



**BOYS & GIRLS CLUBS**  
OF SAN FRANCISCO

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**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)**

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## CONTENTS

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<b>Independent Auditors' Report</b> .....	1-2
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### **Consolidated Financial Statements**

Consolidated Statement of Financial Position .....	3
Consolidated Statement of Activities and Changes in Net Assets.....	4-5
Consolidated Statement of Functional Expenses .....	6-8
Consolidated Statement of Cash Flows .....	9-10

<b>Notes to Consolidated Financial Statements</b> .....	11-41
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### **Supplemental Information**

Consolidating Statement of Financial Position.....	42-43
Consolidating Statement of Activities and Changes in Net Assets .....	44-45

**INDEPENDENT AUDITORS' REPORT**

To the Board of Governors of  
**Boys & Girls Clubs of San Francisco and Affiliates**

***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of San Francisco and Affiliates, which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

## ***Opinion***

In our opinion, the 2019 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Boys & Girls Clubs of San Francisco and Affiliates as of September 30, 2019, and the consolidated changes in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Report on Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Statement of Financial Position as of September 30, 2019 and the Consolidating Statement of Activities and Changes in Net Assets for the year then ended are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

We previously audited Boys & Girls Clubs of San Francisco and Affiliates' 2018 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements dated February 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Marcum LLP*

San Francisco, California  
March 2, 2020

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,467,281	\$ 1,451,249
Accounts receivable	230,245	226,564
Grants receivable	978,028	1,009,799
Promises to give, net	6,881,851	762,454
Prepaid expenses	291,194	201,278
Notes receivable	21,376,125	21,376,125
Investments	4,832,383	4,907,283
Interest in the net assets of the Endowment Trust	41,330,041	41,033,067
Beneficial interest in trusts	776,585	801,377
Cash restricted for interest	30,255	30,242
Cash restricted for long-term purposes	753,353	479,168
Property and equipment, net	32,607,185	33,059,269
Construction in progress	<u>171,586</u>	<u>153,741</u>
<b>Total Assets</b>	<u>\$ 112,726,112</u>	<u>\$ 105,491,616</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,024,903	\$ 1,003,106
Accrued salaries and benefits	791,797	709,256
Deferred revenue	84,263	84,397
Notes payable, net	<u>30,514,292</u>	<u>30,313,347</u>
<b>Total Liabilities</b>	<u>32,415,255</u>	<u>32,110,106</u>
<b>Commitments and Contingencies</b>		
<b>Net Assets</b>		
Without donor restrictions	53,556,708	52,382,664
With donor restrictions	<u>26,754,149</u>	<u>20,998,846</u>
<b>Total Net Assets</b>	<u>80,310,857</u>	<u>73,381,510</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 112,726,112</u>	<u>\$ 105,491,616</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)**

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Public Support and Revenue</b>				
<b>Public Support</b>				
Contributions:				
Individuals	\$ 1,141,800	\$ 7,674,500	\$ 8,816,300	\$ 2,113,412
Government	4,308,129	--	4,308,129	2,796,431
Foundations and trusts	2,197,965	323,800	2,521,765	2,047,670
Bequests	637,454	--	637,454	147,577
Corporate	359,601	81,683	441,284	388,117
Federal awards	175,454	--	175,454	220,809
Change in the interest in the net assets of the Endowment Trust	680,041	467,255	1,147,296	2,217,028
Special events, net	3,180,323	--	3,180,323	3,250,819
In-kind contributions	1,134,328	--	1,134,328	1,204,708
Change in beneficial interest in trusts	--	(24,792)	(24,792)	1,576
Net assets released from restrictions	<u>2,789,106</u>	<u>(2,789,106)</u>	<u>--</u>	<u>--</u>
<b>Total Public Support</b>	<u>16,604,201</u>	<u>5,733,340</u>	<u>22,337,541</u>	<u>14,388,147</u>
<b>Revenue</b>				
Rental income	398,445	--	398,445	512,388
Net investment income	434,246	30,426	464,672	453,081
Other investment income	873,418	--	873,418	119,263
Camp fees	209,839	--	209,839	239,148
Net realized and unrealized investment gains (losses)	(4,328)	(8,463)	(12,791)	21,465
Miscellaneous income	11,176	--	11,176	13,153
Membership dues	182,624	--	182,624	122,594
Net program incidental revenue	102,647	--	102,647	103,330
Net gain (loss) on sale of property and equipment	<u>1,382</u>	<u>--</u>	<u>1,382</u>	<u>(922)</u>
<b>Total Revenue</b>	<u>2,209,449</u>	<u>21,963</u>	<u>2,231,412</u>	<u>1,583,500</u>
<b>Total Public Support and Revenue</b>	<u>18,813,650</u>	<u>5,755,303</u>	<u>24,568,953</u>	<u>15,971,647</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)**

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Expenses</b>				
Program services	\$ 15,245,067	\$ --	\$ 15,245,067	\$ 14,803,465
<b>Supporting Services</b>				
Management and general	1,254,192	--	1,254,192	1,354,328
Fundraising	1,140,347	--	1,140,347	1,280,680
<b>Total Supporting Services</b>	<u>2,394,539</u>	<u>--</u>	<u>2,394,539</u>	<u>2,635,008</u>
<b>Total Expenses</b>	<u>17,639,606</u>	<u>--</u>	<u>17,639,606</u>	<u>17,438,473</u>
<b>Change in Net Assets</b>	1,174,044	5,755,303	6,929,347	(1,466,826)
<b>Net Assets - Beginning</b>	<u>52,382,664</u>	<u>20,998,846</u>	<u>73,381,510</u>	<u>74,848,336</u>
<b>Net Assets - Ending</b>	<u>\$ 53,556,708</u>	<u>\$ 26,754,149</u>	<u>\$ 80,310,857</u>	<u>\$ 73,381,510</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)**

	Program Services					
	Camp Mendocino	Citywide	Columbia Park	Excelsior	Don Fisher	Mission
Salaries	\$ 853,936	\$ 1,314,100	\$ 595,689	\$ 608,169	\$ 915,662	\$ 488,890
Employee benefits	81,623	170,880	118,231	112,675	177,855	75,712
Payroll taxes	<u>55,563</u>	<u>91,298</u>	<u>43,611</u>	<u>44,526</u>	<u>67,527</u>	<u>36,553</u>
<b>Total Salaries and Related Expenses</b>	991,122	1,576,278	757,531	765,370	1,161,044	601,155
Advertising and promotion	5,296	11,771	1,279	603	2,335	1,311
Bad debts	--	--	28	165	--	--
Conferences and conventions	7,983	66,302	2,666	4,231	2,923	2,265
Equipment repairs and maintenance	5,374	51,229	2,797	2,647	2,858	--
Insurance	3,215	130,863	--	--	--	--
Interest	--	--	--	--	507,595	--
Membership dues	4,196	39,645	9	60	--	--
Miscellaneous	6,890	--	--	--	--	--
Occupancy	152,218	37,988	134,667	128,163	272,711	114,345
Postage	575	1,511	--	--	--	--
Printing and publication	790	4,895	52	100	193	--
Professional fees	217	147,822	--	60	143,981	13
Program services contracts	32,313	18,235	35,483	64,601	66,050	33,642
Scholarships and stipends	14,000	117,479	357	523	2,014	589
Supplies	28,973	189,632	55,024	107,491	85,148	60,247
Telephone	8,093	7,875	16,541	11,809	68,507	16,455
Transportation and travel	<u>98,084</u>	<u>251,225</u>	<u>78,800</u>	<u>43,445</u>	<u>9,036</u>	<u>22,037</u>
<b>Total Expenses Before Depreciation</b>	1,359,339	2,652,750	1,085,234	1,129,268	2,324,395	852,059
<b>Depreciation</b>	<u>139,328</u>	<u>26,583</u>	<u>152,023</u>	<u>57,885</u>	<u>621,607</u>	<u>205,915</u>
<b>Total Expenses</b>	1,498,667	2,679,333	1,237,257	1,187,153	2,946,002	1,057,974
<b>Less: Expenses Netted on the Consolidated Statement of Activities and Changes in Net Assets</b>	--	--	--	--	--	--
	<u>\$ 1,498,667</u>	<u>\$ 2,679,333</u>	<u>\$ 1,237,257</u>	<u>\$ 1,187,153</u>	<u>\$ 2,946,002</u>	<u>\$ 1,057,974</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)**

	Program Services					Total Program Services
	School-based Clubs	Sunnydale	Tenderloin	Visitacion Valley	Willie Mays	
Salaries	\$ 790,982	\$ 227,039	\$ 716,876	\$ 318,549	\$ 522,656	\$ 7,352,548
Employee benefits	163,973	33,409	148,823	66,804	122,782	1,272,767
Payroll taxes	58,568	17,099	51,417	23,649	39,026	528,837
<b>Total Salaries and Related Expenses</b>	<b>1,013,523</b>	<b>277,547</b>	<b>917,116</b>	<b>409,002</b>	<b>684,464</b>	<b>9,154,152</b>
Advertising and promotion	4,697	3,284	2,485	232	821	34,114
Bad debts	--	--	--	1,000	--	1,193
Conferences and conventions	5,069	2,570	4,861	1,302	3,398	103,570
Equipment repairs and maintenance	910	495	3,264	1,304	1,591	72,469
Insurance	--	--	--	--	--	134,078
Interest	--	--	--	--	--	507,595
Membership dues	--	--	--	--	120	44,030
Miscellaneous	30,000	--	--	--	--	36,890
Occupancy	13,110	15,767	57,555	49,857	398,133	1,374,514
Postage	28	--	10	7	--	2,131
Printing and publication	45	472	--	--	--	6,547
Professional fees	6,125	--	179	--	7,811	306,208
Program services contracts	54,787	15,605	31,268	17,456	39,974	409,414
Scholarships and stipends	369	--	2,331	--	2,765	140,427
Supplies	45,780	21,908	45,805	60,533	55,320	755,861
Telephone	2,205	4,954	10,676	1,169	14,286	162,570
Transportation and travel	5,915	14,475	3,030	9,406	34,863	570,316
<b>Total Expenses Before Depreciation</b>	<b>1,182,563</b>	<b>357,077</b>	<b>1,078,580</b>	<b>551,268</b>	<b>1,243,546</b>	<b>13,816,079</b>
<b>Depreciation</b>	<b>--</b>	<b>2,923</b>	<b>693</b>	<b>--</b>	<b>222,031</b>	<b>1,428,988</b>
<b>Total Expenses</b>	<b>1,182,563</b>	<b>360,000</b>	<b>1,079,273</b>	<b>551,268</b>	<b>1,465,577</b>	<b>15,245,067</b>
<b>Less: Expenses Netted on the Consolidated Statement of Activities and Changes in Net Assets</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
	<b>\$ 1,182,563</b>	<b>\$ 360,000</b>	<b>\$ 1,079,273</b>	<b>\$ 551,268</b>	<b>\$ 1,465,577</b>	<b>\$ 15,245,067</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)**

	Supporting Services			Totals	
	Management and General	Fundraising	Total	2019	2018
Salaries	\$ 706,355	\$ 716,267	\$ 1,422,622	\$ 8,775,170	\$ 8,257,319
Employee benefits	66,204	120,251	186,455	1,459,222	1,601,096
Payroll taxes	42,661	48,986	91,647	620,484	590,656
<b>Total Salaries and Related Expenses</b>	<b>815,220</b>	<b>885,504</b>	<b>1,700,724</b>	<b>10,854,876</b>	<b>10,449,071</b>
Advertising and promotion	6,639	68,441	75,080	109,194	85,548
Bad debts	--	56,951	56,951	58,144	11,815
Conferences and conventions	24,548	3,592	28,140	131,710	121,339
Equipment repairs and maintenance	3,754	--	3,754	76,223	138,611
Insurance	46,823	--	46,823	180,901	172,983
Interest	--	--	--	507,595	507,595
Membership dues	3,213	859	4,072	48,102	43,644
Miscellaneous	35,708	36,531	72,239	109,129	16,740
Occupancy	43,756	240,061	283,817	1,658,331	1,432,139
Postage	640	16,120	16,760	18,891	24,262
Printing and publication	1,804	38,242	40,046	46,593	92,128
Professional fees	212,573	711,383	923,956	1,230,164	1,353,430
Program services contracts	--	--	--	409,414	590,761
Scholarships and stipends	186	10,575	10,761	151,188	107,303
Supplies	53,816	175,887	229,703	985,564	1,190,868
Telephone	813	1,248	2,061	164,631	150,679
Transportation and travel	1,773	4,890	6,663	576,979	431,872
<b>Total Expenses Before Depreciation</b>	<b>1,251,266</b>	<b>2,250,284</b>	<b>3,501,550</b>	<b>17,317,629</b>	<b>16,920,788</b>
<b>Depreciation</b>	<b>2,926</b>	<b>--</b>	<b>2,926</b>	<b>1,431,914</b>	<b>1,395,505</b>
<b>Total Expenses</b>	<b>1,254,192</b>	<b>2,250,284</b>	<b>3,504,476</b>	<b>18,749,543</b>	<b>18,316,293</b>
<b>Less: Expenses Netted on the Consolidated Statement of Activities and Changes in Net Assets</b>	<b>--</b>	<b>(1,109,937)</b>	<b>(1,109,937)</b>	<b>(1,109,937)</b>	<b>(877,820)</b>
	<b>\$ 1,254,192</b>	<b>\$ 1,140,347</b>	<b>\$ 2,394,539</b>	<b>\$ 17,639,606</b>	<b>\$ 17,438,473</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	2019	2018
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 6,929,347	\$ (1,466,826)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	58,144	11,815
Net realized and unrealized investment (gains) losses	12,791	(21,465)
Change in the interest in the net assets of the Endowment Trust	(1,147,296)	(2,217,028)
Contributions restricted for long-term purposes	7,988,160	1,212,732
Change in beneficial interest in trusts	24,792	(788)
Amortization of debt issuance costs	200,945	200,945
Depreciation	1,431,914	1,395,505
(Gain) loss on disposal of property and equipment	(1,381)	922
Changes in operating assets and liabilities:		
Accounts receivable	(3,681)	17,544
Grants receivable	31,771	(360,107)
Promises to give	(15,140,785)	(1,460,273)
Prepaid expenses	(89,917)	69,316
Accounts payable and accrued expenses	21,797	184,227
Accrued salaries and benefits	82,541	121,422
Deferred revenue	(134)	26,345
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>399,008</b>	<b>(2,285,714)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(63,771)	(1,687,036)
Proceeds from sale or maturity of investments	125,880	1,658,396
BGCSF Board designated investment in the Endowment Trust	(1,450,000)	(508,464)
Distributions from the Endowment Trust	2,300,322	2,209,635
Change in cash restricted for long-term purposes	(274,198)	276,860
Purchase of property and equipment	(282,466)	(64,902)
Cash paid for construction in progress	(713,827)	(27,530)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(358,060)</b>	<b>1,856,959</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2019  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	2019	2018
<b>Cash Flows From Financing Activities</b>		
Borrowings on line of credit	\$ 300,000	\$ 300,000
Repayments on line of credit	(300,000)	(300,000)
Proceeds from contributions restricted for long-term purposes	<u>975,084</u>	<u>113,500</u>
<b>Net Cash Provided by Financing Activities</b>	<u>975,084</u>	<u>113,500</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,016,032	(315,255)
<b>Cash and Cash Equivalents - Beginning</b>	<u>1,451,249</u>	<u>1,766,504</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 2,467,281</u>	<u>\$ 1,451,249</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *PURPOSE AND ORGANIZATION*

Boys & Girls Clubs of San Francisco and Affiliates (the “Club”) is a non-profit organization dedicated to providing young people, ages 6 to 18, access to safe, fun, educational, and positive opportunities using a youth development approach. Resources offered to members include character and leadership development, sports and recreation, fine arts and crafts, educational enhancements, technology and career development, and health and life skills. There are fifteen locations throughout San Francisco and a summer camp in Mendocino County. The Board of Governors serve as an oversight and policy making body for the Club.

The Club’s mission statement, its core belief, and its approach to youth development are as follows:

#### *Mission Statement*

To inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible, and caring citizens.

#### *Core Belief*

We believe that young people will achieve extraordinary things when they are provided with skilled and caring staff, fun and effective programs, and first class facilities in an environment that promotes respect, responsibility, and fun.

#### *Approach to Youth Development*

Our Clubhouses, staff, and programs come together to create stability, consistency, and a sense of physical and emotional safety for our members. Our youth development professionals serve each day as positive role models who provide ongoing caring relationships with youth. We work to develop moral character and instill a sense of belonging, competence, usefulness, and influence. Staff members make the Club feel like a home, fostering a family atmosphere and creating a sense of ownership for members.

#### *BASIS OF ACCOUNTING*

The Club prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred, regardless of the timing of cash flows.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *PRINCIPLES OF CONSOLIDATION*

The consolidated financial statements include the accounts of Boys & Girls Clubs of San Francisco (“BGCSF”) and its affiliates: BGCSF Mission Clubhouse, Inc. (“Mission Clubhouse, Inc.”), and BGCSF Fulton Street Clubhouse, Inc. (“Fulton Clubhouse, Inc.”), collectively referred to as the “Club”. BGCSF has a 100% controlling interest in Mission Clubhouse, Inc. and Fulton Clubhouse, Inc. All significant inter-entity accounts and transactions have been eliminated.

#### *CLASSIFICATION OF NET ASSETS*

U.S. GAAP requires that the Club report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Accordingly, the net assets of the Club are classified and reported as described below:

#### *Without Donor Restrictions*

Those net assets and activities which represent the portion of expendable funds that are available to support the Club’s operations. A portion of these net assets may be designated by the Board of Governors for specific purposes.

#### *With Donor Restrictions*

Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; (d) acquisition of long-lived assets or assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (e) be invested to provide a permanent source of income.

#### *FAIR VALUE OF FINANCIAL INSTRUMENTS*

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. The carrying amounts of accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments. The carrying amounts of notes payable are deemed to approximate fair value based upon rates of recent debt renewals. The carrying amounts of notes receivable are deemed to approximate fair value because they are related instruments of the notes payable.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *ESTIMATES*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *CASH AND CASH EQUIVALENTS*

The Club considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents restricted as to their use are not included as equivalents, regardless of liquidity. Cash and cash equivalents held in money market funds intended for investment purposes are classified separately under investments and interest in the net assets of the Endowment Trust.

Cash restricted for long-term purposes is from donations and proceeds from the NMTC program related to BGCSF's Fulton Clubhouse facility.

#### *ACCOUNTS RECEIVABLE*

Accounts receivable represent uncollateralized obligations related to the Club's programs and are due under normal trade terms requiring payment upon receipt. Unpaid receivables do not accrue interest.

The Club uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. As of September 30, 2019, all accounts receivable were considered collectible.

#### *GRANTS RECEIVABLE*

Grants receivable represent uncollateralized obligations related to the Club's grant contracts. Grants receivable are due under the terms of the grant agreements.

The Club uses the allowance method to account for uncollectible grants receivable. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. As of September 30, 2019, all grants receivable were considered collectible.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *PROMISES TO GIVE*

Unconditional promises to give are recognized as public support or gains in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any.

The Club uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. As of September 30, 2019, all promises to give were considered collectible.

#### *NOTES RECEIVABLE*

Notes receivable are unsecured, due under contract terms requiring payment on or before the due date as stated in the promissory notes, and are stated at the principal amount. Interest on notes is recognized over the term of the note receivable and is calculated using the simple-interest method on principal amounts outstanding. Management considers the notes receivable to be fully collectible.

#### *INVESTMENTS*

Investments in marketable equity and debt securities are carried at fair value based upon quoted market prices. Realized and unrealized gains (losses) and investment income (losses) derived from investment transactions are included as income in the year earned.

The Club's Finance Committee is responsible for establishing investment criteria and overseeing the Club's investments.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *INTEREST IN THE NET ASSETS OF THE ENDOWMENT TRUST*

The Club is, in part, supported by a separate non-profit organization, the Boys & Girls Clubs of San Francisco Endowment Trust (the "Endowment Trust"). The Endowment Trust has a separate Board of Trustees and exists exclusively for the benefit of the Club. The Club accounts for its interest in the Endowment Trust in accordance with guidance for *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. Accordingly, the Endowment Trust's net assets and the changes therein are reported on the Club's consolidated financial statements. The Club reports the activities from the Endowment Trust using the equity method.

A significant portion of the Endowment Trust's underlying investments are in marketable securities which are carried at fair value based upon quoted market prices. The Endowment Trust also invests in nonmarketable investments. Nonmarketable investments include investment securities whose values have been estimated by management in the absence of readily determinable fair values. Management estimates are based on information provided by the general partners of limited partnerships. Because of the inherent uncertainty of valuation of nonmarketable investments, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and these differences could be material.

#### *BENEFICIAL INTEREST IN TRUSTS*

The Club has irrevocable remainder beneficiary interest in two trusts, whose maturities are based on the life expectancy of the income beneficiaries. The Club is not the trustee; therefore, the beneficial interest in the trusts are recorded at the present value of the net assets expected to be received in the future. The present value discount rate used was 4.6% at September 30, 2019.

#### *PROPERTY AND EQUIPMENT*

The Club capitalizes acquisitions of property and equipment with a cost or value in excess of \$5,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from three to fifty years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the consolidated statement of activities and changes in net assets.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *IMPAIRMENT OF LONG-LIVED ASSETS*

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisal, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. No impairment losses were incurred during the year ended September 30, 2019.

#### *DEBT ISSUANCE COSTS*

Debt issuance costs consist of an advisory fee, attorneys' fees, and other miscellaneous costs incurred in connection with the NMTC transaction. These costs are being amortized using the straight-line method over its estimated useful life of seven years, and are included in interest expense. Debt issuance costs are presented as a direct deduction to the related notes payable in the consolidated statement of financial position.

#### *SELF-INSURANCE*

The Club has a self-insurance program for unemployment benefits and has contracted a third party administrator to provide administrative services. The Club has waived stop-loss coverage. Although management believes it has the ability to reasonably estimate losses related to claims, it is possible that actual results could differ from recorded self-insurance liabilities. As of September 30, 2019, the self-insurance liability was \$6,000 and is included in accounts payable and accrued expenses in the consolidated statement of financial position.

#### *ACCRUED VACATION*

Full-time employees may accrue up to 20 to 25 days per year depending on the number of years employed and their position. Part-time employees may accrue vacation on a prorated basis. Employees may accrue a maximum of 150% of their annual vacation accrual and are entitled to payment of any unused time upon separation of service.

#### *DEFERRED REVENUE*

Deferred revenue results from the Club recognizing revenue for events and services in the period in which the event and services take place. Accordingly, cash received before the event and services take place are reported as deferred revenue.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *REVENUE RECOGNITION*

Revenue is recognized in the period in which the service has been provided.

#### *Contributions*

The Club recognizes all contributions when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions are recognized based on the absence or existence of donor imposed restrictions. Contributions with donor-imposed restrictions may be expendable or are required to be held permanently.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the consolidated statement of activities and changes in net assets. Such transactions are recorded as net assets released from restrictions and are reported separately from other transactions.

The Club is the beneficiary under various trust agreements or bequests, the total realizable amount of which is not presently determinable. Such amounts are recognized as beneficial interest in trusts or contributions where clear title is established and the proceeds are estimable.

#### *Contributed Goods and Services*

Donated marketable securities, materials, and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Club reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Club reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Club records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated. Certain volunteers provided tutoring and fundraising services throughout the year that are not recognized as contributions in the consolidated financial statements since the recognition criteria were not met. For the year ended September 30, 2019, the Club received approximately 14,000 hours from volunteers.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *REVENUE RECOGNITION (CONTINUED)*

##### *Grants*

The Club is a recipient of several local, state, and federal grants. Grants are reimbursed based on actual expenses incurred or units of services provided. Revenue from these grants is recognized either when expenses are incurred or when services are provided. Revenue recognition depends on the grant agreements. Grants may be restricted for either specific operating purposes or for capital purposes.

##### *Investment Income*

Realized and unrealized gains (losses) and investment income (losses) derived from investment transactions are included as income in the year earned. Investment income earned on net assets with donor restrictions for various purposes are recorded as support with donor restrictions in accordance with donor restrictions.

##### *ADVERTISING*

The costs of advertising are charged to expense as incurred. Advertising expense for the year ended September 30, 2019, was \$80,451, which is included in advertising and promotion in the consolidated statement of functional expenses.

##### *INCOME TAXES*

BGCSF, the Endowment Trust, Mission Clubhouse, Inc., and Fulton Clubhouse, Inc., are qualified organizations exempt from federal and state income taxes under §501(c)(3) of the Internal Revenue Code (“IRC”) and §23701d of the California Revenue and Taxation Code, respectively.

U.S. GAAP requires management to evaluate the tax positions taken and recognize a tax liability (or asset) if the Club has taken an uncertain tax position that more-likely-than-not would not be sustained upon examination by taxing authorities. Management evaluated the Club’s tax positions and concluded that it maintained its tax-exempt status and had taken no uncertain tax positions that would require adjustment to the consolidated financial statements. Therefore, no provision or liability for unknown income taxes has been included in the financial statements. The Club’s tax returns are subject to examination by federal and state taxing authorities; however, there are no examinations in progress nor are there any pending.

# **BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***CONCENTRATIONS OF RISK***

##### ***Financial Instruments***

Financial instruments which potentially subject the Club to concentrations of credit risk consist principally of cash and cash equivalents, various receivables, promises to give, and investments. The Club maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. At September 30, 2019, the Club exceeded Federal Deposit Insurance Corporation coverage by approximately \$2,313,000. The Club has not experienced any losses in such accounts. The Club attempts to limit its credit risk associated with cash equivalents and investments by utilizing professional investment managers. Management believes that the Club is not exposed to any significant risk related to concentrations.

#### ***FUNCTIONAL ALLOCATION OF EXPENSES***

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an allocation of time and effort and estimates made by management.

#### ***SUMMARIZED COMPARATIVE FINANCIAL INFORMATION***

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Club's consolidated financial statements as of and for the year ended September 30, 2018, from which the summarized information was derived.

#### ***RECLASSIFICATIONS***

Certain amounts in the summarized comparative totals for 2018 have been reclassified to conform to the current year's presentation. These reclassifications have no effect on the previously reported net assets or change in net assets.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***ADOPTED ACCOUNTING PRONOUNCEMENTS***

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the classification of net assets, information about liquidity and availability of resources, additional information about expenses, and investment return for nonprofit organizations. The Club adopted ASU 2016-14 as of July 1, 2018, and adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

#### ***NEW ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED***

The FASB issued new guidance, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to provide guidance concerning recognition and measurement of revenue. In addition, significant additional disclosures are required about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and will replace virtually all existing revenue guidance, including most industry-specific guidance. The FASB also issued ASU 2015-14, which deferred the effective date. The guidance is applicable for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. On July 17, 2019, FASB voted to issue proposals to delay the effective date of this ASU by at least one year. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2020 under the proposed delay. Early application is permitted. Management is evaluating the impact of this new guidance.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *NEW ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED (CONTINUED)*

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 applies to all entities, including business entities that receive or make contributions of cash and other assets (except for transfers of assets from government entities to business entities). ASU 2018-08 provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value.

Making this determination is important because distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions, an entity should follow the guidance in FASB ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*, whereas, for exchange transactions, an entity should follow other guidance (for example, FASB ASC 606, *Revenue from Contracts with Customers*).

ASU 2018-08 could result in more grants and contracts being accounted for as contributions (often-conditional contributions) than under current U.S. GAAP. Accounting for the grant or contract as a contribution is expected to be less costly than applying FASB ASC 606 (including the additional disclosure requirements). ASU 2018-08 also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor imposed condition from a donor imposed restriction. The ASU requires entities to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Additionally, ASU 2018-08 modifies the simultaneous release option currently in U.S. GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions, if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns.

ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Management is evaluating the impact of this new guidance.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2019

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#### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *NEW ACCOUNTING PRONOUNCEMENTS TO BE IMPLEMENTED (CONTINUED)*

On November 17, 2016, the FASB issued ASU 2016-18, *Restricted Cash*. The amendments require that the statement of cash flows explain the change during the period of total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

The amendments are effective for fiscal years beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

#### NOTE 2 - PROMISES TO GIVE

Unconditional promises to give as of September 30, 2019, consist of the following:

	Due in Less Than 1 Year	Due in 1 to 5 Years	Total
Without donor restrictions:	\$ 458,867	\$ --	\$ 458,867
With donor restrictions:			
Capacity Building Capital Campaign	1,515,446	5,152,915	6,668,361
Discount to net present value	<u>          --</u>	<u>     (245,377)</u>	<u>     (245,377)</u>
<b>Total</b>	<b><u>          \$ 1,974,313</u></b>	<b><u>          \$ 4,907,538</u></b>	<b><u>          \$ 6,881,851</u></b>

Promises to give due in one to five years are stated at present values. Management has discounted these promises to give at 5.00%.

At September 30, 2019, four donors comprise 76% of total promises to give.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 3 - NOTES RECEIVABLE

On June 27, 2013, BGCSF entered into an agreement to lend BGCSF LCD/SFCIF Investment Fund, LLC, \$17,983,625 as part of the BGCSF Fulton Street Clubhouse, Inc.'s New Markets Tax Credit ("NMTC") transaction (see Note 6). The note calls for interest only payments at 1.40% per annum payable on December 15th of each year through December 15, 2019.

From December 16, 2020 until maturity on June 26, 2043, annual payments are required in the amount of \$758,692, plus available cash flow (a portion of which shall be applied to interest accrued through the last day of the calendar month prior to the calendar month in which the payment is made with respect to the outstanding principal amount for the loan). Interest earned on this note during the year ended September 30, 2019, was \$251,624. As of September 30, 2019, accrued interest receivable was \$188,718 and is included in accounts receivable in the consolidated statement of financial position.

In addition, on June 27, 2013, BGCSF entered into an agreement to lend BGCSF USBCDE Investment Fund, LLC, \$3,392,500 as part of the same BGCSF Fulton Street Clubhouse, Inc.'s NMTC transaction. The note calls for interest only payments at 1.47% per annum payable on December 15th of each year through December 15, 2019. From December 15, 2020, until maturity on June 26, 2043, annual payments are required in the amount of \$144,602, plus available cash flow (a portion of which shall be applied to interest accrued through the last day of the calendar month prior to the calendar month in which the payment is made with respect to the outstanding principal amount for the loan). Interest earned on this note during the year ended September 30, 2019, was \$50,000. As of September 30, 2019, accrued interest receivable was \$37,496 and is included in accounts receivable in the consolidated statement of financial position.

### NOTE 4 - FAIR VALUE MEASUREMENTS

The Club's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

The levels of the fair value hierarchy are as follows:

#### *Level 1*

Inputs are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

#### *Level 2*

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

#### *Level 3*

Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Club's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. There has been no change to the methodologies used during the year ended September 30, 2019.

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

#### *Domestic Fixed Income Funds and Equity Securities*

Fixed income funds and equity securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

#### *Private Equity*

The Endowment Trust's private equity investments do not have readily determinable fair values. Therefore, as a practical expedient, their fair values are estimated based on their net asset value per share or its equivalent, such as ownership interest in partners' capital to which a proportionate share of net assets is attributed. As such, these investments are not required to be classified in the fair value hierarchy.

#### *Beneficial Interest in Trusts*

Inputs used for valuation of the trusts with third party trustees include financial statements provided by the trustees, the life expectancy of the income beneficiaries, and applicable discount rates determined by the Club. The fair value of the beneficial interests is reviewed and updated annually by adjusting the current life expectancies of the income beneficiaries, applicable discount rates, and market value of the trusts. The beneficial interests are classified within Level 3 of the fair value hierarchy.

The Club's policy is to recognize transfers in and transfers out of levels within the fair value hierarchy as of the actual date of the event or change in circumstance. There were no transfers between levels of the fair value hierarchy during the year ended September 30, 2019.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

### NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

#### *ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS*

The following table summarizes the Club's assets measured at fair value on a recurring basis as of September 30, 2019:

	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Domestic fixed income funds	\$ 2,087,564	\$ --	\$ --	\$ 2,087,564
Equity securities:				
Domestic	1,131,454	--	--	1,131,454
International	<u>1,613,365</u>	<u>--</u>	<u>--</u>	<u>1,613,365</u>
<b>Total Investments</b>	<u>\$ 4,832,383</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,832,383</u>
<b>Interest in the Net Assets of the Endowment Trust</b>				
Cash	\$ 2,353,454	\$ --	\$ --	\$ 2,353,454
Equity securities:				
Domestic	9,430,813	--	--	9,430,813
Fixed income securities:				
Domestic	15,529,250	--	--	15,529,250
International	<u>8,750,104</u>	<u>--</u>	<u>--</u>	<u>8,750,104</u>
Investments at fair value	<u>\$ 36,063,621</u>	<u>\$ --</u>	<u>\$ --</u>	36,063,621
Investments measured at net asset value				4,615,501
Land at historical cost				<u>650,919</u>
<b>Total Interest in the Net Assets of the Endowment Trust</b>				<u>\$ 41,330,041</u>
<b>Beneficial Interest in Trusts</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 776,585</u>	<u>\$ 776,585</u>

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2019

#### NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following analysis summarizes the Club's investment return for the year ended September 30, 2019:

	Net Investment Income	Net Realized and Unrealized Investment Gains (Losses)		Total
Interest from notes receivable	\$ 301,624	\$ --	\$	\$ 301,624
Equity securities:				
Domestic	98,901	14,399		113,300
International	--	(25,448)		(25,448)
Fixed income funds:				
Domestic	21,223	3,425		24,648
International	42,924	(5,167)		37,757
<b>Total</b>	<u>\$ 464,672</u>	<u>\$ (12,791)</u>	<u>\$</u>	<u>\$ 451,881</u>

The following table summarizes the activity for interest in the net assets of the Endowment Trust for the year ended September 30, 2019:

<b>Balance - Beginning</b>	\$ 41,033,067
Change in net assets	1,147,296
BGCSF's Board designated investment in the Endowment Trust	1,450,000
Distributions to the Club	<u>(2,300,322)</u>
<b>Balance - Ending</b>	<u>\$ 41,330,041</u>

The Endowment Trust's net assets are allocated based on donor-imposed restrictions. All of the land is unrestricted and the balance of the investments are allocated 57.23% without donor imposed restrictions and 42.77% with a permanent donor imposed restriction. With the exception of a specified donor-imposed allocation, the corresponding investment income is allocated in the same percentages.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

### NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

#### *LEVEL 3 ACTIVITY*

The following table summarizes the changes in the beneficial interest in trusts classified in Level 3 for the year ended September 30, 2019:

<b>Balance - Beginning</b>	\$ 801,377
Net unrealized loss	<u>(24,792)</u>
<b>Balance - Ending</b>	<u>\$ 776,585</u>

#### *UNFUNDED COMMITMENTS AND REDEMPTION CHARACTERISTICS*

The following table summarizes additional disclosures of investments whose fair value is estimated using net asset value per share as of September 30, 2019:

	Total Fair Value	Unfunded Commitments	Unfunded Commitments to be Called by September 30,	Redemption Frequency	Redemption Notice Period
<b>Private Equity</b>					
HMI Capital Partners, L.P.	\$ 3,289,871	\$ --	N/A	Annually	90 days
Kabouter International Opportunities Offshore Fund II Ltd.	1,078,937	--	N/A	Monthly	30 days
Venture Investments Associates IV, L.P.	178,043	19,000	**	*	*
DCM Affiliates Fund V, L.P.	<u>68,650</u>	<u>--</u>	N/A	*	*
<b>Total Private Equity</b>	<u>\$ 4,615,501</u>	<u>\$ 19,000</u>			

\*Redemption is not permitted. Distributions are made to investors through the liquidation of the underlying assets.

\*\*Amount is callable at any time at the fund manager's discretion.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

#### *UNFUNDED COMMITMENTS AND REDEMPTION CHARACTERISTICS (CONTINUED)*

HMI Capital Partners, L.P. makes venture capital investments, principally by investing in publicly traded securities.

Kabouter International Opportunities Offshore Fund II Ltd. invests in various financial instruments that are typically exchange traded and liquid securities with readily available market prices.

Venture Investments Associates IV, L.P. makes venture capital investments, principally by investing in venture capital, growth equity, and buyout funds.

DCM Affiliates Fund V, L.P. makes venture capital investments, principally by investing in equity or equity-oriented securities of privately held communications and information technology companies.

### NOTE 5 - PROPERTY AND EQUIPMENT

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

Buildings and improvements	\$ 39,814,842
Land	4,349,017
Furnishings and equipment	944,175
Vehicles	471,151
Computer hardware	<u>100,904</u>
	45,680,089
Less: accumulated depreciation	<u>(13,072,904)</u>
<b>Total</b>	<b><u>\$ 32,607,185</u></b>

For the year ended September 30, 2019, depreciation expense was \$1,431,914.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 6 - NEW MARKETS TAX CREDIT

The NMTC provides investors that make a qualified equity investment (“QEI”) in a Community Development Entity (“CDE”), a tax credit over a seven-year period. For an investor to claim the credit, the CDE must designate the QEI to the Community Development Financial Institutions Fund (“CDFI”), a branch of the U.S. Department of the Treasury, and use substantially all the QEI to make a qualified low-income community investment (“QLICI”).

#### *FULTON CLUBHOUSE, INC.*

On June 24, 2013, BGCSF secured financing related to the construction of the new Fulton Clubhouse building, a QLICI, by entering into transactions (see Notes 3 and 7) structured to qualify for the NMTC. The transaction was intended to realize benefits from the NMTC Program.

The transaction included Fulton Clubhouse, Inc. borrowing \$30,665,000 (QLICI Loans) to purchase the land and facilitate construction of the Fulton Clubhouse building from BGCSF and the subsequent lease of the building to BGCSF to provide services to the local community and to pay fees and expenses related to the consummation of the NMTC transactions during the year ended September 30, 2013.

U.S. Bancorp Community Development Corporation (“USB”), BGCSF, and the following entities certified as CDE’s by the CDFI, USBCDE, LLC, Opportunity Fund Northern California, San Francisco Community Investment Fund, and LCD New Markets Fund, LLC, formulated the required structuring and financing that qualified for the NMTC. USB formed BGCSF LCD/SFCIF Investment Fund, LLC and BGCSF USBCDE Investment Fund, LLC. USB is the sole member of BGCSF LCD/SCFIF Investment Fund, LLC and BGCSF USBCDE Investment Fund, LLC.

USB made equity investments of \$8,526,375 to BGCSF LCD/SFCIF Investment Fund, LLC. BGCSF also made a leverage loan to the Fund of \$17,983,625 (see Note 3) and paid fees of \$10,000.

BGCSF LCD/SFCIF Investment Fund, LLC made a QEI of \$11,500,000 in LCD New Markets Fund XIV, LLC, a controlled affiliate of LCD New Markets Fund, LLC. LCD New Markets Fund, LLC made an equity investment of \$1,150. BGCSF LCD/SFCIF Investment Fund, LLC is a 99.99% non-managing member of LCD New Markets Fund XIV, LLC and LCD New Markets Fund, LLC is the 0.01% managing member of the fund. BGCSF LCD/SFCIF Investment Fund, LLC made two loans to Fulton Clubhouse, Inc. of \$7,804,215 and \$3,235,785, totaling \$11,040,000 (see Note 7) and paid fees of \$460,000 to LCD New Markets Fund, LLC.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 6 - NEW MARKETS TAX CREDIT (CONTINUED)

#### *FULTON CLUBHOUSE, INC. (CONTINUED)*

BGCSF LCD/SFCIF Investment Fund, LLC made a QEI of \$15,000,000 in SFCIF SUB CDE 3 LLC, a controlled affiliate of San Francisco Community Investment Fund. San Francisco Community Investment Fund made an equity investment of \$1,500. BGCSF LCD/SFCIF Investment Fund, LLC is a 99.99% non-managing member of SFCIF SUB CDE 3 LLC and San Francisco Community Investment Fund is the 0.01% managing member of the fund. BGCSF LCD/SFCIF Investment Fund, LLC made two loans to Fulton Clubhouse, Inc. of \$10,179,410 and \$4,445,590, totaling \$14,625,000 (see Note 7) and paid fees of \$375,000 to San Francisco Community Investment Fund.

USB made equity investments of \$1,657,500 to BGCSF USBCDE Investment Fund, LLC. BGCSF also made a leverage loan to the Fund of \$3,392,500 (see Note 3) and paid fees of \$50,000.

BGCSF USBCDE Investment Fund, LLC made a QEI of \$5,000,000 in USBCDE Sub CDE 79, LLC, a controlled affiliate of USBCDE, LLC. USBCDE, LLC made an equity investment of \$500. BGCSF USBCDE Investment Fund, LLC is a 99.99% non-managing member of USBCDE Sub CDE 79, LLC and USBCDE, LLC is the 0.01% managing member of the fund. BGCSF LCD/SFCIF Investment Fund, LLC made two loans to Fulton Clubhouse, Inc. of \$3,392,500 and \$1,607,500, totaling \$5,000,000 (see Note 7).

BGCSF's leverage loans related to the clubhouse total \$21,376,125. In addition, BGCSF made an equity investment of \$547,179 in Fulton Clubhouse, Inc.

#### *PUT AND CALL AGREEMENTS*

During the year ended September 30, 2013, BGCSF and U.S. Bancorp Community Development entered into two put/call agreements as part of the financing of Fulton Clubhouse, Inc.'s long-term debt pursuant to the NMTC transaction.

The objective of the exercise of the put/call options would result in BGCSF owning all of the assets (i.e., the QEI in the Sub-CDE and its related QLICI Loans to Fulton Clubhouse, Inc.) and liabilities (i.e., the Leveraged Loan of the Investment Funds). If the put/call option is exercised by either party, BGCSF would control the Funds and could repay, restructure, and forgive the Leveraged Loans and QLICI Loans as it deems appropriate.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 6 - NEW MARKETS TAX CREDIT (CONTINUED)

#### *PUT AND CALL AGREEMENTS (CONTINUED)*

##### *Put Option Agreement*

The agreement between BGCSF (purchaser) and U.S. Bancorp Community Development Corporation (seller) permits the purchaser to grant to the seller a put option to sell to the purchaser for \$1,000 its 100% interest in the BGCSF LCD/SFCIF Investment Fund, which has a 99.99% interest in SFCIF SUB CDE 3, LLC and LCD New Markets Fund XIV, LLC. SFCIF SUB CDE 3, LLC provided loans of \$10,179,410 and \$4,445,590 to Fulton Clubhouse, Inc. LCD New Markets Fund XIV, LLC provided loans of \$7,804,215 and \$3,235,785 to Fulton Clubhouse, Inc. The put option may be exercised by the seller at any time during the period beginning on the Put Availability Event and ending one hundred eighty days following receipt of notice.

The agreement between BGCSF (purchaser) and U.S. Bancorp Community Development Corporation (seller) permits the purchaser to grant to the seller a put option to sell to the purchaser for \$1,000 its 100% interest in the USBCDE Investment Fund, which has a 99.99% interest in USBCDE Sub-CDE 79, LLC that provided loans of \$3,392,500 and \$1,607,500 to Fulton Clubhouse, Inc. The put option may be exercised by the seller at any time during the period beginning on the Put Availability Event and ending one hundred eighty days following receipt of notice.

##### *Call Option Agreement*

Should the seller not exercise the put option within the put option period, then the purchaser shall have the right and option at any time within ninety days after the put option period has lapsed, to purchase from the seller its 99.99% interest in the Investment Funds, for an amount equal to the fair market value of the interest. The fair market value would be determined by an independent appraiser, selected in accordance with the agreement.

### NOTE 7 - NOTES PAYABLE

On June 27, 2013, Fulton Clubhouse, Inc. entered into six agreements to borrow a total of \$30,665,000 as part of the NMTC transaction (see Note 6) for the purchase of the Fulton Clubhouse property from BGCSF. The details of these borrowings are listed below.

Fulton Clubhouse, Inc. entered into two agreements with USBCDE Sub-CDE 79, LLC to borrow \$3,392,500 and \$1,607,500.

Fulton Clubhouse, Inc. entered into two agreements with SFCIF SUB CDE 3, LLC to borrow \$10,179,410 and \$4,445,590.

Fulton Clubhouse, Inc. entered into two agreements with LCD New Markets Fund XIV, LLC to borrow \$7,804,215 and \$3,235,785.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 7 - NOTES PAYABLE (CONTINUED)

The notes call for interest only payments at 1.00% per annum payable on December 15th of each year to 2020, when interest and principal payments are required. The notes are due on June 26, 2043. The property secures the notes payable. Fulton Clubhouse, Inc. has the option to prepay in full or in part, the principal balance and all accrued interest of the note any time after December 15, 2020, with ten business days' notice. Interest expense for the year ended September 30, 2019, was \$507,595, which included \$200,945 of amortization of debt issuance costs. As of September 30, 2019, total accrued interest payable was \$229,988.

In accordance with the notes payable, the Club must comply with various financial and nonfinancial covenants. As of September 30, 2019, the Club was in compliance with financial covenants.

The following is a schedule of the maturities of the notes payable:

For the Years Ending September 30,	Amount
2020	\$ --
2021	305,042
2022	919,780
2023	928,979
2024	938,269
Thereafter	<u>27,572,930</u>
<b>Notes Payable</b>	<u>30,665,000</u>
Debt issuance costs	1,406,612
Accumulated amortization	<u>(1,255,904)</u>
<b>Debt Issuance Costs, Net</b>	<u>150,708</u>
<b>Total</b>	<u><u>\$ 30,514,292</u></u>

### NOTE 8 - LINE OF CREDIT

The Club renewed its existing revolving line of credit with First Republic Bank on August 17, 2018, and will expire on August 2, 2020, for a maximum borrowing amount of \$2,000,000. Interest is the one month London Interbank Offered Rate (2.02%), as published in the Wall Street Journal, plus 2.25%. The minimum rate is 2.50%. At September 30, 2019, the interest rate was 4.27%. The line of credit is secured by the Club's equipment, inventory, and accounts receivable. During the year ended September 30, 2019, \$300,000 was drawn on the line of credit and was fully repaid.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Components of net assets without donor restrictions at September 30, 2019, are as follows:

Net investment in property and equipment and related net assets	\$ 23,803,008
Amounts designated by the Board of Governors for long-term investment, included in the Endowment Trust Undesignated	23,176,313
	<u>6,577,387</u>
<b>Total</b>	<b><u>\$ 53,556,708</u></b>

### NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2019, net assets with donor restrictions were restricted for the following purposes or period:

Capacity Building Capital Campaign - inherent time restrictions	\$ 6,422,984
Beneficial interest in trusts - inherent time restrictions	776,585
Scholarship and Fine Arts Fund	685,680
Capacity Building Capital Campaign	590,172
Camp Mendocino	59,000
Purple Kumquats	23,356
All others	<u>42,644</u>
<b>Total Expendable Net Assets with Donor Restrictions</b>	<b>8,600,421</b>
<b>Endowment Trust to be Held in Perpetuity</b>	<b><u>18,153,728</u></b>
<b>Total</b>	<b><u>\$ 26,754,149</u></b>

Net assets with donor restrictions include gifts with respect to which donors have stipulated, as a condition in the gift instrument that the principal is to be held indefinitely. A portion of the Endowment Trust, in the amount of \$18,153,728, are net assets contributed by donors to be held in perpetuity.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 11 - ENDOWMENT

The Club's endowment consists of one individual fund, the Endowment Trust, established exclusively to benefit the Club to provide for a portion of the Club's operating requirements each year, as well as a source of capital for improvements to the existing facilities, implementation of new programs, and for the acquisition of additional facilities. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Governors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Governors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *INTERPRETATION OF RELEVANT LAW*

The Board of Governors has interpreted California's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring 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. As a result of this interpretation, the Club classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Generally, the remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions to be held in perpetuity is classified as expendable net assets with restrictions until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by UPMIFA. The Endowment Trust's instrument dictates the allocation of income. As such, certain unappropriated investment income becomes permanently restricted and unrestricted based upon prescribed percentage allocations.

In accordance with UPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Club and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Club
- (7) The investment policies of the Club.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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### NOTE 11 - ENDOWMENT (CONTINUED)

#### *ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF SEPTEMBER 30, 2019*

	Without Donor Restrictions	With Donor Restrictions	Total
Interest in the net assets of the Endowment Trust	<u>\$ 23,176,313</u>	<u>\$ 18,153,728</u>	<u>\$ 41,330,041</u>

#### *CHANGES IN ENDOWMENT NET ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2019*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment Trust</b>			
<b>Net Assets - Beginning</b>	<u>\$ 22,361,400</u>	<u>\$ 18,671,667</u>	<u>\$ 41,033,067</u>
Investment return:			
Investment income	845,261	593,493	1,438,754
Net realized and unrealized losses	<u>(165,220)</u>	<u>(126,238)</u>	<u>(291,458)</u>
Net investment return	<u>680,041</u>	<u>467,255</u>	<u>1,147,296</u>
Other changes:			
Transfers in	1,450,000	--	1,450,000
Transfers out	(1,315,128)	--	(1,315,128)
Appropriation of endowment assets for expenditure	<u>--</u>	<u>(985,194)</u>	<u>(985,194)</u>
Total other changes	<u>134,872</u>	<u>(985,194)</u>	<u>(850,322)</u>
Net change	<u>814,913</u>	<u>(517,939)</u>	<u>296,974</u>
<b>Endowment Trust</b>			
<b>Net Assets - Ending</b>	<u>\$ 23,176,313</u>	<u>\$ 18,153,728</u>	<u>\$ 41,330,041</u>

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 11 - ENDOWMENT (CONTINUED)

#### *RETURN OBJECTIVES AND RISK PARAMETERS*

Endowment assets include those assets of donor-restricted funds that the Endowment Trust must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Governors, the endowment assets are invested with the objectives of safety of corpus, growth, and return, and may be invested in any number of authorized investment tools that meet these objectives. The investment goal of these funds is to generate sufficient total return on assets to permit distribution of approximately 6% annually. Actual returns in any given year may vary from this percentage.

#### *STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES*

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

### NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses which satisfy the restricted purposes or by the occurrence of other events specified by donors during the year ended September 30, 2019, as follows:

Capacity Building Capital Campaign	\$ 1,202,392
Endowment Trust	985,194
Camp Mendocino	305,691
2018-19 programs and events	105,000
Scholarship and Fine Arts Fund	103,259
All others	<u>87,570</u>
<b>Total</b>	<b><u><u>\$ 2,789,106</u></u></b>

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 13 - SPECIAL EVENTS

To supplement its fundraising activities, the Club held five major program/fundraising events during the year ended September 30, 2019. Activity for the year is as follows:

Gross revenue	\$ 4,290,260
Less: direct costs	<u>(1,109,937)</u>
<b>Special Events, Net</b>	<b><u>\$ 3,180,323</u></b>

### NOTE 14 - RETIREMENT PLANS

The Club maintains the Boys & Girls Clubs of San Francisco Retirement Plan (the “Plan”), a defined contribution plan, which is qualified under §401(k) of the IRC and is subject to the provisions of the Employee Retirement Income Security Act of 1974. The Plan allows for employee deferrals and employer contributions. All employees, except for certain nonresident aliens with no United States source income, are eligible to participate in the Plan upon starting employment. Eligible employees may make voluntary contributions through payroll withholdings, up to the limit allowed by law. For employees with two years of service (credited with at least 1,000 hours of service per year), the Club contributes an amount equal to 7% of the employee’s eligible compensation.

Total contributions made to the Plan by the Club were \$378,398 for the year ended September 30, 2019.

### NOTE 15 - COMMITMENTS AND CONTINGENCIES

#### *LEASE AGREEMENTS*

The site of the Willie Mays Clubhouse at Hunters Point was leased from the City of San Francisco for a term of five years commencing upon completion of construction of the Clubhouse. The initial term of the lease ended in September 2010. The lease provides automatic extensions for four additional five-year terms and calls for an annual rent of \$1. Management has estimated the fair market value of rent to be \$240,000.

The Club is also obligated under non-cancelable operating leases, primarily for office equipment that expire at various dates through 2022. The terms of the leases require monthly base payments, which range from \$138 to \$2,158.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED SEPTEMBER 30, 2019

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#### NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

##### *LEASE AGREEMENTS (CONTINUED)*

Rent expense for the year ended September 30, 2019, was \$523,427.

The following is a schedule of minimum lease commitments for the years ending September 30, and the schedule does not include the annual rent balances due from BGCSF to Fulton Clubhouse, Inc. This lease expires on July 1, 2043.

For the Years Ending September 30,	Amount
2020	\$ 28,896
2021	2,730
2022	1,593
2023	1
2024	1
Thereafter	<u>11</u>
<b>Total</b>	<u><u>\$ 33,232</u></u>

##### *CONTINGENCIES*

The Club receives funding under annual grants and contracts from federal, state, and local agencies. If a significant reduction in the level of funding provided by these governmental agencies were to occur, it may have an effect on the Club's programs and activities. The Club's revenue, which is derived from restricted funding provided by government grants and contracts, is subject to audit by the governmental agencies. Should such an audit report unallowed costs, the Club may be liable to the funding agency for reimbursement of such costs. In management's opinion, the effect of any potential unallowed costs would be immaterial to the consolidated financial statements as of September 30, 2019, and for the year then ended.

# **BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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### **NOTE 16 - RELATED PARTY TRANSACTIONS**

Members of the Club's Board of Governors and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the Club. The Club requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the Club. These annual disclosures cover the Board of Governors, senior management, and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the Club. The Club has a written conflict of interest policy that requires, among other things, that no member of the Board of Governors may participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each Board of Governor member is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether the Club does business with an entity in which a Board of Governor member has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the Club, and in accordance with applicable conflict of interest laws. No such associations are considered to be significant during the year ended September 30, 2019.

### **NOTE 17 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

During the year ended September 30, 2019, construction in progress in the amount of \$695,982 was transferred to property and equipment.

During the year ended September 30, 2019, cash paid for interest for was \$306,650.

### **NOTE 18 - LIQUIDITY AND FINANCIAL RESOURCES**

The Club regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Club has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a \$2 million line of credit.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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### NOTE 18 - LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

The Club's financial assets available within one year of the consolidated statement of financial position date for general expenditures were as follows:

Cash and cash equivalents	\$ 2,467,281
Investments	4,066,237
Interest in the net assets of the Endowment Trust	<u>23,176,313</u>

#### **Financial Assets Available to Meet**

<b>General Expenditures Within One Year</b>	<b><u>\$ 29,709,831</u></b>
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The Club has adequate available liquidity to meet its general expenditures and other short-term obligations as they become due. Management is focused on sustaining the financial liquidity of the Club throughout the year. This is done through monitoring and reviewing the Club's cash flow needs on a weekly basis. The investments in the table above, including investments in the net assets of the Endowment Trust, are available to meet cash flow needs because they are either scheduled to liquidate within the year or can be liquidated at any time.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Club considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures within one year, the Club operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statement of cash flows which identifies the sources and uses of the Club's cash and shows positive cash generated by operations for year ended September 30, 2019.

### NOTE 19 - SUBSEQUENT EVENTS

The Club has evaluated all subsequent events through March 2, 2020, the date the consolidated financial statements were available to be issued. No subsequent events requiring recognition or disclosure in the financial statements were identified.

# BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2019

	Boys & Girls Clubs of San Francisco	BGCSF Mission Clubhouse, Inc.	BGCSF Fulton Clubhouse, Inc.	Elimination Increase (Decrease)	Consolidated Total
<b>Assets</b>					
Cash and cash equivalents	\$ 2,432,154	\$ --	\$ 35,127	\$ --	\$ 2,467,281
Accounts receivable	278,995	--	227,719	(276,469)	230,245
Grants receivable	978,028	--	--	--	978,028
Promises to give, net	6,881,851	--	--	--	6,881,851
Prepaid expenses	291,194	--	--	--	291,194
Notes receivable	21,376,125	--	--	--	21,376,125
Investments	5,843,275	--	--	(1,010,892)	4,832,383
Interest in the net assets of the Endowment Trust	41,330,041	--	--	--	41,330,041
Beneficial interest in trusts	776,585	--	--	--	776,585
Cash restricted for interest	--	--	30,255	--	30,255
Cash restricted for long-term purposes	505,623	--	247,730	--	753,353
Property and equipment, net	7,491,829	7,567,643	22,187,763	(4,640,050)	32,607,185
Construction in progress	171,586	--	--	--	171,586
Inter-entity receivable (payable)	(59,995)	--	59,995	--	--
<b>Total Assets</b>	<b><u>\$ 88,297,291</u></b>	<b><u>\$ 7,567,643</u></b>	<b><u>\$ 22,788,589</u></b>	<b><u>\$ (5,927,411)</u></b>	<b><u>\$ 112,726,112</u></b>

*See independent auditors' report.*

**BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**SEPTEMBER 30, 2019**

	Boys & Girls Clubs of San Francisco	BGCSF Mission Clubhouse, Inc.	BGCSF Fulton Clubhouse, Inc.	Elimination Increase (Decrease)	Consolidated Total
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 1,071,384	\$ --	\$ 229,988	\$ (276,469)	\$ 1,024,903
Accrued salaries and benefits	791,797	--	--	--	791,797
Deferred revenue	84,263	--	--	--	84,263
Notes payable, net	<u>--</u>	<u>--</u>	<u>30,514,292</u>	<u>--</u>	<u>30,514,292</u>
<b>Total Liabilities</b>	<u>1,947,444</u>	<u>--</u>	<u>30,744,280</u>	<u>(276,469)</u>	<u>32,415,255</u>
<b>Net Assets (Deficit)</b>					
Without donor restrictions	59,595,698	7,567,643	(7,955,691)	(5,650,942)	53,556,708
With donor restrictions	<u>26,754,149</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>26,754,149</u>
<b>Total Net Assets (Deficit)</b>	<u>86,349,847</u>	<u>7,567,643</u>	<u>(7,955,691)</u>	<u>(5,650,942)</u>	<u>80,310,857</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 88,297,291</u>	<u>\$ 7,567,643</u>	<u>\$ 22,788,589</u>	<u>\$ (5,927,411)</u>	<u>\$ 112,726,112</u>

*See independent auditors' report.*

**BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Boys & Girls Clubs of San Francisco			BGCSF Mission Clubhouse, Inc.	BGCSF Fulton Clubhouse, Inc.	Elimination Increase (Decrease)	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total				
<b>Public Support and Revenue</b>							
<b>Public Support</b>							
Contributions:							
Individuals	\$ 1,141,800	\$ 7,674,500	\$ 8,816,300	\$ --	\$ --	\$ --	\$ 8,816,300
Government	4,308,129	--	4,308,129	--	--	--	4,308,129
Foundations and trusts	2,197,965	323,800	2,521,765	--	--	--	2,521,765
Bequests	637,454	--	637,454	--	--	--	637,454
Corporate	359,601	81,683	441,284	--	--	--	441,284
Federal awards	175,454	--	175,454	--	--	--	175,454
Change in the interest in the net assets of the Endowment Trust	680,041	467,255	1,147,296	--	--	--	1,147,296
Special events, net	3,180,323	--	3,180,323	--	--	--	3,180,323
In-kind contributions	1,134,328	--	1,134,328	--	--	--	1,134,328
Change in beneficial interest in trusts	--	(24,792)	(24,792)	--	--	--	(24,792)
Net assets released from restrictions	2,789,106	(2,789,106)	--	--	--	--	--
<b>Total Public Support</b>	<b>16,604,201</b>	<b>5,733,340</b>	<b>22,337,541</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>22,337,541</b>
<b>Revenue</b>							
Rental income	398,445	--	398,445	--	304,697	(304,697)	398,445
Net investment income	434,027	30,426	464,453	--	219	--	464,672
Other investment income	873,418	--	873,418	--	--	--	873,418
Camp fees	209,839	--	209,839	--	--	--	209,839
Net realized and unrealized investment gains (losses)	(4,328)	(8,463)	(12,791)	--	--	--	(12,791)
Miscellaneous income	11,176	--	11,176	--	--	--	11,176
Membership dues	182,624	--	182,624	--	--	--	182,624
Net program incidental revenue	121,384	--	121,384	--	--	(18,737)	102,647
Net gain on sale of property and equipment	1,382	--	1,382	--	--	--	1,382
<b>Total Revenue</b>	<b>2,227,967</b>	<b>21,963</b>	<b>2,249,930</b>	<b>--</b>	<b>304,916</b>	<b>(323,434)</b>	<b>2,231,412</b>
<b>Total Public Support and Revenue</b>	<b>18,832,168</b>	<b>5,755,303</b>	<b>24,587,471</b>	<b>--</b>	<b>304,916</b>	<b>(323,434)</b>	<b>24,568,953</b>

*See independent auditors' report.*

**BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Boys & Girls Clubs of San Francisco			BGCSF Mission Clubhouse, Inc.	BGCSF Fulton Clubhouse, Inc.	Elimination Increase (Decrease)	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total				
<b>Expenses</b>							
Program services	\$ 14,117,371	\$ --	\$ 14,117,371	\$ 189,949	\$ 1,261,181	\$ (323,434)	\$ 15,245,067
<b>Supporting Services</b>							
Management and general	1,254,192	--	1,254,192	--	--	--	1,254,192
Fundraising	1,140,347	--	1,140,347	--	--	--	1,140,347
<b>Total Supporting Services</b>	<u>2,394,539</u>	<u>--</u>	<u>2,394,539</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,394,539</u>
<b>Total Expenses</b>	<u>16,511,910</u>	<u>--</u>	<u>16,511,910</u>	<u>189,949</u>	<u>1,261,181</u>	<u>(323,434)</u>	<u>17,639,606</u>
<b>Change in Net Assets</b>	2,320,258	5,755,303	8,075,561	(189,949)	(956,265)	--	6,929,347
<b>Net Assets (Deficit) - Beginning</b>	57,275,440	20,998,846	78,274,286	7,293,879	(7,546,605)	(4,640,050)	73,381,510
Investment in BGCSF Mission Clubhouse, Inc.	--	--	--	463,713	--	(463,713)	--
Investment in BGCSF Fulton Clubhouse, Inc.	--	--	--	--	547,179	(547,179)	--
<b>Net Assets (Deficit) - Ending</b>	<u>\$ 59,595,698</u>	<u>\$ 26,754,149</u>	<u>\$ 86,349,847</u>	<u>\$ 7,567,643</u>	<u>\$ (7,955,691)</u>	<u>\$ (5,650,942)</u>	<u>\$ 80,310,857</u>

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