

**Audited Financial Statements**



**BOYS & GIRLS CLUBS**  
**OF METRO LOS ANGELES**

**December 31, 2020**

Quigley & Miron

**Boys & Girls Clubs of Metro Los Angeles**  
**Audited Financial Statements**  
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**December 31, 2020**

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## Independent Auditor's Report

Board of Directors

**Boys & Girls Clubs of Metro Los Angeles**

Los Angeles, California

We have audited the accompanying financial statements of Boys & Girls Clubs of Metro Los Angeles, a nonprofit organization, which comprise the statement of financial position as of December 31, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of material misstatement.

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

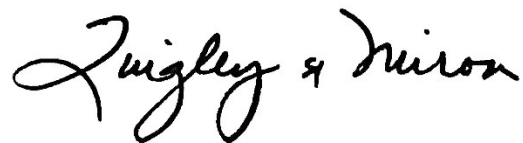
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boys & Girls Clubs of Metro Los Angeles as of December 31, 2020, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the financial statements of the Boys & Girls Clubs of Metro Los Angeles as of December 31, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, reading "Zigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California  
July 22, 2021

**Boys & Girls Clubs of Metro Los Angeles**  
**Statement of Financial Position**  
**December 31, 2020**  
**(with comparative totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,275,684	\$ 362,420
Restricted cash		
PPP advance—restricted cash	427,512	
Cash held in endowment	24	
Investments—Note 3	19,552	
Pledges and grants receivable—Note 4	492,875	129,898
Accounts receivables	136,265	17,254
Prepaid expenses and other assets	25,856	24,888
In-kind buildings and land leases—Note 5	8,036,161	8,101,665
Property and equipment, net—Note 6	13,553,061	13,657,408
<b>Total Assets</b>	<b><u>\$ 23,966,990</u></b>	<b><u>\$ 22,293,533</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 496,047	\$ 579,172
Salaries and employee benefits payable—Note 7	205,041	205,534
Line of credit—Note 8		120,000
Note payable, net of unamortized note issuance costs of \$46,020—Note 8	1,508,980	
Deposits	53,045	53,045
Deferred revenue	981	31,630
PPP advance—Note 9	427,512	
<b>Total Liabilities</b>	<b><u>2,691,606</u></b>	<b><u>989,381</u></b>
<b>Net Assets</b>		
Without donor restrictions	12,228,158	12,306,237
With donor restrictions—Note 10	9,047,226	8,997,915
<b>Total Net Assets</b>	<b><u>21,275,384</u></b>	<b><u>21,304,152</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 23,966,990</u></b>	<b><u>\$ 22,293,533</u></b>

See notes to financial statements.

Boys & Girls Clubs of Metro Los Angeles  
Statement of Activities  
Year Ended December 31, 2020  
(with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>Operating Activities</b>				
<b>Public Support and Revenue</b>				
Grants and contributions	\$ 2,117,200	\$ 752,985	\$ 2,870,185	\$ 1,518,180
Government grants	69,427		69,427	259,245
Special events				
Gross revenue				125,350
Less cost of direct benefits to donors				(15,319)
<b>Special Events, Net</b>				<b>110,031</b>
In-kind contribution of buildings and land leases—Note 5	403,596		403,596	406,784
In-kind contributions—Note 14	490,670		490,670	7,920
Fee for service	390,850		390,850	299,218
Membership income	9,039		9,039	138,106
Interest income	105	24	129	4,027
Loss on disposal of property and equipment	(20,235)		(20,235)	(30,465)
Rental income—Note 15	307,387		307,387	302,933
Net assets released from restrictions	723,250	(723,250)		
Replenishment of underwater endowment—Note 11	(14,957)	14,957		
<b>Total Public Support     and Revenue</b>	<b>4,476,332</b>	<b>44,716</b>	<b>4,521,048</b>	<b>3,015,979</b>
<b>Expenses</b>				
Youth program services	3,326,162		3,326,162	3,458,780
Supporting services				
Management and general	786,131		786,131	750,946
Fund development	442,118		442,118	406,420
<b>Total Expenses</b>	<b>4,554,411</b>		<b>4,554,411</b>	<b>4,616,146</b>
<b>Change in Net Assets     from Operations</b>	<b>(78,079)</b>	<b>44,716</b>	<b>(33,363)</b>	<b>(1,600,167)</b>
<b>Nonoperating Activities</b>				
Investment return, Net—Note 3		4,595	4,595	
<b>Total Nonoperating Activities</b>		<b>4,595</b>	<b>4,595</b>	
<b>Change in Net Assets</b>	<b>(78,079)</b>	<b>49,311</b>	<b>(28,768)</b>	<b>(1,600,167)</b>
<b>Net Assets at     Beginning of Year</b>	<b>12,306,237</b>	<b>8,997,915</b>	<b>21,304,152</b>	<b>22,904,319</b>
<b>Net Assets at     End of Year</b>	<b>\$ 12,228,158</b>	<b>\$ 9,047,226</b>	<b>\$ 21,275,384</b>	<b>\$ 21,304,152</b>

See notes to financial statements.

**Boys & Girls Clubs of Metro Los Angeles**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**  
**(with comparative totals for 2019)**

		<b>Supporting Services</b>			
	<b>Youth Program Services</b>	<b>Management and General</b>	<b>Fund Development</b>	<b>2020 Total</b>	<b>2019 Total</b>
Salaries	\$ 973,165	\$ 273,703	\$ 273,702	\$ 1,520,570	\$ 2,124,985
Employee benefits—Note 7	168,892	47,501	47,501	263,894	266,601
Payroll taxes	88,562	24,908	24,908	138,378	175,217
<b>Total Personnel Expenses</b>	<b>1,230,619</b>	<b>346,112</b>	<b>346,111</b>	<b>1,922,842</b>	<b>2,566,803</b>
Occupancy and utilities	678,183	28,859	14,429	721,471	734,268
Professional and consulting fees	174,574	247,313	63,040	484,927	154,729
Depreciation and amortization	282,813	12,035	6,017	300,865	247,037
Youth program supplies	626,591			626,591	197,513
Office expenses	121,428	5,167	2,584	129,179	119,618
Interest		92,201		92,201	1,267
Insurance	74,442	3,168	1,584	79,194	96,838
Repairs and maintenance	48,960	2,083	1,042	52,085	90,231
Equipment rental	41,827	1,780	890	44,497	41,272
Dues and subscriptions	1,377	20,751	2,874	25,002	27,434
Property taxes	22,909	975	487	24,371	29,421
Program awards and youth incentives	13,337			13,337	16,284
Bank charges		12,281		12,281	12,758
Conferences and training	5,026	1,412	1,413	7,851	10,849
Licenses and permits		7,350		7,350	7,512
Travel and transportation	3,976	1,118	1,118	6,212	30,905
Advertising	100	3,526	6	3,632	3,672
Donor stewardship			523	523	2,735
Legal settlement—Note 16					225,000
Cost of direct benefits to donors					15,319
<b>Total Expenses by Function</b>	<b>3,326,162</b>	<b>786,131</b>	<b>442,118</b>	<b>4,554,411</b>	<b>4,631,465</b>
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors					(15,319)
<b>Total Expenses</b>	<b>\$ 3,326,162</b>	<b>\$ 786,131</b>	<b>\$ 442,118</b>	<b>\$ 4,554,411</b>	<b>\$ 4,616,146</b>

See notes to financial statements.

**Boys & Girls Clubs of Metro Los Angeles**  
**Statement of Cash Flows**  
**Year Ended December 31, 2020**  
**(with comparative totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (28,768)	\$ (1,600,167)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated securities	(14,957)	
Depreciation and amortization	300,865	247,037
Investment gains	(4,595)	
Loss on sales of vehicles	20,235	30,465
Changes in operating assets and liabilities:		
Pledges and grants receivable	(362,977)	688,751
Accounts receivables	(119,011)	1,008
Prepaid expenses and other assets	(968)	24,924
In-kind buildings and land leases	65,504	62,316
Accounts payable and accrued liabilities	(83,125)	56,005
Salaries and employee benefits payable	(493)	26,408
Deferred revenue	(30,649)	31,630
PPP advance	427,512	
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>168,573</b>	<b>(431,623)</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(221,481)	(930,005)
Proceeds from sales of vehicles	4,728	1,035
Replenishment of funds held in perpetuity	(14,957)	
<b>Net Cash Used in Investing Activities</b>	<b>(231,710)</b>	<b>(928,970)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from line of credit		120,000
Repayments on line of credit	(120,000)	
Repayments on note payable		(38,487)
Proceeds from note payable	1,555,000	
Payments for note issuance costs	(46,020)	
Replenishment of funds held in perpetuity	14,957	
<b>Net Cash Provided by Financing Activities</b>	<b>1,403,937</b>	<b>81,513</b>
<b>Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash</b>	<b>1,340,800</b>	<b>(1,279,080)</b>
<b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Year</b>	<b>362,420</b>	<b>1,641,500</b>
<b>Cash, Cash Equivalents, and Restricted Cash at End of Year</b>	<b><u>\$ 1,703,220</u></b>	<b><u>\$ 362,420</u></b>
<b>Supplementary Disclosures</b>		
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>



**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements**  
**December 31, 2020**

**Note 1—Organization and Summary of Significant Accounting Policies**

Organization—Boys & Girls Clubs of Metro Los Angeles (BGCMLA) is a California not-for-profit corporation chartered by the Boys & Girls Clubs of America, Inc. BGCMLA was created in 2015 to consolidate existing Boys & Girls Clubs and to expand services through the creation of new Clubs and through partnerships with city and county government. The collective of clubs includes: Bell Gardens Boys & Girls Club, Challengers Boys & Girls Club (Challengers), Jordan Downs Boys & Girls Club, Boys & Girls Club of Nickerson Gardens, and Watts/Willowbrook Boys & Girls Club (Watts/Willowbrook). BGCMLA's mission is focused on promoting the health, life skills, and educational, vocational, and character development of Los Angeles youth ages 6-18. Each of the youth program sites (Clubs) facilitates youth programs designed to meet the physical, emotional, cultural, and social needs of the participants. Because these core areas are integrated, it is not practical to separate expenses into program categories. BGCMLA's principal funding sources are contributions, grants, government contracts and rentals.

BGCMLA provides a trauma-informed, Social Emotional Learning approach to its afterschool programming in low-income communities. BGCMLA serves 95%+ African American and Latinx students, 100% of whom qualify for free or reduced lunch. Throughout 2020, BGCMLA addressed the significant food insecurity as a result of COVID-19 by providing 2500+ meals per week to families in the community. BGCMLA focused on bringing equity of access to virtual school throughout the pandemic by opening its doors to serve the most vulnerable club members and ensure that they had access to technology and learning support to help lessen the learning gap.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. BGCMLA's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of BGCMLA and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of BGCMLA. These net assets may be used at the discretion of BGCMLA's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of BGCMLA and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit BGCMLA to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of BGCMLA to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Income Taxes—BGCMLA is a nonprofit entity, exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes in the financial statements. In addition, BGCMLA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘*more likely than not*’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2020 and 2019. Generally, BGCMLA’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

**Recently Adopted Accounting Principles**

**Contributions**—In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) are to account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation (“simultaneous release” option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors are to use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. ASU No. 2018-08 has been adopted by BGCMLA for the year ended December 31, 2019, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements and noted that there was no material effect on the financial statements.

**Revenue Recognition**—In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. ASU No. 2014-09 has been adopted by BGCMLA for the year ended December 31, 2020, and noted that there was no material effect on the financial statements.

**Cash, Cash Equivalents, and Restricted Cash**—BGCMLA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash consists of the PPP advance (see Note 9) and cash held for endowment (see Note 11).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the statement of financial position to the sum total of cash, cash equivalents, and restricted cash reported in the statement of cash flows at December 31, 2020:

<b>Cash Accounts Reported in Statement of Financial Position</b>	
Cash and cash equivalents	\$ 1,275,684
Restricted cash	
PPP advance—restricted cash	427,512
Cash held in endowment	24
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	
<b>Reported in Statement of Cash Flows</b>	<b><u>\$ 1,703,220</u></b>

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Investments—Investments in securities are initially recorded at cost, if purchased, or fair market value, if received as a contribution. Subsequent to acquisition, investments in securities are reported at fair value. Investment income, gains and losses are reported as unrestricted income unless use of the earnings is restricted by the donor.

Pledges and grants receivable—Pledges and grants receivable consist primarily of pledges and grants from various donors and foundations well known to BGCMLA and are due within one year. Management believes these receivable balances as of December 31, 2020 and 2019 are fully collectible, and BGCMLA has therefore not recorded an allowance for doubtful accounts.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of BGCMLA's youth program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature; BGCMLA did not engage in any reportable nonoperating activities during the year ended December 31, 2020.

Property and Equipment—Property and equipment are stated at cost when purchased or estimated fair market value at the date of gift or bequest. Depreciation is provided for property and equipment in excess of \$5,000 on the straight-line method over the useful lives of the related assets.

Concentration of Credit Risk—Financial instruments which potentially subject BGCMLA to concentrations of credit risk consist of cash and cash equivalents and receivables. BGCMLA places its cash and cash equivalent balances with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. In the normal course of operations, such cash balances may exceed the FDIC insurance limits. Receivables are due from well-known charitable organizations with substantial assets, government entities and other entities well-known to BGCMLA. BGCMLA's management has assessed the credit risk associated with the cash and cash equivalents balances and receivables outstanding at December 31, 2020 and 2019 and has determined that an allowance for potential uncollectible amounts is not necessary.

In-Kind Contributions—BGCMLA records in-kind rent, goods, and services at fair value at the date of contribution. In-kind contributions of services are recognized if they (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Expenses—The costs of providing the various youth program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the youth program services and supporting services benefitted. Salaries, employee benefits, payroll taxes, professional and consulting fees, conferences and training, travel and transportation are allocated based on time and effort of employees. Occupancy and utilities, depreciation and amortization, office expenses, insurance, repairs and maintenance, equipment rental, and property taxes are allocated based on space estimates. Youth program supplies, interest, dues and subscriptions, program awards and youth incentives, bank charges, licenses and permits, advertising, donor stewardship, and legal settlement expenses are charged directly to the program or function benefitted.

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

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Reclassifications—Certain amounts in 2019 have been reclassified to conform with the 2020 financial statement presentation.

**Note 2—Availability and Liquidity**

BGCMLA's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,000,000).

The following represents the availability and liquidity of BGCMLA's financial assets without donor restrictions at December 31, 2020 and 2019 to cover operating expenses for the next fiscal year:

Financial assets:	
Cash and cash equivalents	\$ 1,275,684
Pledges and grants receivable	492,875
Accounts receivables	<u>136,265</u>
<b>Total Financial Assets</b>	<b>1,904,824</b>
Less amounts not available to be used within one year:	
Cash subject to expenditure for specified purpose	<u>(566,489)</u>
<b>Financial Assets Available to Meet General Expenditures Over the Next 12 Months</b>	<b><u>\$ 1,338,335</u></b>

BGCMLA also has a revolving line of credit in the amount of \$350,000 which is available to assist in meeting cash flow needs. As of July 22, 2021, which is the date the financial statements were available to be issued, \$350,000 was available.

**Note 3—Investments and Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Quoted market prices in active markets for identical assets or liabilities. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. BGCMLA had no level 2 assets or liabilities at December 31, 2020 and 2019.

Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. BGCMLA had no level 3 assets or liabilities at December 31, 2020 and 2019.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 3—Investments and Fair Value Measurements—Continued**

BGCMLA may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by BGCMLA to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. BGCMLA had no assets or liabilities classified at NAV as a practical expedient during the years ended December 31, 2020 and 2019.

Investment return for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Investment gain	\$ 4,745	\$
Investment management fees	(150)	
<b>Investment Return, Net</b>	<b>4,595</b>	
Interest and dividend income	129	4,027
<b>Total Investment Return</b>	<b><u>\$ 4,724</u></b>	<b><u>\$ 4,027</u></b>

**Note 4—Grants Receivable**

Grants receivable of \$492,875 and \$129,898 at December 31, 2020 and 2019, respectively consist of amounts pledged by organizations and government entities and are all due within one year.

**Note 5—In-Kind Buildings and Land Leases**

In April 2000, Watts/Willowbrook entered into a 54-year lease agreement (Lease) with the Compton Unified School District, requiring annual payments of \$100, for the use of 27,500 square feet of land and buildings. Accordingly, Watts/Willowbrook recorded the present value of the land and buildings rent of \$5,134,421 valued at \$10 per square foot as *buildings and land lease* on the statement of financial position and as a corresponding donor-restricted contribution on the statement of activities for the year ended June 30, 2000, based upon annual rental expense of \$275,000 and a discount rate of 5%. The Lease was acquired by BGCMLA through its acquisition of Watts/Willowbrook during the year ended December 31, 2016. The value of the Lease at December 31, 2020 and 2019 was \$4,470,503 and \$4,520,611, respectively.

In April 2016, BGCMLA entered into a 55-year lease agreement (Lease) with the City of Bell Gardens, requiring annual payments of \$1, for the use of 12,940 square feet of land and buildings. Accordingly, BGCMLA recorded the present value of the land and buildings rent of \$3,631,370 valued at \$15 per square foot as *buildings and land lease* on the statement of financial position and as a corresponding donor-restricted contribution on the statement of activities for the year ended December 31, 2016, based upon annual rental expense of \$194,100 and a discount rate of 5%. The value of the Lease at December 31, 2020 and 2019 was \$3,565,658 and \$3,581,054, respectively.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 5—In-Kind Buildings and Land Leases—Continued**

Future anticipated amortization of the in-kind building and leases is as follows:

<u>Year Ending December 31,</u>	
2021	\$ 68,856
2022	72,378
2023	76,081
2024	79,974
2025	84,066
Thereafter	<u>7,654,806</u>
<b>Total</b>	<b><u>\$ 8,036,161</u></b>

During the years ended December 31, 2020 and 2019, BGCMLA recognized in-kind contributions of buildings and land leases related to the leases in the amount of \$403,596 and \$406,784, respectively.

**Note 6—Property and Equipment, Net**

Net property and equipment consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 8,351,659	\$ 8,180,267
Furniture and equipment	201,273	201,273
Vehicles	83,489	61,660
	<u>8,636,421</u>	<u>8,443,200</u>
Less accumulated depreciation and amortization	(998,820)	(701,252)
<b>Depreciable Property and Equipment, Net</b>	<b>7,637,601</b>	<b>7,741,948</b>
Land	<u>5,915,460</u>	<u>5,915,460</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 13,553,061</u></b>	<b><u>\$ 13,657,408</u></b>

Total depreciation expense and amortization recorded for the years ended December 31, 2020 and 2019 was \$300,865 and \$247,037.

**Note 7—Retirement Plan**

BGMLA participates in a defined contribution retirement plan sponsored by the Boys & Girls Clubs of America (Plan). The plan covers qualified full-time employees. Contributions are made to the Plan based upon a board-approved contribution rate applied to each employee's qualified salaries and wages.

As a result of the acquisition of Watts/Willowbrook during the year ended December 31, 2016, BGCMLA assumed a liability representing the amount owed by Watts/Willowbrook to the Plan. The value of the liability at December 31, 2020 and 2019 was \$22,506 and \$22,506, respectively and is included in salaries and employee benefits payable in the statement of financial position.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 7—Retirement Plan—Continued**

Effective January 1, 2017, BGCMLA adopted and executed a 401(k) defined contribution plan, which provides for employer contributions of 3% of eligible wages. Employees become eligible to participate in the defined contribution plan after the first day of the calendar month following the employee's commencement date. The plan requires plan participants to be 21 years old; employees are eligible for employer matching after 1 year and 1000 hours worked. BGMLA's contributions to the 401(k)-plan for the year ended December 31, 2020 and 2019 amounted to \$32,833 and \$41,220, respectively.

**Note 8—Line of Credit and Note Payable**

During the year ended December 31, 2019, BGCMLA opened a revolving line of credit in the amount of \$350,000 to assist in meeting cash flow needs, requiring monthly payments of interest, bearing an interest rate equal to the fluctuating daily LIBOR rate plus 2.5%. The balance on the line of credit at December 31, 2019 was \$120,000. During the year ended December 31, 2020, BGCMLA paid off the line of credit in full before the maturity date. The line of credit was renewed subsequent to year-end and holds a maturity date of April 30, 2022.

During the year ended December 31, 2020, BGMLA received a \$1,555,000 loan for operations. The note is secured by a lien position deed of trust recorded against one of BGMLA's properties. The note matures in May 2025, and carries an interest rate of 7.99% for years one through three, and 8.49% for years four through five, with the principal and final payment due at maturity. The initial loan issuance costs associated with the note payable amounted to \$53,100. Interest expense related to these loan fees totaled \$7,080 for the year ended December 31, 2020.

Note payable at December 31, 2020, consists of the following:

	<u>2020</u>
Note payable	\$ 1,555,000
Less unamortized note issuance costs	<u>(46,020)</u>
<b>Note Payable, Net</b>	<b><u>\$ 1,508,980</u></b>

Future interest and principal payments under this note as of December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 124,245
2022	124,245
2023	128,132
2024	132,020
2025	<u>1,621,010</u>
<b>Total</b>	<b><u>\$ 2,129,652</u></b>

Interest expense related to the note payable and line of credit amounted to \$92,201 and \$1,268 for the years ended December 31, 2020 and 2019, respectively.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 9—PPP Advance**

On May 6, 2020, BGCMLA received \$427,512 in Paycheck Protection Program (PPP) funding from the U.S. Small Business Administration (SBA). The funding is designed to provide a direct incentive for small businesses struggling from the impact of COVID-19 pandemic (see Note 18) to keep their workers on the payroll. These funds carry loan repayment terms but are subject to forgiveness under the present terms of the PPP. BGCMLA recorded \$427,512 of qualifying expenditures during the year ended December 31, 2020, which was subsequently forgiven. The related grant income was recognized subsequent to year-end at the date of forgiveness approval by the SBA.

**Note 10—Net Assets with Donor Restrictions**

Net assets with donor restrictions as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Capital improvements and renovations	\$ 120,547	\$ 284,780
Food distribution	100,000	
Specified future periods	100,000	
Teen Center	95,633	121,092
Sports and healthy lifestyles programs	58,333	10,000
Tennis Academy	55,651	311,551
Club acquisition costs	23,990	23,990
Laptop equipment	8,000	
Passenger vans	4,335	50,000
Training program		10,500
Other		4,166
Subject to time restrictions:		
Building and land lease	8,036,161	8,101,665
Future period pledges	425,000	80,171
Subject to appropriation and expenditure:		
Endowment fund	4,619	
Held in perpetuity:		
Endowment fund	340,835	340,835
Underwater endowment	(325,878)	(340,835)
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 9,047,226</u></b>	<b><u>\$ 8,997,915</u></b>



**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 10—Net Assets with Donor Restrictions—Continued**

Net assets released from donor restrictions for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Tennis Academy	\$ 311,551	\$ 340,672
Capital improvements and renovations	170,233	594,491
Passenger vans	45,665	
Teen Center	25,460	
Training program	10,500	
Sports and healthy lifestyles programs	10,000	137,502
Other	4,167	39,415
At risk youth		300,000
Management agreement		30,000
Data collection systems		27,195
Youth scholarships		19,258
Satisfaction of passage of time		
Future period pledges	80,170	226,410
Building and land lease	65,504	62,317
<b>Total Net Assets Released from Donor Restrictions</b>	<b><u>\$ 723,250</u></b>	<b><u>\$ 1,777,260</u></b>

**Note 11—Endowment Net Assets**

In January 2009, the State of California adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The Board is aware that there is an implicit understanding that the market value of the donor-restricted endowment may, from time to time, fall below the fair value of the original gift as of the gift date due to market conditions or continued prudent expenditures by the Board of certain amounts of the endowment. If such a temporary deficit condition occurs, the Board would take all prudent steps, given ongoing market conditions, to restore the fair value of the fund to an amount at or above the amount of the original gift.

As a result of the acquisition of Challengers during the year ended December 31, 2016, BGCMLA acquired an endowment fund held in perpetuity in the amount of \$340,835. Prior to the acquisition date, Challengers liquidated the investment funds associated with the endowment and borrowed these funds to fund operations. BGCMLA is aware of its obligations under UPMIFA, and during the year ended December 31, 2020 BGCMLA elected to begin replenishment of the funds in the amount of \$14,957; the balance of the underwater endowment at December 31, 2020 amounted to \$325,878.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 11—Endowment Net Assets—Continued**

Changes in endowment net assets for the years ended December 31, 2020 consist of the following:

		<b>Held in Perpetuity</b>		
	<b>Subject to Appropriation</b>	<b>Endowment Fund</b>	<b>Underwater Endowment</b>	<b>Total</b>
<b>Endowment Net Assets (Deficit) at December 31, 2019</b>	\$	\$ 340,835	\$ (340,835)	\$
Replenishment of underwater endowment			14,957	14,957
Interest and dividend income	24			24
Investment gain	4,595			4,595
<b>Total Investment Return on Endowment Funds</b>	<b>4,619</b>			<b>4,619</b>
<b>Endowment Net Assets (Deficit) at December 31, 2020</b>	<b>\$ 4,619</b>	<b>\$ 340,835</b>	<b>\$ (325,878)</b>	<b>\$ 19,576</b>

**Note 12—Leases**

BGCMLA has a 65-month non-cancelable operating lease for office space that began on August 31, 2016. BGCMLA also leases office equipment under another non-cancelable operating lease. Future minimum annual rental payments payable under this lease agreements are as follows:

**Year Ending December 31,**

2021	\$ 98,117
2022	60,096
2023	20,933
<b>Total</b>	<b>\$ 179,146</b>

Rental expenses related to this operating leases amounted to \$93,687 and \$83,664 for the years ended December 31, 2020 and 2019, respectively.

**Note 13—Commitments and Contingencies**

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although it is considered a possibility, BGCMLA deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of the grantor under the provisions of the gift.

From time to time, BGCMLA is subject to litigation that arises in the normal course of conducting its operations. In management's opinion, the resolution of litigation matters, if any would not have a material effect on the financial position of BGCMLA at December 31, 2020 and 2019.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 14—In-Kind Contributions**

For the years ended December 31, 2020 and 2019, in-kind contributions are reported on the statement of activities under public support and revenue, and on the statement of functional expenses under the following expense captions:

	<u>2020</u>	<u>2019</u>
Program supplies	\$ 452,700	\$
Office expenses	35,000	
Occupancy and utilities	2,970	
Professional and consulting fees		7,920
<b>Totals</b>	<b><u>\$ 490,670</u></b>	<b><u>\$ 7,920</u></b>

**Note 15—Rental Income**

In August 2011, Challengers signed a 15-year agreement with a lessor for classroom space through August 2026. Additionally, in January 2018, BGCMLA signed a five-year agreement with a lessor for office space through December 2022. Rental income associated with these leases amounted to \$307,387 and \$302,933 for the years ended December 31, 2020 and 2019, respectively. Total future rental income to be received is as follows:

**Year Ending December 31,**

2021	\$ 296,427
2022	299,704
2023	291,719
2024	295,046
2025	300,513
Thereafter	<u>180,858</u>
<b>Total</b>	<b><u>\$ 1,664,267</u></b>

**Note 16—Legal Settlement**

During the year ended December 31, 2019, BGCMLA reached an employment related settlement resulting largely from the acquisition of a club during the year ended December 31, 2017. The settlement amounted to \$225,000 and has been recorded in the *Legal Settlement* caption on the statement of functional expenses. The terms of the settlement require two equal payments of \$112,500, with the first payment due upon the Court's final approval of the settlement, estimated to be December 2021. The second payment is due six months after the first payment.

**Note 17—Recent Accounting Pronouncements**

**Leases**—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2021, with early adoption permitted. BGCMLA is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 17—Recent Accounting Pronouncements—Continued**

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. BGCMLA is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

**Note 18—Risks and Uncertainties**

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. BGCMLA continued to conduct its youth program services on a remote basis during the temporary shutdown before returning to in person program activities. At the time of this reporting, the cumulative financial impact of the pandemic on BGCMLA, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

**Note 19—Subsequent Events**

Management evaluated all activities of BGMLA through July 22, 2021, which is the date the financial statements were available to be issued, and concluded that, other than the line of credit renewal described in Note 8, and PPP advance forgiveness described in Note 9, no other material subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.