

Boys & Girls Club of Rockford

Consolidated Financial Statements and
Supplementary Information

Year Ended June 30, 2020



WIPFLI

Independent Auditor's Report

Board of Directors
Boys & Girls Club of Rockford
Rockford, Illinois

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Boys & Girls Club of Rockford, (a nonprofit organization) and the Boys & Girls Club Foundation, which comprise the consolidated statement of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidating financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 & Girls Club of Rockford and the Boys & Girls Club Foundation as of June 30, 2020 and 2019, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information appearing on pages 24-25 presented for the purpose of additional analysis and is 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. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Wipfli LLP

Wipfli LLP

October 15, 2020

Rockford, Illinois

Boys & Girls Club of Rockford

Consolidated Statements of Financial Position

<i>June 30,</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 512,459	\$ 277,042
Receivables	67,342	201,532
Prepaid expenses	26,234	7,322
Investment securities	2,460,694	2,613,273
Unconditional promises to give, net	7,500	7,500
Charitable trusts, net of discount	53,345	335,617
Beneficial interest in perpetual trust	299,965	303,138
Property and equipment, net	1,612,982	1,490,118
Total Assets	5,040,521	5,235,542
Liabilities		
Checks in excess of bank balance		59,582
Accounts payable	97,172	80,506
Accrued liabilities	32,993	28,809
Deferred revenue	12,918	36,124
Line of credit		95,910
Note payable	248,147	5,663
Total liabilities	391,230	306,594
Net Assets		
Net assets without donor restrictions		
Undesignated	1,684,712	1,397,574
Board designated-endowment	2,588,769	2,788,276
Net assets with donor restrictions	375,810	743,098
Total net assets	4,649,291	4,928,948
Total liabilities and net assets	\$ 5,040,521	\$ 5,235,542

See accompanying notes to consolidated financial statements.

Boys & Girls Club of Rockford

Consolidated Statement of Activities

Year Ended June 30, (With Comparative Totals for 2019)	<u>Without Donor Restrictions</u>					2020	2019
	Board		Total	With Donor		Total	Total
	Undesignated	Designated		Restrictions			
Support and Revenue:							
Contributions	\$ 543,096	\$ 48,001	\$ 591,097	\$ 15,000	\$ 606,097	\$ 787,625	
United Way allocations	3,519		3,519		3,519	51,843	
Other grants	524,136		524,136		524,136	337,549	
Fundraising events, net of costs	223,793		223,793		223,793	197,416	
Program fees and membership dues	783,654		783,654		783,654	942,664	
Concessions	18,279		18,279		18,279	23,863	
Investment income, net		40,534	40,534		40,534	101,963	
Realized loss on trust	(17,699)		(17,699)		(17,699)		
Miscellaneous income	7,744		7,744		7,744	1,495	
Net assets released from restrictions	672,195	(288,042)	384,153	(384,153)			
Total support and revenue	2,758,717	(199,507)	2,559,210	(369,153)	2,190,057	2,444,418	
Expenses:							
Program services	2,016,869		2,016,869		2,016,869	1,864,841	
Management and general	384,357		384,357		384,357	375,429	
Fundraising	70,353		70,353		70,353	64,768	
Total expenses	2,471,579		2,471,579		2,471,579	2,305,038	
Change in value of beneficial interest in trusts				1,865	1,865	981	
Change in net assets before other items	287,138	(199,507)	87,631	(367,288)	(279,657)	140,361	
Impairment loss on land held for investment						(24,500)	
Change in net assets	287,138	(199,507)	87,631	(367,288)	(279,657)	115,861	
Net asset, beginning of year	1,397,574	2,788,276	4,185,850	743,098	4,928,948	4,813,087	
Net assets, end of year	\$ 1,684,712	\$2,588,769	\$4,273,481	\$ 375,810	\$ 4,649,291	\$4,928,948	

See accompanying notes to consolidated financial statements.

Boys & Girls Club of Rockford

Consolidated Statement of Activities

Year ended June 30, 2019	<u>Without Donor Restrictions</u>				
	Undesignated	Board Designated	Total	With Donor Restrictions	Total
Support and Revenue:					
Contributions	\$ 691,013	\$ 50,000	\$ 741,013	\$ 46,612	\$ 787,625
United Way allocations				51,843	51,843
Other grants	337,549		337,549		337,549
Fundraising events, net of costs	197,416		197,416		197,416
Program fees and membership dues	942,664		942,664		942,664
Concessions	23,863		23,863		23,863
Investment income, net		101,963	101,963		101,963
Miscellaneous income	1,495		1,495		1,495
Net assets released from restrictions	193,366	(93,975)	99,391	(99,391)	
Total support and revenue	2,387,366	57,988	2,445,354	(936)	2,444,418
Expenses:					
Program services	1,864,841		1,864,841		1,864,841
Management and general	375,429		375,429		375,429
Fundraising	64,768		64,768		64,768
Total expenses	2,305,038		2,305,038		2,305,038
Change in value of beneficial interest in trusts				981	981
Change in net assets before other items	82,328	57,988	140,316	45	140,361
Impairment loss on land held for investment	(24,500)		(24,500)		(24,500)
Change in net assets	57,828	57,988	115,816	45	115,861
Net asset, beginning of year	1,339,746	2,730,288	4,070,034	743,053	4,813,087
Net assets, end of year	\$ 1,397,574	\$ 2,788,276	\$ 4,185,850	\$ 743,098	\$ 4,928,948

See accompanying notes to consolidated financial statements.

Boys & Girls Club of Rockford

Consolidated Statements of Cash Flows

Year Ended June 30,	2020	2019
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ (279,657)	\$ 140,361
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	128,814	119,637
Net unrealized loss (gain) on investment securities	32,969	(17,409)
Net realized gain on investment securities	(40,305)	(50,263)
Change in assets and liabilities:		
Receivables	134,190	22,195
Beneficial interest in perpetual trust	3,173	714
Charitable lead trust, net of discount	282,272	(40,966)
Prepaid expenses	(18,912)	2,382
Accounts payable and accrued liabilities	(2,356)	(18,462)
Net cash flows from operating activities	240,188	158,189
<i>Cash Flows from Investing Activities</i>		
Purchase of property and equipment	(251,678)	(176,708)
Proceeds from sale of investment securities	373,228	1,489,144
Purchase of investment securities	(213,313)	(1,386,839)
Net cash flows from investing activities	(91,763)	(74,403)
<i>Cash Flows from Financial Activities</i>		
Checks in excess of bank balance, net	(59,582)	13,753
Net (payments) borrowings on line of credit	(95,910)	23,975
Principal advances on notes payable	248,147	-
Principal payments on notes payable	(5,663)	(8,390)
Net cash flows from financing activities	86,992	29,338
Net change in cash and cash equivalents	235,417	113,124
<i>Net Cash and Cash Equivalents</i>		
Beginning	277,042	163,918
Ending	\$ 512,459	\$ 277,042
<i>Supplemental Information:</i>		
Cash payments for interest	\$ 7,690	\$ 8,936

See accompanying notes to consolidated financial statements.

Boys & Girls Club of Rockford

Statement of Functional Expenses

<i>Year Ended June 30</i> <i>(With Comparative Totals for 2019)</i>				2020	2019
	Program	Management and General	Fund Raising	Total	Total
Salaries and wages	\$ 910,367	\$ 95,271	\$ 52,928	\$ 1,058,566	\$ 980,492
Payroll taxes	75,242	5,985	4,275	85,502	80,470
Other employee benefits	38,302	31,543	5,257	75,102	60,530
Total Salaries and related expenses	1,023,911	132,799	62,460	1,219,170	1,121,492
Professional services		29,053		29,053	48,554
Supplies and program costs	765,621	15,786	7,893	789,300	748,200
Telephone	18,515	7,935		26,450	23,917
Utilities	66,381			66,381	48,654
Insurance	65,957	11,640		77,597	60,919
Rent	1,266	6,645		7,911	8,757
Real estate taxes		91		91	(6,036)
Building repair and maintenance	48,052	981		49,033	43,741
Equipment repair and maintenance	20,825	16,362		37,187	53,129
Printing and publications	4,476	4,477		8,953	5,926
Conferences and training		4,616		4,616	5,369
Dues		4,990		4,990	13,673
Miscellaneous expense	1,865	12,478		14,343	170
Interest expense		7,690		7,690	8,936
Total expenses before depreciation	2,016,869	255,543	70,353	2,342,765	2,185,401
Depreciation		128,814		128,814	119,637
Total expenses	\$ 2,016,869	\$ 384,357	\$ 70,353	\$ 2,471,579	\$ 2,305,038

See accompanying notes to consolidated financial statements.

Boys & Girls Club of Rockford

Statement of Functional Expenses

<i>Year Ended June 30, 2019</i>	Program	Management and General	Fund Raising	Total
Salaries and wages	\$ 843,223	\$ 88,244	\$ 49,025	\$ 980,492
Payroll taxes	70,813	5,633	4,024	80,470
Other employee benefits	30,870	25,423	4,237	60,530
Total Salaries and related expenses	944,906	119,300	57,286	1,121,492
Professional services		48,554		48,554
Supplies and program costs	725,754	14,964	7,482	748,200
Telephone	16,742	7,175		23,917
Utilities	48,654			48,654
Insurance	51,781	9,138		60,919
Rent	1,401	7,356		8,757
Real estate taxes		(6,036)		(6,036)
Building repair and maintenance	42,866	875		43,741
Equipment repair and maintenance	29,752	23,377		53,129
Printing and publications	2,963	2,963		5,926
Conferences and training		5,369		5,369
Dues		13,673		13,673
Miscellaneous expense	22	148		170
Interest expense		8,936		8,936
Total expenses before depreciation	1,864,841	255,792	64,768	2,185,401
Depreciation		119,637		119,637
Total expenses	\$ 1,864,841	\$ 375,429	\$ 64,768	\$ 2,305,038

See accompanying notes to consolidated financial statements.

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The Boys & Girls Club of Rockford (the Club) is a not-for-profit corporation organized under the laws of the State of Illinois whose primary mission is to improve the quality of life of youth in our community regardless of sex, race or economic background. The Organization's focus is a multifaceted approach to life-long learning. The Organization's programs are diversified and provide members with opportunities for growth through academic success, good character, leadership and healthy lifestyles.

In 2008, the Boys & Girls Club established the Boys & Girls Club Foundation (the Foundation) to raise funds and provide additional support. The results of the operations of the Foundation have been consolidated with the Boys & Girls Club in the accompanying financial statements.

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Club and its Foundation (collectively referred to as the "Organization"). All material intercompany transactions and balances have been eliminated in the consolidation.

Basis of Accounting and Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The Organization's financial statements are presented in accordance with Accounting Standards Codification (ASC) Topic 958, *Financial Statements of Not-for-Profit Organizations*. ASC Topic 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories.

Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The estimate of promises to give and fair value of investments are particularly subject to change in the near term.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments designated by the Board of Trustees, endowments that are perpetual in nature, or other long term purposes are excluded from this definition.

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

At June 30, 2020, the bank balance of the Organization's deposits in checking, money market accounts, savings accounts was \$533,285. Of the \$533,285 in deposits, \$147,580 was not covered by Federal Depository Insurance and, in the event of bank failure, the Organizations uninsured deposits might not be recovered.

Allowance for Doubtful Accounts

The Organization uses the allowance method to record an allowance for possible uncollectible promises to give. The Organization has established a \$2,000. There were no changes to this allowance in 2020.

Investment Securities

The Organization's carries investments in marketable securities with readily determined fair values and all investments in debt securities at their fair values in the consolidated statement of financial position. Quoted market prices in active markets are used as the basis of measurement. Net investment income (loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Investment securities are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Investment income or loss and unrealized gains or losses are included in the consolidated statement of activities as increases or decreases in without donor restricted net assets unless the income or loss is restricted by donor or law.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Promises to Give

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in without donor restriction net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in with donor restriction net assets. When a restricted contribution expires, with donor restriction net assets are reclassified to without donor restricted net assets and reported in the consolidated statement of activity as net assets released from restrictions.

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are valued at cost with an expected life greater than one year and a cost greater than \$5,000. Maintenance and repair costs are charged to expense as incurred. Gains or losses on disposition of property and equipment are reflected in income. Depreciation is computed on the straight line method over the useful lives of the assets ranging from 5 to 39 years.

Deferred Program Fees and Membership Dues

Program fees applying to services to be rendered in future periods are recorded as deferred revenue when received and reflected as support in the year when the program services fees are earned. Membership dues and grant revenues are recognized as revenue in the applicable member or grant period.

Net Assets

Net assets are classified into one of the following two categories depending on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions - Net assets are reflective of revenues and expenses associated with the principal programs and activities of the Organization and are not subject to donor-imposed stipulations. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Board designated funds are established by the Board of Directors and represent designated amounts from net assets without donor restrictions which are to be used for future improvements, programs, emergency reserves, and other unanticipated needs of the Organization.

Net assets with donor restrictions - Net assets with donor or certain granter imposed restrictions. Some donor-imposed restrictions or stipulations are temporary in nature and will be met either by actions of the Organization and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Contribution Recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in without donor restriction net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in with donor restriction net assets, depending on the nature of the restrictions. When a restriction expires, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Donated Services and Other In-Kind Support

The Organization records in-kind support for professional services and materials when received. Contributed professional services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are performed by people with those skill and would otherwise be purchased by the Organization if not provided by donation. Contributions of tangible property are recognized at fair value at the date of donation. The Organization receives a significant amount of skilled, contributed time in the Organization's program services and in its fundraising campaigns, which does not meet the criteria described above. No significant contributions of such goods or services were received during the years ended June 30, 2020 and 2019.

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses allocated to the capital campaign are considered fundraising related costs. Management believes their allocations are done on a reasonable and consistent basis.

Income Taxes

The Organization qualifies for tax exempt status under Section 501(c)(3) of the Internal Revenue Code as an organization organized as not-for-profit.

The Organization accounts for income taxes in accordance with FASB ASC 740 *Income Taxes*. FASB ASC 740 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Organization recorded no liabilities for uncertain tax positions or unrecognized tax benefits. The Organization's tax years that remain open and subject to possible examination by federal and state of Illinois jurisdictions included tax years 2017 through 2019.

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic organizations for annual periods beginning after December 15, 2019. Management is evaluating what impact this new standard will have on its financial statements.

In 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as the resource recipient and for fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource provider. Early application of the amendments in this update is permitted. The Organization has not elected to early implement the amendments.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through October 15, 2020, which is the date the consolidated financial statements were available to be issued.

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 2: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of June 30, 2020:

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end*	\$ 3,401,305	\$ 3,738,102
Less those unavailable for general expenditures		
<u>Contractual or donor-imposed restrictions:</u>		
Beneficial interest in charitable lead trusts	(53,345)	(335,617)
Beneficial interest in perpetual trust	(299,965)	(303,138)
United Way receivable		(51,843)
Capital campaign pledges receivable, net	(7,500)	(7,500)
Other donor restricted contributions	(15,000)	(45,000)
<u>Board Designated:</u>		
Endowment	(2,588,769)	(2,788,276)
<u>Unavailable assets released within one year:</u>		
Beneficial interest in charitable lead trusts		18,659
Beneficial interest in perpetual trust	13,522	12,375
United Way receivable		51,843
Capital campaign pledges receivable, net	7,500	7,500
Other donor restricted contributions	15,000	
Average endowment distributions - 3 years prior	94,933	82,817
Financial assets available to meet cash needs for general expenditures within one year	\$ 567,681	\$ 379,922

* - Total assets, less nonfinancial assets

The Organization holds beneficial interest in three assets held by BMO Wealth Management totaling \$353,310 and \$638,755 as of June 30, 2020 and 2019. The Corbett beneficial interest held in the charitable lead trust distributes 4/72nds of the total accumulated net income of the trust plus an amount equal to five percent of the principal of the trust as determined on the first day of June each fiscal year. The Corbett trust was distributed in full during the year ended June 30, 2020 to the respective beneficiaries. The Robbel beneficial interest held in trust distributes principal upon the death of the primary beneficiary. The beneficial interest held in the perpetual trust is to distribute 5% share of income each year. These trusts are described further in Note 7.

The Organization is a beneficiary of funds received from the United Way of Rock River Valley. The Organization is to receive funds in the amount of \$0 and \$51,843 during fiscal years June 30, 2020 and 2019.

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 2: Liquidity and Availability (Continued)

The Organization's capital campaign pledges net receivable totaled \$7,500 and \$7,500 as of June 30, 2020 and 2019. The Organization expects to fully collect the outstanding balance during fiscal year 2021.

The Organization's board designated endowment totaling \$2,588,769 and \$2,788,276 as of June 30, 2020 and 2019 and is subject to distributing 4% of the average ending balance over the last three fiscal years, as described further in Note 6. Although the Organization does not intend to spend from this board designated endowment (other than amounts appropriated for general expenditure as part of investment expenses), these amounts could be made available, if necessary. Average distributions over the last 3 years was \$94,933 and \$82,817.

The Organization does not have a formal liquidity policy.

Note 3: Accounts Receivables

Accounts receivable balances at June 30, 2020 and 2019, included the following:

	2020	2019
Grants	\$ 53,820	\$ 116,510
Corbett trust		18,659
United Way		51,843
Von Weise trust	13,522	12,375
Other accounts receivable		2,145
Total accounts receivable	\$ 67,342	\$ 201,532

	2020	2019
Amount due in:		
Less than one year	\$ 67,342	\$ 201,532
	\$ 67,342	\$ 201,532

Note 4: Investment Securities

Investment securities at June 30, 2020 and 2019, and related returns for the years then ended consisted of the following:

	2020			2019		
	Cost	Unrealized gain	Fair Market Value	Cost	Unrealized gain	Fair Market Value
Mutual Funds						
Equities	\$ 818,352	\$ 49,620	\$ 867,972	\$ 1,552,197	\$ 222,403	\$ 1,774,600
Fixed income	1,433,819	158,903	1,592,722	818,352	20,321	838,673
Total investments	\$ 2,252,171	\$ 208,523	\$ 2,460,694	\$ 2,370,549	\$ 242,724	\$ 2,613,273

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 4: Investment Securities (Continued)

	2020	2019
Dividends and interest	\$ 48,701	\$ 50,825
Realized gains	40,305	50,263
Unrealized gains (losses)	(32,969)	17,199
Investment fees	(15,503)	(16,324)
Investment income, net	\$ 40,534	\$ 101,963

Note 5: Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include *Level 1*, defined as observable inputs such as quoted market prices in active markets; *Level 2*, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and *Level 3*, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year end. NAV is determined based on quoted prices in active markets.

Equity funds: Valued at the net asset value (NAV) of shares held by the Organization at year end. NAV is determined based on quoted prices in active markets.

Beneficial interest in charitable trust: Valued at discounted expected cash flow over the contractual payout term.

Beneficial interest in perpetual trusts: Valued at the beneficial interest in assets held at the fair value of the Organization's share of the investment pool as of the measurement date.

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 5: Fair Value Measurements (Continued)

The following tables present the balances of assets measured at fair value on a recurring basis by level within the fair value hierarchy as of June 30, 2020 and 2019:

<i>June 30, 2020</i>	Level 1	Level 2	Level 3	Total
Investment securities	\$ 2,460,694			\$ 2,460,694
Beneficial interest in charitable trusts			\$ 53,345	53,345
Beneficial interest in perpetual trust	299,965			299,965
Total assets measured at fair value	\$ 2,760,659	\$	\$ 53,345	\$ 2,814,004

<i>June 30, 2019</i>	Level 1	Level 2	Level 3	Total
Investment securities	\$ 2,613,273			\$ 2,613,273
Beneficial interest in charitable trust			\$ 335,617	335,617
Beneficial interest in perpetual trust	303,138			303,138
Total assets measured at fair value	\$ 2,916,411	\$	\$ 335,617	\$ 3,252,028

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended June 30, 2020 and 2019:

	2020	2019
Balance, beginning of year	\$ 335,617	\$ 319,151
Contributions		46,612
Realized and unrealized gains	5,038	13,013
Impairment loss		(24,500)
Change in valuation	(17,699)	
Distributions	(269,611)	(18,659)
Balance, end of year	\$ 53,345	\$ 335,617

The following table represents the Organization's beneficial interest in charitable trust level 3 assets, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs at June 30, 2020 and 2019:

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 5: Fair Value Measurements (Continued)

Instrument	2020 Fair Value	2019 Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average Discount Rate
Corbett Charitable Trust	\$ 0	\$ 287,310	Discounted Cash Flow	Original duration	25 years	5%
				Payout dates	Current - July 1, 2021	
				Annual payout percentage	5%	
				Assumed investment earnings accumulation	2.75%	
Robbel Charitable Trust	\$ 53,345	\$ 48,307	Discounted Cash Flow	Estimated Life Expectancy	11 years	5%
				Payout Date	July 1, 2031	

Note 6: Endowment

The Organization's board designated endowment consists of individual funds under one family of mutual funds established for a variety of purposes. Its endowment includes funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.0%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 6: Endowment (Continued)

Spending Policy. The Organization has a policy of appropriating for distribution each year 4.0% of its endowment average ending balance for the last three fiscal years. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Composition of and changes in endowment net assets for the year ended June 30, 2020 and 2019 were as follows:

	2020	2019
Endowment net asset, beginning of year	\$ 2,788,276	\$ 2,730,288
Contributions	48,001	50,000
Investment income	40,534	101,963
Amounts appropriated for expenditure	(288,042)	(93,975)
Endowment net asset, end of year	\$ 2,588,769	\$ 2,788,276

Note 7: Beneficial Interest in Assets Held by Others

In September 1995, the Organization was named a beneficiary of the Willard J. Corbett and Alice C. Corbett Charitable Trust, which is administered by BMO Private Bank. According to the trust agreement, payments to the Organization are made annually each July 1 for 25 years starting July 1, 1996. Payments are to equal 5% of the trust's allocable principal balance and accumulated earnings in the trust valued on June 1st of each year. Payments received and recognized for the years ended June 30, 2020 and 2019 were \$18,659 and \$19,565. The trust was distributed in full to the respective beneficiaries during the year ended June 30, 2020.

In 2019, the Organization was notified it was named a beneficiary if the C.R. Robbel trust administered by BMO Private Bank. According to the trust agreement, payment of the principal balance of the trust will be divided between the named beneficiaries upon the death of the primary beneficiary. The Organization is entitled to 1/5th of the principal balance of the trust.

In addition, the change in the asset value resulting from the (decrease) in the present value of future estimated cash flows from the trusts over its remaining life using a discount rate of five percent was \$5,038 and \$(5,646) for the years ended June 30, 2020 and 2019. The discount rate is an estimate of future return; actual results could differ materially from this estimate in the near-term future.

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 7: Beneficial Interest in Assets Held by Others (Continued)

The present value of unconditional promises to give under the trusts at June 30, 2020 and 2019 consisted of the following:

	2020	2019
Receivable in less than one year		\$ 18,659
Receivable in one to five years	\$ 53,345	316,958
Total receivable	\$ 53,345	\$ 335,617

The Boys & Girls Club of Rockford is an income beneficiary of the VonWeise Trust, a perpetual trust held by Harris Bank, N.A. Under the trust agreement, the Boys & Girls Club of Rockford receives a 5% share of income distributed each year. This perpetual trust is accounted for at the Organization's share of the trust's fair value as a net asset with donor restrictions.

During the year the Organization was notified that is one of six beneficiaries of the Clifford Pedderson Charitable Remainder Annuity Trust. The balance of the trust will be divided between the named beneficiaries upon the death of the primary beneficiary. Due to the primary beneficiary being able to access principal, the balance is deemed not estimable at this time. The initial fair value at date of notification was approximately \$1,770,000.

The aggregate value of the Organization's interest in these trusts at June 30, 2020 and 2019 was \$353,310 and \$638,755. Changes in the fair values are recorded as increases or decreases in net assets with donor restrictions. The change in value of \$1,865 and \$(714) was recorded as an increase (decrease) in net assets with donor restrictions for the years ended June 30, 2020 and 2019.

Note 8: Property and Equipment

A summary of property and equipment is as follows as of June 30, 2020 and 2019:

	2020	2019
Land and land improvements	\$ 479,290	\$ 479,290
Buildings and building improvements	3,342,569	3,090,891
Playground Equipment	196,441	196,441
Vehicles	117,468	117,468
Furniture and office equipment	937,202	937,202
Total property and equipment	5,072,970	4,821,292
Less accumulated depreciation	(3,459,988)	(3,331,174)
Total property and equipment, net	\$ 1,612,982	\$ 1,490,118

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 9: Line of Credit

The Organization maintains a line of credit with JP Morgan Chase Bank, with an interest rate at 6.0%. The line of credit is due on demand. The outstanding balance at June 30, 2020 and 2019 was \$0 and \$95,910.

Note 10: Notes Payable

The Organization has a note payable to Rockford Bank & Trust collateralized by substantially all assets of the Organization. Payments of \$732 are due monthly until maturity on February 11, 2020. Payments include interest at a rate of 4.5% per annum. The outstanding balance at June 30, 2020 and 2019 was \$0 and \$5,663.

Note 11: Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Support for operations in future periods	\$ 15,000	\$ 96,843
Capital improvements	7,500	7,500
Present value of interest in charitable trusts held by third parties	53,345	335,617
Beneficial interest in perpetual trust	299,965	303,138
Total net assets with donor restrictions	\$ 375,810	\$ 743,098

Note 12: Retirement Plan

The Boys & Girls Club of Rockford has a defined contribution plan covering all full-time employees who have completed one full year of service and who are at least twenty-one years of age. Contributions to this plan are equal to 8% of the participant's wages. Retirement plan expense for the years ended June 30, 2020 and 2019 was \$29,369 and \$24,418.

Note 13: Lessor Activity

In 1979, the Organization entered into a 25-year lease agreement (extendable thereafter for consecutive five-year renewal periods) with the Rockford Park District for land on which the East Side Club's building is located. The lease agreement requires an annual payment of \$1.

The Organization leases its primary offices from the Rockford Park District Foundation. The lease was amended on January 1, 2017. The lease extends through December 31, 2020. The Organization is charged a monthly rent of \$430.

In the years ended June 30, 2020 and 2019, the Organization charged to office rent an expense of \$4,735 and \$5,166.

Boys & Girls Club of Rockford

Notes to Consolidated Financial Statements

Note 14: Impairment Loss

The Organization's land held for investment has been for sale for several years and the Organization has not been successful in selling. The Organization decided to stop paying the real estate taxes on the land held for investment. The Organization deemed the land to be impaired. The land held for investment was previously valued at its fair value of \$24,500. An impairment loss of \$24,500 is reflected in the statement of activities at June 30, 2019.

Note 15: Business Risks and Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency (the "COVID-19 crisis). In March 2020, the WHO classified the COVID-19 crisis as a pandemic and the full outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on the not-for-profit industry, financial condition, liquidity, and operations. Given the daily evolution of the COVID-19 crisis and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 crisis on future operations; however, should it continue, it may have an adverse effect on future operations, financial position, and liquidity in the fiscal year 2021 if revenues are depressed and temporarily declines in investment values worsen or do not improve.

Note 16: Note Payable – Paycheck Protection Program

At May 1, 2020, the Organization had a note payable of \$248,147. This amount represents the a note payable from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. The Organization has determined the note payable is a conditional grant. Accordingly, the note payable is reported as a note payable until the conditions are substantially met or explicitly waived.

The Organization has interpreted the condition of the note payable to be the approval of the forgiveness application by the lender and SBA. Should the conditions of the note payable not be substantially met or explicitly waived, all or a portion of the note payable will be treated as a loan bearing interest at 1%. The Organization anticipates that the conditions of the note payable will be substantially met and the full amount of the note payable will be recognized as revenue.

Supplementary Information

Boys & Girls Club of Rockford

Consolidating Statement of Financial Position

<i>June 30, 2020</i>	Club	Foundation	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 384,384	\$ 128,075		\$ 512,459
Receivables	67,342			67,342
Prepaid expenses	26,234			26,234
Investment securities		2,460,694		2,460,694
Unconditional promises to give, net	7,500			7,500
Charitable trusts, net of discount	53,345			53,345
Beneficial interest in perpetual trust	299,965			299,965
Property and equipment, net	1,612,982			1,612,982
Total assets	\$ 2,451,752	\$ 2,588,769		\$ 5,040,521
Liabilities				
Accounts payable	\$ 97,172			\$ 97,172
Accrued liabilities	32,993			32,993
Deferred revenue	12,918			12,918
Note payable	248,147			248,147
Total liabilities	391,230			391,230
Net Assets				
Net assets without donor restrictions				
Undesignated	1,684,712			1,684,712
Board designated endowment		2,588,769		2,588,769
Net assets with donor restrictions	375,810			375,810
Total net assets	2,060,522	2,588,769		4,649,291
Total liabilities and net assets	\$ 2,451,752	\$ 2,588,769		\$ 5,040,521

See accompanying notes to consolidated financial statements.

Boys & Girls Club of Rockford

Consolidating Statement of Activities

<i>For the year ended June 30, 2020</i>	Club	Foundation	Eliminations	Total
Support and Revenue:				
Contributions	\$ 558,096	\$ 48,001		\$ 606,097
United Way allocations	3,519			3,519
Other grants	812,178		\$ (288,042)	524,136
Fundraising events, net of costs	223,793			223,793
Program fees and membership dues	783,654			783,654
Concessions	18,279			18,279
Investment income, net		40,534		40,534
Realized loss on trust	(17,699)			(17,699)
Miscellaneous income	7,744			7,744
Total support and revenue	2,389,564	88,535	(288,042)	2,190,057
Expenses:				
Program services	2,016,869			2,016,869
Management and general	384,357			384,357
Fundraising	70,353			70,353
Total expenses	2,471,579			2,471,579
Transfer from the Foundation to the Club		(288,042)	288,042	
Change in value of beneficial interest in trusts	1,865			1,865
Change in net assets before other items	(80,150)	(199,507)		(279,657)
Impairment loss on land held for investment				-
Change in net assets	(80,150)	(199,507)		(279,657)
Net assets, beginning of year	2,140,672	2,788,276		4,928,948
Net assets, end of year	\$ 2,060,522	\$ 2,588,769		\$ 4,649,291

See accompanying notes to consolidated financial statements.