BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Years Ended June 30, 2021 and 2020

CONTENTS

Independent Auditors' Report

To the Board of Governors of
Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries
Scottsdale, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries (the Organization, a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2021 and 2020, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 auditors' 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 entity'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 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 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 financial position of Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries as of June 30, 2021 and 2020, and the 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.

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Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such 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 information has been subjected to the auditing procedures applied in the audit 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Fester & Chapman, PLLC

January 25, 2022

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,674,579	$ 2,285,152
Investments	21,967,564	16,117,281
Program receivables, net		80,084
Government grants receivable	675,222	
Pledges receivable, current portion, net	185,000	221,946
Total current assets	24,502,365	18,704,463
Pledges receivable, noncurrent portion, net	406,852	668,352
Investments, noncurrent portion	2,000,000	2,000,000
Property and equipment, net	13,461,855	13,865,183
Total assets	$ 40,371,072	$ 35,237,998
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 578,416	$ 343,696
Other liabilities	118,583	174,156
Refundable advances	1,487,738	999,087
Capital lease obligation, current portion	32,351	31,374
Notes payable, current portion	25,854	25,393
Line of credit	424,214	591,300
Present value of annuity payments, current portion	7,586	7,586
Total current liabilities	2,674,742	2,172,592
Capital lease obligation, net of current portion	2,741	35,092
Notes payable, net of current portion	43,690	74,436
Present value of annuity payments, net of current portion	60,516	63,753
Total liabilities	2,781,689	2,345,873
Net assets:		
Without donor restrictions	34,625,436	29,384,940
With donor restrictions	2,963,947	3,507,185
Total net assets	37,589,383	32,892,125
Total liabilities and net assets	$ 40,371,072	$ 35,237,998

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue and losses:			
Contributions and grants	$ 3,592,517	$ 334,347	$ 3,926,864
Paycheck Protection Program	999,087		999,087
Program service fees, net	1,269,415		1,269,415
Special events, net of direct donor benefits of $189,925	556,747		556,747
Donated services, materials and facilities	63,817		63,817
Thrift store	237,409		237,409
Investment income	4,810,674	70,452	4,881,126
Miscellaneous	103,430		103,430
Released from restrictions	948,037	(948,037)	
Total support, revenue and losses	12,581,133	(543,238)	12,037,895
Expenses:			
Comprehensive youth development	4,796,976		4,796,976
Management and general	1,922,898		1,922,898
Fundraising	620,763		620,763
Total expenses	7,340,637		7,340,637
Change in net assets	5,240,496	(543,238)	4,697,258
Net assets, beginning of year	29,384,940	3,507,185	32,892,125
Net assets, end of year	$ 34,625,436	$ 2,963,947	$ 37,589,383

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue and gains:			
Contributions and grants	$ 2,627,008	$ 2,074,754	$ 4,701,762
Program service fees, net	2,413,098		2,413,098
Special events, net of direct donor benefits of $347,204	593,126		593,126
Donated services, materials and facilities	54,757		54,757
Thrift store	212,630		212,630
Investment losses	(92,862)	(97)	(92,959)
Miscellaneous	66,229		66,229
Net assets released from restrictions	329,825	(329,825)	
Total support, revenue and gains	6,203,811	1,744,832	7,948,643
Expenses:			
Comprehensive youth development	6,628,292		6,628,292
Management and general	1,081,221		1,081,221
Fundraising	729,552		729,552
Total expenses	8,439,065		8,439,065
Change in net assets	(2,235,254)	1,744,832	(490,422)
Net assets, beginning of year, as restated	31,620,194	1,762,353	33,382,547
Net assets, end of year	$ 29,384,940	$ 3,507,185	$ 32,892,125

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services	Supporting Services		
	Comprehensive Youth Development	Management and General	Fundraising	Total
Salaries	$ 2,041,191	$ 1,051,083	$ 427,609	$ 3,519,883
Employee benefits	187,737	143,427	63,042	394,206
Payroll taxes	209,388	87,454	36,562	333,404
Contracted professional services	168,509	162,197	39,046	369,752
Occupancy	431,955	104,383	266	536,604
Contracted services/leases	231,644	78,292		309,936
Office supplies and equipment	63,323	74,761	12,393	150,477
Program supplies	437,241			437,241
Meetings and conferences	6,813	4,751	11,732	23,296
Travel and transportation	39,671	21,063	4,734	65,468
Dues, fees, and subscriptions	4,555	48,149	5,906	58,610
Insurance	198,590	49,647		248,237
Banking and merchant fees	40,267	24,724	4,583	69,574
Interest	310	27,985		28,295
Donated services and materials	14,222			14,222
Miscellaneous	10,925	22,092	14,890	47,907
Depreciation and amortization	710,635	22,890		733,525
Total expenses	$ 4,796,976	$ 1,922,898	$ 620,763	$ 7,340,637

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services	Supporting Services		
	Comprehensive Youth Development	Management and General	Fundraising	Total
Salaries	$ 3,057,473	$ 593,287	$ 520,349	$ 4,171,109
Employee benefits	339,962	98,127	64,969	503,058
Payroll taxes	284,280	66,866	37,026	388,172
Contracted professional services	195,584	117,952	22,820	336,356
Occupancy	498,480	16,403	4,383	519,266
Contracted services/leases	376,796	4,531	4,921	386,248
Office supplies and equipment	45,277	27,926	20,157	93,360
Program supplies	530,601			530,601
Program awards and scholarships	51,876	79		51,955
Meetings and conferences	5,768	12,913	16,515	35,196
Travel and transportation	76,499	4,099	1,195	81,793
Dues, fees, and subscriptions	79,289	53,249	7,255	139,793
Insurance	165,852	16,949		182,801
Banking and merchant fees	55,430	11,592	13,495	80,517
Interest	21,973	34,486	4,039	60,498
Donated services and materials	54,757			54,757
Bad debts	60,169			60,169
Miscellaneous	2,921	105	12,428	15,454
Depreciation and amortization	725,305	22,657		747,962
Total expenses	$ 6,628,292	$ 1,081,221	$ 729,552	$ 8,439,065

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30,

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 4,697,258	$ (490,422)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Provision for bad debts		60,169
Depreciation and amortization	733,525	747,962
Donated property and equipment	(49,595)	
Net (gains) losses on investments	(4,881,126)	92,959
Changes in assets and liabilities:		
Program receivables, net	80,084	229,273
Government grants receivable	(675,222)	
Pledges receivable, net	298,446	(67,009)
Prepaid expenses		52,924
Accounts payable and accrued liabilities	234,720	(223,105)
Other liabilities	(55,572)	(236,783)
Refundable advances	488,651	999,087
Present value of annuity payments	(3,237)	(3,305)
Net cash provided by operating activities	867,932	1,161,750
Cash flows from investing activities:		
Purchases of property and equipment	(280,603)	(212,956)
Purchases of investments	(3,103,227)	(165,000)
Proceeds from sales of investments	2,134,070	1,190,142
Net cash (used) provided by investing activities	(1,249,760)	812,186
Cash flows from financing activities:		
Payments of capital lease obligations	(31,374)	(30,427)
Net payments on line of credit	(167,086)	(174,000)
Payments on notes payable	(30,285)	(24,947)
Net cash used by financing activities	(228,745)	(229,374)
Net change in cash and cash equivalents	(610,573)	1,744,562
Cash and cash equivalents, beginning of year	2,285,152	540,590
Cash and cash equivalents, end of year	$ 1,674,579	$ 2,285,152
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 28,295	$ 60,498

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Boys and Girls Club of Greater Scottsdale, Inc. (the Clubs) is an Arizona Corporation formed in June 1954 to promote the physical, mental, and moral well-being of boys and girls by providing education, recreation, and guidance. On December 22, 2011, the Clubs formed Boys and Girls Clubs of Greater Scottsdale Youth, LLC, with the Clubs as the sole member, which was formed to hold certain club assets in order to qualify for the working poor tax credit. On January 5, 2018, the Clubs formed Boys and Girls Clubs of Greater Scottsdale Foster Children, LLC with the Clubs as the sole member, which was formed to hold certain club assets in order to be a qualifying foster care charitable organization and receive Arizona tax credit contributions. Boys & Girls Clubs of Greater Scottsdale serves thousands of boys and girls with youth development programs when school is out (after school, school breaks, and during summer camp) at nine Club locations within the communities of Scottsdale, North Phoenix, Fountain Hills, Mesa, the Salt River Pima-Maricopa Indian Community and Hualapai Nation.The Clubs serve approximately 7,370 boys and girls including approximately 5,000 in their after school and summer day camp programs. The Clubs also operate a thrift store in Scottsdale for fundraising purposes.

Boys and Girls Clubs of Greater Scottsdale Foundation (the Foundation) was incorporated in January 1994 with the Clubs as the sole member of the Foundation. The Foundation was organized to manage investment funds, with the income to be used for the benefit of the Clubs. On December 28, 2017, the Foundation formed BGCGSF Apache Holdings, LLC with the Foundation as the sole member, which was formed to hold title to contributed land.

The significant policies followed by the Clubs, the Foundation, and wholly-owned subsidiaries (collectively referred to herein as the Organization) are as follows:

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Boys and Girls Club of Greater Scottsdale, Inc.; Boys and Girls Club of Greater Scottsdale Youth, LLC; Boys and Girls Clubs of Greater Scottsdale Foster Children, LLC; BGCGSF Apache Holdings, LLC; and Boys and Girls Clubs of Greater Scottsdale Foundation. All of the financial activities and balances of these organizations are included in these consolidated financial statements. All significant interorganization accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The Organization follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*, requiring the Organization to report information regarding its financial position and activities according into two classes of net assets: without donor restrictions and with donor restrictions.

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the restricted stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as net assets without donor restrictions.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents may, at times, include cash equivalents, which consist of highly liquid investments with original maturities of three months of less when acquired.

Program Receivables, Net

Program receivables consist primarily of amounts due from various agencies and individuals and are unsecured. Accounts receivable are stated at the amount management expects to collect. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management provides for probable, uncollectible amounts through a charge to operations and a credit to a valuation allowance based on the assessment of the current status of individual balances. Management reviews all accounts receivable balances monthly and based on an assessment of creditworthiness, and estimates the portion, if any, of the balances that will not be collected. The Organization considers all receivables past due over 90 days to be delinquent. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease to accounts receivable. The carrying value of receivables is reduced by a valuation allowance of $0 and $20,723 at June 30, 2021 and 2020, respectively, that reflects management's best estimate of amounts that will not be collected. As of July 2020, program fees were billed and due when services were rendered, therefore, no program receivables were due at June 30, 2021.

Pledges Receivable, Net

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Monies received pursuant to conditional promises are reflected as refundable advances. Unconditional promises to give that are to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates as determined by management, applicable to the years in which the promises are received. Amortization of the discounts is included in contribution support.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable, Net (Continued)

The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. There was no allowance for doubtful accounts recorded for pledges receivable at June 30, 2021 and 2020, as amounts were considered fully collectible.

Government Grants Receivable

The Organization recognizes government grants as revenue and receivables when conditions for earning grant awards are met. At June 30, 2021, government grants consisted of the amount that the Organization had earned from the Governor's Emergency Education Relief (GEER) Fund provided under the CARES Act, and was considered to be fully collectible.

Refundable Advances

Refundable advances include payments received prior to the Organization meeting the conditions required to earn the contribution or grant, in accordance with FASB ASC Subtopic 958-605. At June 30, 2021 and 2020, the Organization's refundable advances primarily consisted of proceeds from the Paycheck Protection Program (see Note 12) administered by the U.S. Small Business Administration.

Special Events Revenue

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits. All proceeds received in excess of the direct donor benefits are recorded as gross profit from special events in the accompanying consolidated statements of activities.

Grants

The Organization receives various grants from different sources to perform specific services. The Organization recognizes revenue from these grants as services are provided. Refundable advances are recorded when cash advances exceed amounts earned.

Investments

Investments, consisting primarily of equities and mutual funds with readily determinable market values are measured at fair value as of year-end in the consolidated statements of financial position. Investment income or losses (including realized and unrealized gains and losses on investments, interest, dividends and fees) are recognized in the consolidated statements of activities as investment income and losses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Purchased property and equipment costing $2,500 or more are recorded at cost, or if donated, at the estimated fair value at the date of the gift to the Organization. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Maintenance and repairs are charged to operations when incurred. The Organization depreciates its property and equipment over the estimated useful lives of the assets using the straight-line method as follows:

Buildings and building improvements	5-40 years
Leasehold improvements	Lesser of the estimated useful life or remaining lease term
Furniture and equipment	2-10 years
Vehicles	5 years
Assets held under capital lease obligations	Lesser of the estimated useful life or remaining lease term

Contributions

Contributions are reported in accordance with the FASB ASC subtopic of *Revenue Recognition for Not-for-Profit Entities*. Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor 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 statement of activities as net assets released from restrictions.

Program Service Fees, Net

The Organization records revenues from program service fees over the applicable membership period. The unearned portion of the program service fees is recorded in other liabilities at June 30, 2021 and 2020, in the accompanying consolidated statements of financial position. Program service fees are presented net of scholarships provided to qualifying participants totaling $500,117 and $994,005, during the years ended June 30, 2021 and 2020, respectively.

Donated Services and Materials

Donated materials are recognized as contributions if the services (a) create or enhance nonfinancial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Organization utilizes the services of volunteers to perform a variety of tasks that assist the Organization with specific programs. This support has not been recorded, as it does not meet the recognition criteria; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and fundraising campaigns. During 2021 and 2020, the Organization received the following in-kind donations:

	Used for:	2021	2020
Services and materials	Programs	$ 14,222	$ 54,757
Property and equipment	Programs	49,595	
Total		$ 63,817	$ 54,757

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities, and allocated among program and supporting services benefited in the consolidated statements of functional expenses. Expenses allocated on a square-footage proportional basis include occupancy, contracted services/leases, and depreciation and amortization. Expenses allocated on the basis of estimates of proportional use or time and effort are salaries and related expenses.

Income Tax Status

The Clubs and Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the Code), and accordingly, there is no provision for income taxes in the accompanying consolidated financial statements. In addition, the Clubs and Foundation qualify for the charitable contribution deduction under Section 170 of the Code and have been classified as organizations that are not private foundations. Income determined to be unrelated business taxable income (UBTI) would be taxable. The Organization's wholly-owned LLCs are considered disregarded entities for income tax purposes.

Market Risk

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying consolidated financial statements

Concentrations

The Organization’s cash and cash equivalents and investments on deposit at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC), or covered under the Securities Investor Protection Corporation (SIPC). Balances may at times exceed insured amounts; however, the Organization manages the concentration of credit risk by maintaining deposits in multiple financial institutions. During the year ended June 30, 2020, the Organization received a donor-restricted contribution of $1.5 million from one donor, which represented 19% of total revenue and support.

Reclassifications of Net Assets

Certain items in the prior year consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on total assets or total changes in net assets as previously reported. The Organization reclassified $844,687 and $848,289 from net assets without donor restrictions to net assets with donor restrictions at June 30, 2020 and 2019, respectively, to account for time restrictions on pledges receivable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Impact of COVID-19

The effects of the novel coronavirus ("COVID-19") pandemic have impacted and continue to impact the financial condition of the Organization. Although all Clubs remained open during the year, the average daily attendance continued to be below previous pre-pandemic levels. This had a negative impact on our membership revenue each month. The Clubs continue to have in place various measures to ensure safe operating conditions for all youth and employees. These measures include a face mask requirement for all youth and staff while in our facilities. We also have maintained limitations on the number and types of volunteers allowed in the Club at a given time. The Organization continues to follow all guidelines and recommendations of the CDC and the Arizona Department of Health and works closely with local health officials to maintain a safe environment for youth and staff. The Organization continued these preventative measures in response to COVID-19 well into the fiscal year ending June 30, 2022. While the ultimate financial impact is unknown, the organization expects COVID-19 to continue to have a material impact on its' financial performance.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of its fiscal year end to fund expenses without limitations:

	2021	2020
Financial assets included in current assets:		
Cash and cash equivalents	$ 1,674,579	$ 2,285,152
Investments	21,967,564	16,117,281
Program receivables, net		80,084
Government grants receivable	675,222	
Pledges receivable, current portion, net	185,000	221,946
Total financial assets included in current assets	24,502,365	18,704,463
Less amounts unavailable for general expenditure within one year:		
Donor restricted for purpose or time	(2,690,921)	(3,287,650)
Donor restricted in perpetuity	(273,026)	(219,535)
Total donor restricted amounts	(2,963,947)	(3,507,185)
Total financial assets available to meet cash needs for general expenditures within one year	$ 21,538,418	$ 15,197,278

In addition to financial assets available to meet general expenditures over the year, the Organization operates with a balanced budget and anticipates covering its general expenditures by collecting contributions, grants, and other revenues; by utilizing donor-restricted resources from current and prior years gifts; and by appropriating the investment return on its donor-restricted endowments, as needed. The Organization also has a line of credit available to cover operating expenditures (See Note 6).

NOTE 3 - PLEDGES RECEIVABLE, NET

The Organization's pledges receivable consisted of the following at June 30:

	2021	2020
Due within one year	$ 185,000	$ 226,335
Due within two to five years	473,500	610,000
Due in more than five years	125,000	250,000
	783,500	1,086,335
Discount to adjust to net present value	(191,648)	(191,648)
Allowance for doubtful pledges		(4,389)
Total pledges receivable, net	$ 591,852	$ 890,298

Pledges receivable due in more than one year are discounted at 5.0% in the year that the unconditional promise to give is made to the Organization. At June 30, 2021 and 2020, 98% and 96%, respectively, of the Organization's pledges receivable was due from another nonprofit organization.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides 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 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. At June 30, 2021 and 2020 the Organization did not have any financial instruments based on Level 2 inputs.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions. At June 30, 2021 and 2020 the Organization did not have any financial instruments based on Level 3 inputs.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Mutual funds / Fixed income securities / Hedge funds / Equities / Commodities: Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

Bonds / Debt securities: Determined by the closing bid price on the last business day of the fiscal year if actively traded.

The following were the fair value of assets measured at fair value on a recurring basis at June 30, 2021:

	Total	Level 1
Investments:		
Mutual funds:		
Emerging markets	$ 1,892,016	$ 1,892,016
International equities	2,952,470	2,952,470
Large cap	5,535,429	5,535,429
Mid cap	3,289,456	3,289,456
Small cap	2,534,780	2,534,780
Fixed income:		
Investment grade taxable	4,023,070	4,023,070
International developed bonds	288,913	288,913
Global high yield taxable	255,469	255,469
Hedge funds specific strategy	1,047,321	1,047,321
Tangible assets - commodities	1,121,965	1,121,965
Other	45,780	45,780
Cash equivalents	980,895	
Total investments	$ 23,967,564	$ 22,986,669

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following were the fair value of assets measured at fair value on a recurring basis at June 30, 2020:

	Total	Level 1
Investments:		
Mutual funds:		
Emerging markets	$ 1,672,031	$ 1,672,031
International equities	1,116,209	1,116,209
Large cap	3,578,477	3,578,477
Mid cap	3,321,557	3,321,557
Small cap	1,123,934	1,123,934
Alternative assets:		
Hedge funds	880,429	880,429
Commodities	923,469	923,469
Debt securities:		
Investment grade taxable	3,487,557	3,487,557
International bonds	193,510	193,510
Global high yield taxable	33,480	33,480
Other	77,764	77,764
Cash equivalents	1,708,864	
Total investments	$ 18,117,281	$ 16,408,417

NOTE 5 - PROPERTY AND EQUIPMENT, NET

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

	2021	2020
Land	$ 1,191,046	$ 1,143,074
Buildings and building improvements	19,962,905	19,770,065
Leasehold improvements	149,850	149,850
Furniture and equipment	1,829,664	1,741,351
Vehicles	1,457,898	1,457,898
Assets held under capital lease obligation	152,000	152,000
Use of land	56,972	56,972
	24,800,335	24,471,210
Accumulated depreciation and amortization	(11,338,480)	(10,606,027)
Property and equipment, net	$ 13,461,855	$ 13,865,183

Depreciation and amortization expense charged to operations was $733,525 and $747,962, for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 - LINE OF CREDIT

The Foundation has a revolving $5 million line of credit with a financial institution, with interest due monthly at LIBOR plus .75% (.91% at June 30, 2021 and 2020). The line is secured by deposits and equity investments held by the Foundation. $424,214 and $591,300 was outstanding on the line of credit at June 30, 2021 and 2020, respectively.

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	2021	2020
$62,000 unsecured note payable to the City of Scottsdale for its share of a roof repair on the Colorado Community Center, due in 60 monthly principal and interest payments of $1,033, including interest at 3.5%, maturing in December 2023.	$ 28,933	$ 41,333
$125,000 unsecured note payable to the City of Scottsdale for the replacement of an HVAC system, due in 120 monthly principal and interest payments of $1,236, including interest at 3.5%, maturing in August 2024.	40,611	58,496
	69,544	99,829
Less current maturities	(25,854)	(25,393)
	$ 43,690	$ 74,436

Future maturities of long-term debt are as follows for the years ending June 30:

2022	$ 25,854
2023	26,333
2024	13,670
2025	3,687
Total future maturities	$ 69,544

Interest expense incurred for long-term debt was approximately $4,000 during the years ended June 30, 2021 and 2020.

NOTE 8 - CAPITAL LEASE

The Clubs entered into a five year, noncancelable, capital lease agreement for copiers, which expires in July 2023. The lease requires monthly payments of $2,748 at an effective interest rate of 3.07% totaling $164,880 over the five-year period. The leased equipment had a cost of $152,000 and accumulated depreciation of $122,000 as of June 30, 2021. Interest expense incurred for the capital lease was approximately $3,500 during the years ended June 30, 2021 and 2020. The future minimum lease payments and capital lease obligations under the capital lease are as follows:

Years ending June 30:	
2022	$ 32,351
2023	4,975
	37,326
Less: amount representing interest	(2,234)
Present value of net minimum lease payments	$ 35,092

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following at June 30:

	2021	2020
Undesignated	$ 32,625,436	$ 27,384,940
Board designated for long-term investments	2,000,000	2,000,000
Total net assets without donor restrictions	$ 34,625,436	$ 29,384,940

The bylaws of the Foundation designated $2,000,000 of the net assets without donor restrictions to be used as an endowment. The designated amount is only to be used for investment purposes, the income of which is for the benefit of the Clubs. The amount can be changed only by a two-thirds vote of the Board of Trustees of the Foundation.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	2021	2020
Purpose restrictions:		
Back to school shopping	$ 22,114	$ 56,365
Hualapai Club operation	99,203	182,689
STEAM Makerspace campaign	1,769,698	1,923,000
Scholarship funds	118,583	142,900
Programs - other	76,972	85,256
Time restrictions:		
United Way	12,500	12,500
Other	591,851	884,941
Endowments	273,026	219,534
Total net assets with donor restrictions	$ 2,963,947	$ 3,507,185

Net assets of $948,037 and $329,825, were released from restrictions during the years ended June 30, 2021 and 2020, respectively, related to the fulfillment of program and time restrictions.

NOTE 11 - ENDOWMENTS

The Organization's endowments consists of one board designated fund and one individual donor-restricted fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. In September 2008, the State of Arizona enacted ARS§ 10-1180 et seq Management of Charitable Funds Act (MCFA).

The Organization follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Organization to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors, and the donor's intent that the fund continue in perpetuity.

The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the Organization's other resources, and (7) the Organization's investment policies.

NOTE 11 - ENDOWMENTS (CONTINUED)

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

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 asset allocation that consists of equity-based investments, corporate and municipal bonds, and money market accounts.

The Organization's annual appropriations are at the discretion of the Organization's Board of Governors unless specific instructions are provided by the endowment donors.

Endowment net asset composition by type of fund as of June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board restricted	$ 2,000,000		$ 2,000,000
Donor-restricted		$ 273,026	273,026
Total	$ 2,000,000	$ 273,026	$ 2,273,026

The changes in endowment net assets for the year ended June 30, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	$ 2,000,000	$ 219,535	$ 2,219,535
Contributions			
Released from restrictions		(16,961)	(16,961)
Investment income	405,448	70,452	475,900
Appropriation of assets for expenditure	(405,448)		(405,448)
Endowment net assets - end of year	$ 2,000,000	$ 273,026	$ 2,273,026

The nature of these restrictions are as follows at June 30:

	2021	2020
The portion of perpetual endowment funds that are required to be retained permanently either by explicit donor stipulation or MCFA	$ 219,535	$ 202,712
Subject to time restrictions under MCFA	53,491	16,823
Total donor restricted endowments	$ 273,026	$ 219,535

NOTE 11 - ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board restricted	$ 2,000,000		$ 2,000,000
Donor-restricted		$ 219,535	219,535
Total	$ 2,000,000	$ 219,535	$ 2,219,535

The changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	$ 2,000,000	$ 253,118	$ 2,253,118
Contributions	48,937		48,937
Released from restrictions		(33,486)	(33,486)
Investment losses	(48,937)	(97)	(49,034)
Endowment net assets - end of year	$ 2,000,000	$ 219,535	$ 2,219,535

NOTE 12 - PAYCHECK PROTECTION PROGRAM

During the years ended June 30, 2021 and 2020, the Clubs secured two Paycheck Protection Program (PPP) loans in the amount of $999,087 each. The loans are administered by the U.S. Small Business Administration (SBA) and are uncollateralized, and they are fully guaranteed by the Federal government. Any amounts not approved for forgiveness are subject to repayment over two years at 1% interest. The Clubs accounted for the loans as conditional contributions in accordance with FASB ASC 958. Management considers conditions for revenue recognition to have been met when the SBA approves the Club's loan forgiveness application. In January 2021, the Clubs obtained loan forgiveness for the first PPP loan and recognized that amount as revenue in the consolidated statements of activities during the year ended June 30, 2021. The second PPP loan is included in refundable advances in the consolidated statement of financial position at June 30, 2021.

NOTE 13 - OPERATING LEASES

The Organization leases equipment and related services under noncancelable operating leases expiring through September 2025. The minimum future rental commitments under these noncancelable operating leases are as follows for the years ending June 30:

2022	$	94,521
2023		95,548
2024		58,168
2025		56,053
2026		1,108
Total minimum future rental payments	$	305,398

Total rental expense under all leases with a term in excess of one year totaled $71,096 and $37,856 for the years ended June 30, 2021 and 2020, respectively. Certain leases do not contain renewal options; however, in the normal course of business, the Organization will either renew the leases or seek new arrangements.

The Organization also leases the land for four locations, the Virginia Piper and Administrative Center, Barker and Thunderbird branches from the City of Scottsdale with an additional lease for the McKee branch from the Town of Fountain Hills. The leases require payments $1 each per year and expire at various dates through 2052. Certain of the land leases contain an option to renew for an additional term. At inception of each agreement, the Organization was required to construct new or refurbish existing buildings at the sole cost and expense of the Organization. Upon termination of the lease, all property constructed or improvements made by the Organization reverts to each lessor at no cost to the lessor.

The leases also included specific provisions granting the lessor access to and use of the constructed facilities at no cost to the lessor. The leases specifically contemplate the shared use of the facilities in exchange for the nominal cash rent payments. Based on the terms of the lease, the Organization is required to perform annually under the agreements. The Organization has recorded the fair value ascribed to the use of land over the term of the leases in the accompanying consolidated financial statements (See Note 5).

NOTE 14 - DEFINED CONTRIBUTION PLAN

The Organization sponsors a 401(k) plan (the Plan) covering substantially all employees who have completed 12 months of service and are age 21 or older. The Organization matches employee contributions at a rate of 100% up to 3% of their pay. The Organization contributed $38,765 and $47,409, for the years ended June 30, 2021 and 2020, respectively, to the Plan.

NOTE 15 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 25, 2022, the date the Organization's financial statements were issued, and has concluded that no events have occurred since the year ended June 30, 2021, that would require an adjustment to, or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2021

	Clubs and Subsidiaries	Foundation	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,556,968	$ 117,611		$ 1,674,579
Investments		21,967,564		21,967,564
Program receivables, net				
Due from related party	1,151,364	674,338	$ (1,825,702)	
Government grants receivable	675,222			675,222
Pledges receivable, current portion	185,000			185,000
Total current assets	3,568,554	22,759,513	(1,825,702)	24,502,365
Pledges receivable, noncurrent portion, net	385,852	21,000		406,852
Investments, noncurrent portion		2,000,000		2,000,000
Property and equipment, net	13,461,855			13,461,855
Total assets	$ 17,416,261	$ 24,780,513	$ (1,825,702)	$ 40,371,072
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities	$ 542,016	$ 36,400		$ 578,416
Due to related party	674,338	1,151,364	$ (1,825,702)	
Other liabilities	118,583			118,583
Refundable advances	1,487,738			1,487,738
Capital lease obligation, current portion	32,351			32,351
Notes payable, current portion	25,854			25,854
Line of credit		424,214		424,214
Present value of annuity payments, current portion		7,586		7,586
Total current liabilities	2,880,880	1,619,564	(1,825,702)	2,674,742
Capital lease obligation, net of current portion	2,741			2,741
Notes payable, net of current portion	43,690			43,690
Present value of annuity payments, net of current portion		60,516		60,516
Total liabilities	2,927,311	1,680,080	(1,825,702)	2,781,689
Net assets:				
Without donor restrictions:	12,069,029	22,556,407		34,625,436
With donor restrictions	2,419,921	544,026		2,963,947
Total net assets	14,488,950	23,100,433		37,589,383
Total liabilities and net assets	$ 17,416,261	$ 24,780,513	$ (1,825,702)	$ 40,371,072

The accompanying notes are an integral part of these statements.

Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Clubs and Subsidiaries		Foundation			
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
Support, revenue and losses:						
Contributions and grants	$ 3,493,618	$ 334,347	$ 551,499		$ (452,600)	$ 3,926,864
Paycheck Protection Program	999,087					999,087
Program service fees, net	1,269,415					1,269,415
Special events, net of direct donor benefits of $189,925	556,747					556,747
Donated services, materials and facilities	63,817					63,817
Thrift store	237,409					237,409
Investment income			4,818,195	$ 70,452	(7,521)	4,881,126
Miscellaneous	82,630		20,800			103,430
Net assets released from restrictions	850,076	(850,076)	97,961	(97,961)		
Total support, revenue and losses	7,552,799	(515,729)	5,488,455	(27,509)	(460,121)	12,037,895
Expenses:						
Comprehensive youth development	4,785,015		464,561		(452,600)	4,796,976
Management and general	1,922,898		7,521		(7,521)	1,922,898
Fundraising	446,470		174,293			620,763
Total expenses	7,154,383		646,375		(460,121)	7,340,637
Change in net assets	398,416	(515,729)	4,842,080	(27,509)		4,697,258
Net assets, beginning of year	11,670,613	2,935,650	17,714,327	571,535		32,892,125
Net assets, end of year	$ 12,069,029	$ 2,419,921	$ 22,556,407	$ 544,026	$	$ 37,589,383