

BOYS AND GIRLS CLUB OF GREATER HOLLAND

FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019



**BOYS & GIRLS CLUB
OF GREATER HOLLAND**

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Independent Auditors' Report

February 4, 2021

Board of Directors
Boys and Girls Club of Greater Holland
Holland, Michigan

We have audited the accompanying financial statements of Boys and Girls Club of Greater Holland (a nonprofit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Club of Greater Holland as of August 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ferris, Busscher & Zwiens, P.C.

FERRIS, BUSSCHER & ZWIERS, P.C.
Certified Public Accountants
Holland, Michigan

BOYS AND GIRLS CLUB OF GREATER HOLLAND
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 635,618	\$ 433,290
Accounts receivable	3,461	777
Contributions receivable	18,214	232,355
Grants receivable	43,966	21,635
Prepaid expenses	29,337	27,107
Total current assets	730,596	715,164
Property and equipment, net	5,178,960	5,387,973
Investments	4,585,715	4,272,155
Contributions receivable, net of current portion and discount	18,666	78,430
Assets with donor restrictions in perpetuity:		
Investments	258,000	258,000
Total assets	\$ 10,771,937	\$ 10,711,722
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 15,191	\$ 315,122
Accrued wages and related expenses	65,957	50,251
Accrued pension	18,901	17,224
Security deposit	750	750
Scholarship payable	-	450
Total current liabilities	100,799	383,797
PPP Loan	218,400	-
Total liabilities	319,199	383,797
Net assets:		
Without donor restrictions:		
Undesignated	5,414,259	5,425,513
Board designated	2,977,227	2,879,828
With donor restrictions:		
Temporary in nature	1,803,252	1,764,584
Perpetual in nature	258,000	258,000
Total net assets	10,452,738	10,327,925
Total liabilities and net assets	\$ 10,771,937	\$ 10,711,722

See notes to financial statements

**BOYS AND GIRLS CLUB OF GREATER HOLLAND
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support						
Contributions	\$ 693,786	\$ 343,668	\$ 1,037,454	\$ 2,851,723	\$ 438,650	\$ 3,290,373
United Way	7,029	-	7,029	9,866	13,965	23,831
Grants	362,954	-	362,954	388,630	-	388,630
In-kind contributions	5,475	-	5,475	7,400	-	7,400
Special fundraising events, net of direct expenses of \$28,417 and \$43,202	211,633	-	211,633	171,843	-	171,843
Memberships	3,815	-	3,815	5,530	-	5,530
Investment gain, net	405,627	-	405,627	85,357	-	85,357
Facility rental	5,250	-	5,250	12,475	-	12,475
Loss on sale of fixed assets	-	-	-	(3,505)	-	(3,505)
Net assets released from restrictions	305,000	(305,000)	-	199,991	(199,991)	-
Total revenue, gains and other support	<u>2,000,569</u>	<u>38,668</u>	<u>2,039,237</u>	<u>3,729,310</u>	<u>252,624</u>	<u>3,981,934</u>
Expenses						
Program services	1,664,337	-	1,664,337	1,649,793	-	1,649,793
Management and general	162,772	-	162,772	209,423	-	209,423
Fundraising	87,315	-	87,315	86,219	-	86,219
Total expenses	<u>1,914,424</u>	<u>-</u>	<u>1,914,424</u>	<u>1,945,435</u>	<u>-</u>	<u>1,945,435</u>
Change in net assets	86,145	38,668	124,813	1,783,875	252,624	2,036,499
Net assets - September 1	<u>8,305,341</u>	<u>2,022,584</u>	<u>10,327,925</u>	<u>6,521,466</u>	<u>1,769,960</u>	<u>8,291,426</u>
Net assets - August 31	<u>\$ 8,391,486</u>	<u>\$ 2,061,252</u>	<u>\$ 10,452,738</u>	<u>\$ 8,305,341</u>	<u>\$ 2,022,584</u>	<u>\$ 10,327,925</u>

See notes to financial statements

BOYS AND GIRLS CLUB OF GREATER HOLLAND
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED AUGUST 31, 2020 AND 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Wages	\$ 988,462	\$ 100,688	\$ 57,959	\$ 1,147,109	\$ 935,793	\$ 142,505	\$ 56,317	\$ 1,134,615
Payroll taxes	78,504	6,789	3,913	89,206	79,771	10,616	4,270	94,657
Fringe benefits	64,077	29,237	14,645	107,959	65,784	29,332	14,380	109,496
Total wages and related expenses	<u>1,131,043</u>	<u>136,714</u>	<u>76,517</u>	<u>1,344,274</u>	<u>1,081,348</u>	<u>182,453</u>	<u>74,967</u>	<u>1,338,768</u>
Audit	6,960	560	480	8,000	6,960	560	480	8,000
Cleaning	6,169	260	65	6,494	7,147	301	75	7,523
Contingencies	4,522	861	-	5,383	6,331	1,206	-	7,537
Dues and subscriptions	9,732	1,506	348	11,586	9,265	1,434	331	11,030
Insurance	36,358	1,531	383	38,272	31,809	1,339	335	33,483
Maintenance	44,784	1,622	670	47,076	49,949	1,809	747	52,505
Mileage and meals	1,539	272	-	1,811	1,619	286	-	1,905
Miscellaneous	6,032	485	416	6,933	10,376	835	714	11,925
Office supplies	1,192	1,414	372	2,978	1,316	1,562	411	3,289
Professional fees	14,659	1,179	1,011	16,849	14,987	1,205	1,034	17,226
Program supplies	43,974	-	-	43,974	57,770	-	-	57,770
Publicity	4,530	1,704	1,851	8,085	6,006	2,260	2,455	10,721
Rent	7,650	-	-	7,650	12,125	-	-	12,125
Safety	3,644	456	456	4,556	-	-	-	-
Seminars and conferences	7,625	2,933	1,173	11,731	6,393	2,459	983	9,835
Telephone and technology	23,121	4,046	1,734	28,901	23,362	4,088	1,752	29,202
Utilities	63,343	2,668	666	66,677	71,946	3,030	757	75,733
Vehicle expense	25,092	43	43	25,178	22,362	38	38	22,438
Vending	2,151	-	-	2,151	6,481	-	-	6,481
Total expenses before depreciation	<u>1,444,120</u>	<u>158,254</u>	<u>86,185</u>	<u>1,688,559</u>	<u>1,427,552</u>	<u>204,865</u>	<u>85,079</u>	<u>1,717,496</u>
Depreciation	<u>220,217</u>	<u>4,518</u>	<u>1,130</u>	<u>225,865</u>	<u>222,241</u>	<u>4,558</u>	<u>1,140</u>	<u>227,939</u>
Total expenses	<u>\$ 1,664,337</u>	<u>\$ 162,772</u>	<u>\$ 87,315</u>	<u>\$ 1,914,424</u>	<u>\$ 1,649,793</u>	<u>\$ 209,423</u>	<u>\$ 86,219</u>	<u>\$ 1,945,435</u>

See notes to financial statements

BOYS AND GIRLS CLUB OF GREATER HOLLAND
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 124,813	\$ 2,036,499
Noncash items included in change in net assets:		
Depreciation	225,865	227,939
Unrealized gain on investment	(337,847)	(19,672)
Reinvested investment income	(65,930)	(58,422)
Loss on sale of fixed assets	-	3,505
Changes in operating assets and liabilities:		
Decrease (increase) in receivables and prepaid expenses	246,660	(148,723)
Increase (decrease) in accounts payable, accrued liabilities, security deposit and scholarship payable	(282,998)	255,051
Net cash provided (used) by operating activities	(89,437)	2,296,177
 Cash Flows from Investing Activities		
Proceeds from sale of investments	1,102,000	345,000
Purchase of assets	(16,852)	(96,916)
Purchase of investments	(1,011,783)	(2,644,000)
Net cash provided (used) by investing activities	73,365	(2,395,916)
 Cash Flows from Financing Activities		
Borrowing, long-term	218,400	-
Purchase of restricted investments	-	(122,728)
Net cash provided (used) by financing activities	218,400	(122,728)
 Net increase (decrease) in cash and cash equivalents	202,328	(222,467)
Cash and equivalents - September 1	433,290	655,757
Cash and equivalents - August 31	\$ 635,618	\$ 433,290

See notes to financial statements

BOYS AND GIRLS CLUB OF GREATER HOLLAND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Boys and Girls Club of Greater Holland is a non-profit community-supported organization. The purpose of the Organization is to provide youth, many of whom are in disadvantaged circumstances, a safe, caring environment. The Organization offers everyday diversified services designed to encourage the total development of children through positive experiences and opportunities.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions. The Organization's unspent contributions are included in this class if the donor limited their use.

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 financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Cash and Equivalents

For purposes of the statements of cash flows, cash includes all highly liquid investments with original maturities of three months or less. The Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Organization maintains demand deposits in banks that are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the years ended August 31, 2020 and 2019 the bank balance of these accounts exceeded the insured limit. The Organization maintains these demand deposits at two financial institutions. The Organization believes they are not exposed to any significant interest rate or other risk on these deposits.

**BOYS AND GIRLS CLUB OF GREATER HOLLAND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Accounts Receivable

The Organization believes the amounts carried in accounts receivable are current and collectible. The Organization generally does not require collateral or other security on its accounts receivable. There was no allowance at August 31, 2020 or 2019.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. The following is a schedule of promises to give as of August 31, 2020 and 2019:

	2020	2019
Receivable in less than one year	\$ 18,214	\$ 232,356
Receivable in one to five years	<u>18,666</u>	<u>84,878</u>
	<u>36,880</u>	317,234
Discounted to present value based on a discount rate of 0% and 5%, respectively	<u>-</u>	<u>(6,448)</u>
Net promises to give	<u>\$ 36,880</u>	<u>\$ 310,786</u>

Conditional Promises to Give

Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give at August 31, 2020 or 2019.

Property and Equipment

Purchases of property and equipment that have a unit cost of \$1,000 or more and an estimated useful life of more than one year are capitalized at cost. Donated assets are capitalized at the estimated fair market value at time of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. In the absence of donor-imposed restrictions on the use of the assets, gifts of long-lived assets are reported as net assets without donor restrictions. Depreciation expense for the years ended August 31, 2020 and 2019 was \$225,865 and \$227,939 respectively.

Tax Status

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and therefore, is not subject to federal or state income taxes.

Classification of Transactions

All revenues 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 are reported as decreases in net assets without donor restrictions.

BOYS AND GIRLS CLUB OF GREATER HOLLAND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates.

Concentrations

In 2020, there were no significant concentrations in revenue. In 2019, the Organization received 50% of total revenue from two donors.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. 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:

Wages and related expenses are allocated based on activity reports generated by the Organization's management.

Rent, utilities, and depreciation are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

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 its other activities.

**BOYS AND GIRLS CLUB OF GREATER HOLLAND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Publicity Costs

The Organization expenses all publicity costs as incurred.

Donated Materials, Services and Fixed Assets

The value of donated materials and services included in the financial statements and the corresponding expense for the years ended August 31 are as follows:

	2020	2019
Special event items	\$ 4,575	\$ 4,500
Program materials	<u>900</u>	<u>2,900</u>
Total	<u>\$ 5,475</u>	<u>\$ 7,400</u>

Numerous volunteers have donated significant amounts of time to the Organization's program services. No amounts have been reflected in the financial statements for these services because they did not meet the criteria for recognition under SFAS No. 116, nor is a value for these services readily determinable.

Risks and Uncertainty

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its investment portfolio. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's donors, employees, members, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's statements of financial position, statements of activities, functional expense and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Change in Accounting Principle

The Organization implemented FASB ASU No. 2016-01 in the current year, applying the changes prospectively. The ASU clarifies and improves guidance on the reporting of investments at fair market value. There was no adjustment to net assets.

The Organization implemented FASB ASU No. 2018-08 in the current year, applying the changes prospectively. The ASU clarifies and improves guidance for contributions received and made and provides guidance to organizations on how to account for exchange transactions. There was no adjustment to net assets.

The Organization implemented FASB ASC 606 in the current year, applying the changes retrospectively. The ASC updates the requirements for revenue recognition. These changes did not impact the current recording of revenue and there was no adjustment to net assets.

BOYS AND GIRLS CLUB OF GREATER HOLLAND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of August 31 are:

	2020	2019
Financial Assets:		
Cash	\$ 635,618	\$ 433,290
Accounts receivable	3,461	776
Contributions receivable (current)	18,214	232,356
Grants receivable	43,966	21,635
Contributions receivable (long term)	18,666	78,430
Investments	<u>4,843,715</u>	<u>4,272,155</u>
Total financial assets	5,563,640	5,038,642
Less financial assets held to meet donor-imposed and board designated restrictions:		
Time restricted net assets	(1,885,154)	(1,795,508)
Purpose restricted net assets	(161,264)	(47,506)
Board designated investments	<u>(2,783,478)</u>	<u>(2,698,622)</u>
Total available for general expenditures within one year	<u>\$ 733,744</u>	<u>\$ 497,006</u>

The above table reflects the Organization's financial assets as of August 31, 2020 and 2019, reduced by amounts not available for general use because of donor-imposed or time restrictions within one year. The Organization has an endowment fund that is board designated for long-term use. The Organization can elect to withdrawal 4% of the fair value of investments each year for general expenditures.

3. Fair Values of Assets

The Organization adopted the Financial Accounting Standards Board's (FASB) standard regarding Fair Value Measurements. The standard establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets valued using level 3 inputs are based on pricing models, discounted cash flow methodologies or similar techniques where at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. The fair value of the investments is based on unadjusted quoted market prices within active markets. Valuation techniques utilized to determine fair values are consistently applied.

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
August 31, 2020	Fair Value			
Vanguard Mutual Funds	<u>\$ 4,843,715</u>	<u>\$ 4,843,715</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 4,843,715</u>	<u>\$ 4,843,715</u>	<u>\$ -</u>	<u>\$ -</u>

**BOYS AND GIRLS CLUB OF GREATER HOLLAND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019**

3. Fair Values of Assets (Continued)

August 31, 2019

Vanguard Mutual Funds	<u>\$ 4,530,155</u>	<u>\$ 4,530,155</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 4,530,155</u>	<u>\$ 4,530,155</u>	<u>\$ -</u>	<u>\$ -</u>

The Organization has investments in securities at Vanguard. The fair value of the mutual funds is based on quoted net asset values of the shares held at year-end.

Investments consisted of the following as of August 31:

		2020	
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Vanguard Mutual Funds:			
Federal Money Market	\$1,679,682	\$1,679,682	\$ -
S & P 500 Index Fund	554,547	829,312	274,765
International Growth Fund	207,419	282,427	75,008
Total Bond Market Index Fund	389,715	412,870	23,155
Total Stock Market Index Fund	465,012	640,367	175,355
Mid-cap Index Fund	529,797	663,767	133,970
Short-term Bond Index	<u>324,137</u>	<u>335,290</u>	<u>11,153</u>
Total	<u>\$4,150,309</u>	<u>\$4,843,715</u>	<u>\$ 693,406</u>
		2019	
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Vanguard Mutual Funds:			
Federal Money Market	\$2,547,189	\$2,547,189	\$ -
S & P 500 Index Fund	368,425	526,889	158,464
International Growth Fund	145,302	142,412	(2,890)
Total Bond Market Index Fund	252,930	266,282	13,352
Total Stock Market Index Fund	267,348	361,195	93,847
Mid-cap Index Fund	364,148	451,815	87,667
Short-term Bond Index	<u>229,254</u>	<u>234,373</u>	<u>5,119</u>
Total	<u>\$4,174,596</u>	<u>\$4,530,155</u>	<u>\$ 355,559</u>

4. Community Foundation Endowment Fund

The Organization has an endowment fund held with the Community Foundation of the Holland/Zeeland Area. The amounts contributed by donors to the endowment fund are owned and controlled by the Community Foundation and are not reflected on the Organization's statements of financial position. The Organization will be able to request, on an annual basis, a calculated amount from the earnings of the endowment fund to be used to fund the operations of the Organization. The fair market value of the endowment fund, as reported by the Community Foundation of the Holland/Zeeland Area at August 31, 2020 and 2019 was \$113,558 and \$104,928, respectively.

BOYS AND GIRLS CLUB OF GREATER HOLLAND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2020 AND 2019

5. Endowment Fund

The Organization's endowments were established to support the general operations of the Organization. These funds include donor restricted endowment funds. 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.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Michigan's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic dollar value of the contribution as of the gift date for donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the historical dollar value of gifts donated to the donor restricted endowment, (b) the historical dollar value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any donor-restricted endowment fund that would not be classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts would be appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board considers a variety of factors in its appropriation decisions, including the duration and preservation of the endowment funds, the individual donors' intentions and the prevailing economic and market conditions, as well as the Organization's investment policies and financial situation.

Changes in the endowment net assets were as follows for the years ended August 31, 2020 and 2019:

	Changes in Endowment Net Assets		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowed net assets, September 1, 2018	\$ -	\$ 258,000	\$ 258,000
Contributions	-	-	-
Appropriations of net assets	-	-	-
Endowed net assets, August 31, 2019	-	258,000	258,000
Contributions	-	-	-
Appropriations of net assets	-	-	-
Endowed net assets, August 31, 2020	<u>\$ -</u>	<u>\$ 258,000</u>	<u>\$ 258,000</u>

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 programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity.

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5. Endowment Fund (Continued)

Strategies Employed for Achieving Objectives

Since the inception of the endowment, the Organization's policy has been that any income generated by the endowment funds would be appropriated by the Board for the Organization's general use. To satisfy its long-term 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).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for general use each year no more than 4% of its endowment fund's fair value. In establishing this policy, the Organization considered the long-term expected return on its endowments.

6. Property and Equipment

Property and equipment consisted of the following at August 31:

	2020	2019
Building and improvements	\$ 7,959,729	\$ 7,946,465
Furniture and fixtures	906,667	906,667
Computer hardware and software	27,895	37,642
Equipment	159,687	156,098
Vehicles	<u>84,486</u>	<u>84,486</u>
Total	9,138,464	9,131,358
Accumulated depreciation	<u>(3,959,504)</u>	<u>(3,743,385)</u>
Property and equipment, net	<u>\$ 5,178,960</u>	<u>\$ 5,387,973</u>

7. Line of Credit

The Organization has a line of credit with Fifth Third Bank for \$250,000. It incurs interest at the bank prime rate. The balance owed at August 31, 2020 and 2019 was \$0. The line matures in December 2021.

8. Scholarship Payable

The Organization received funds on behalf of its members in the form of a scholarship. The members applied the scholarship funds in the current year and there is no remaining liability.

9. PPP Loan

The Organization received \$218,400 in funding through the SBA's Paycheck Protection Program as relief due to COVID-19. This amount is included as a long-term liability on the statements of financial position. The interest rate stated on this loan is 1.0%. Interest accrued at August 31, 2020 is not material. The Organization has spent the required amount through payroll, employee health insurance and retirement benefits, and office rent, but the loan was still outstanding as of August 31, 2020. Subsequent to year end, the loan was forgiven and will be recorded as revenue in the year ended August 31, 2021.

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10. Retirement Plan

The Organization has a retirement plan which allows participation by all employees who have attained age 21, have one year of service and work at least 1,000 hours per year. For the years ended August 31, 2020 and 2019 the Organization contributed \$25,145 and \$24,197, respectively.

11. Operating Leases

The Organization leased a facility from Holland Public Schools for the Gateway Preschool program. The lease required an annual payment for use of the facilities from September through August. Total rent expense for the years ended August 31, 2020 and 2019 was \$0 and \$4,475, respectively.

The Organization leases a facility from Holland Christian Schools for the Gateway Preschool program. The lease requires an annual payment adjusted by the consumer price index. Total rent expense for the years ended August 31, 2020 and 2019 was \$7,650.

In December of 2019, the Organization signed a five-year copy machine lease that requires monthly payments of \$1,055. The lease includes monthly IT and server maintenance. Annual adjustments are permitted and additional use charges may be added. Total rent expense for all copiers and IT maintenance for years ended August 31, 2020 and 2019 was \$15,486 and \$18,744, respectively.

In August 2019, the Organization signed a 24-month vehicle lease that began in September 2019 that requires monthly payments of \$614. Total expense for the years ended August 31, 2020 and 2019 was \$6,759 and \$7,374, respectively.

The following is a schedule of future minimum rental payments that have remaining non-cancelable lease terms in excess of one year as of August 31:

2021	16,225
2022	16,225
2023	4,067

The Organization leases the Teen Center facility to a local church on a week-to-week basis.

Rental income for the years ended August 31, 2020 and 2019 was \$5,250 and \$12,475, respectively.

12. Net Assets, Board designated

At August 31, net assets without donor restriction are designated for the following purpose:

	2020	2019
Long-term operating reserves	<u>\$2,977,227</u>	<u>\$2,879,828</u>

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13. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at August 31:

	2020	2019
Time restrictions:		
United Way	\$ -	\$ 13,965
Contributions receivable	33,500	283,779
Endowment Fund-Investments	1,572,110	1,392,327
Endowment Fund-Receivable	<u>36,378</u>	<u>27,007</u>
Total time restrictions	<u>1,641,988</u>	<u>1,717,078</u>
Purpose restrictions:		
Keystone program	8,315	8,655
Torch Club	5,931	5,833
Holland Heights	27,083	27,083
Scholarship	14,935	935
Teen programing	100,000	-
Office furniture	<u>5,000</u>	<u>5,000</u>
Total purpose restrictions	<u>161,264</u>	<u>47,506</u>
Total	<u><u>\$1,803,252</u></u>	<u><u>\$1,764,584</u></u>

Net assets with donor restrictions in perpetuity are available for the following purposes at August 31:

	2020	2019
Endowment Fund - Investments	<u>\$ 258,000</u>	<u>\$ 258,000</u>

14. Subsequent Events

The Organization has evaluated subsequent events through February 4, 2021, the date on which the financial statements were available to be issued.

Subsequent to year end, the Organization established a new foundation. The purpose of the foundation is to hold the investments of Boys and Girls Club of Greater Holland Area. The assets were moved subsequent to year end. Consolidated financial statements will be prepared in the future.