 2 CFR 200.516(a)? No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to determine Type A Program \$750,000

Auditee qualified as low-risk auditee Yes

**Section II – Financial Statement Findings**

No matters were identified.

**Section III –Findings and Questioned Costs for Federal Awards**

None reported.

**Section IV – Prior Year Findings and Questioned Costs for Federal Awards**

None reported.