



BOYS & GIRLS CLUBS
OF SAN FRANCISCO

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**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)**

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

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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, 2020, 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 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, 2020, 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 Supplementary 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, 2020 and the Consolidating Statement of Activities and Changes in Net Assets for the year then ended are presented as supplementary information 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 supplementary 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' consolidated financial statements as of and for the year ended September 30, 2019, and we expressed an unmodified opinion on those audited consolidated financial statements dated March 2, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Marcum LLP

San Francisco, California
March 9, 2021

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2020

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 8,326,203	\$ 3,220,634
Accounts receivable	43,960	230,245
Grants receivable	989,532	978,028
Promises to give, net	5,710,611	6,881,851
Prepaid expenses	263,514	291,194
Notes receivable	--	21,376,125
Investments	5,783,114	4,832,383
Interest in the net assets of the Endowment Trust	47,105,342	41,330,041
Beneficial interest in trusts	771,472	776,585
Cash restricted for interest	--	30,255
Property and equipment, net	31,705,218	32,607,185
Construction in progress	131,725	171,586
Total Assets	\$ 100,830,691	\$ 112,726,112
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 718,193	\$ 1,024,903
Accrued salaries and benefits	945,081	791,797
Deferred revenue	26,428	84,263
Notes payable, net	--	30,514,292
Total Liabilities	1,689,702	32,415,255
Net Assets		
Without donor restrictions	68,031,300	53,556,708
With donor restrictions	31,109,689	26,754,149
Total Net Assets	99,140,989	80,310,857
Total Liabilities and Net Assets	\$ 100,830,691	\$ 112,726,112

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, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support and Revenue				
Public Support				
Contributions:				
Individuals	\$ 2,312,398	\$ 6,324,347	\$ 8,636,745	\$ 8,816,300
Government	3,963,868	--	3,963,868	4,308,129
Paycheck Protection Program (PPP) funding	1,962,400	--	1,962,400	--
Foundations and trusts	1,805,282	850,760	2,656,042	2,521,765
Bequests	112,041	--	112,041	637,454
Corporate	1,039,917	36,000	1,075,917	441,284
Federal awards	50,784	--	50,784	175,454
Change in the interest in the net assets of the Endowment Trust	2,337,430	1,518,329	3,855,759	1,147,296
Special events, net	1,839,202	--	1,839,202	3,180,323
In-kind contributions	677,436	--	677,436	1,134,328
Change in beneficial interest in trusts	--	(5,113)	(5,113)	(24,792)
Net assets released from restrictions	4,368,783	(4,368,783)	--	--
Total Public Support	20,469,541	4,355,540	24,825,081	22,337,541
Revenue and Investment Income (Loss)				
Net investment income	349,760	--	349,760	464,672
Other investment loss	(20,312)	--	(20,312)	873,418
Net gain on sale of property and equipment	9,937	--	9,937	1,382
Camp fees	4,069	--	4,069	209,839
Membership dues	121,601	--	121,601	182,624
Net program incidental revenue	83,924	--	83,924	102,647
Total Revenue and Investment Income	548,979	--	548,979	1,834,582
Total Public Support, Revenue and Investment Income	21,018,520	4,355,540	25,374,060	24,172,123

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, 2020 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Expenses				
Program services	\$ 13,548,024	\$ --	\$ 13,548,024	\$ 15,245,067
Supporting Services				
Management and general	1,326,883	--	1,326,883	1,254,192
Fundraising	1,332,479	--	1,332,479	1,140,347
Total Supporting Services	<u>2,659,362</u>	<u>--</u>	<u>2,659,362</u>	<u>2,394,539</u>
Total Expenses	<u>16,207,386</u>	<u>--</u>	<u>16,207,386</u>	<u>17,639,606</u>
Total Operating Income	<u>4,811,134</u>	<u>4,355,540</u>	<u>9,166,674</u>	<u>6,532,517</u>
Other Income (Expenses)				
Rental income	170,459	--	170,459	398,445
Net realized and unrealized investment gains (losses)	167,264	--	167,264	(12,791)
Miscellaneous income	36,860	--	36,860	11,176
New Markets Tax Credit debt forgiveness, net	9,288,875	--	9,288,875	--
Total Other Income	<u>9,663,458</u>	<u>--</u>	<u>9,663,458</u>	<u>396,830</u>
Change in Net Assets	14,474,592	4,355,540	18,830,132	6,929,347
Net Assets - Beginning	<u>53,556,708</u>	<u>26,754,149</u>	<u>80,310,857</u>	<u>73,381,510</u>
Net Assets - Ending	<u>\$ 68,031,300</u>	<u>\$ 31,109,689</u>	<u>\$ 99,140,989</u>	<u>\$ 80,310,857</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, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)**

	Program Services					
	Camp	Citywide	Columbia	Excelsior	Don	Mission
	Mendocino		Park		Fisher	
Salaries	\$ 347,571	\$ 1,106,446	\$ 731,400	\$ 685,244	\$ 1,045,279	\$ 479,124
Employee benefits	47,809	107,374	124,919	114,944	182,137	97,912
Payroll taxes	25,974	45,957	50,176	49,352	75,075	49,125
Total Salaries and Related Expenses	421,354	1,259,777	906,495	849,540	1,302,491	626,161
Advertising and promotion	2,407	5,739	1,439	58	284	21
Bad debts	165	--	--	--	--	--
Conferences and conventions	4,021	24,768	1,138	1,096	363	1,428
Equipment repairs and maintenance	--	39,849	788	666	1,084	--
Insurance	2,500	139,366	--	--	--	--
Interest	--	--	--	--	381,003	--
Membership dues	4,124	42,541	--	--	--	--
Miscellaneous	12,049	521	--	1,050	3,660	1,810
Occupancy	102,277	31,154	74,820	124,023	219,968	109,959
Postage	--	2,545	60	--	--	--
Printing and publication	535	6,076	57	203	62	467
Professional fees	4	400,459	7,350	42	151,689	41
Program services contracts	1,040	24,946	5,998	19,367	15,480	4,455
Scholarships and stipends	3,781	122,797	260	--	763	--
Supplies	16,554	123,896	46,880	77,635	36,006	24,732
Telephone	8,458	6,867	17,056	12,358	71,410	19,770
Transportation and travel	9,322	--	21,675	22,908	2,033	19,827
Total Expenses Before Depreciation	588,591	2,231,301	1,084,016	1,108,946	2,186,296	808,671
Depreciation	150,242	35,454	162,439	65,988	541,430	205,553
Total Expenses	738,833	2,266,755	1,246,455	1,174,934	2,727,726	1,014,224
Less: Expenses Netted Against Special Events Revenue on the Consolidated Statement of Activities and Changes in Net Assets	--	--	--	--	--	--
Total Functional Expenses	\$ 738,833	\$ 2,266,755	\$ 1,246,455	\$ 1,174,934	\$ 2,727,726	\$ 1,014,224

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, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	Program Services						Total Program Services
	School-based Clubs	Sunnydale	Tenderloin	Visitacion Valley	Willie Mays		
Salaries	\$ 608,724	\$ 346,630	\$ 692,271	\$ 289,363	\$ 649,643	\$ 6,981,695	
Employee benefits	109,891	43,886	141,509	72,229	95,255	1,137,865	
Payroll taxes	42,382	24,307	48,743	17,932	46,264	475,287	
Total Salaries and Related Expenses	760,997	414,823	882,523	379,524	791,162	8,594,847	
Advertising and promotion	3,294	3,387	1,629	1	572	18,831	
Bad debts	--	--	--	--	--	165	
Conferences and conventions	1,403	264	542	673	775	36,471	
Equipment repairs and maintenance	7,274	--	--	--	807	50,468	
Insurance	--	--	--	--	--	141,866	
Interest	--	--	--	--	--	381,003	
Membership dues	--	--	--	--	--	46,665	
Miscellaneous	30,400	--	5	--	--	49,495	
Occupancy	395	18,194	43,070	49,934	401,816	1,175,610	
Postage	62	--	136	--	--	2,803	
Printing and publication	415	34	105	34	186	8,174	
Professional fees	8,311	500	5,400	186	17,023	591,005	
Program services contracts	24,124	3,746	5,018	4,446	10,100	118,720	
Scholarships and stipends	1,308	697	994	--	6,324	136,924	
Supplies	24,040	27,149	34,346	43,540	59,211	513,989	
Telephone	1,046	6,146	13,380	1,256	17,434	175,181	
Transportation and travel	1,503	2,788	2,301	2,493	33,135	117,985	
Total Expenses Before Depreciation	864,572	477,728	989,449	482,087	1,338,545	12,160,202	
Depreciation	--	--	693	--	226,023	1,387,822	
Total Expenses	864,572	477,728	990,142	482,087	1,564,568	13,548,024	
Less: Expenses Netted Against Special Events Revenue on the Consolidated Statement of Activities and Changes in Net Assets	--	--	--	--	--	--	
Total Functional Expenses	\$ 864,572	\$ 477,728	\$ 990,142	\$ 482,087	\$ 1,564,568	\$ 13,548,024	

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, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	Supporting Services			Totals	
	Management and General	Fundraising	Total	2020	2019
Salaries	\$ 663,631	\$ 918,654	\$ 1,582,285	\$ 8,563,980	\$ 8,775,170
Employee benefits	102,032	169,713	271,745	1,409,610	1,459,222
Payroll taxes	75,192	61,611	136,803	612,090	620,484
Total Salaries and Related Expenses	840,855	1,149,978	1,990,833	10,585,680	10,854,876
Advertising and promotion	13,023	63,441	76,464	95,295	109,194
Bad debts	15	--	15	180	58,144
Conferences and conventions	7,562	1,930	9,492	45,963	131,710
Equipment repairs and maintenance	771	--	771	51,239	76,223
Insurance	43,098	--	43,098	184,964	180,901
Interest	1,084	--	1,084	382,087	507,595
Membership dues	1,743	--	1,743	48,408	48,102
Miscellaneous	69,076	34,660	103,736	153,231	109,129
Occupancy	886	87,181	88,067	1,263,677	1,658,331
Postage	392	15,281	15,673	18,476	18,891
Printing and publication	3,125	6,353	9,478	17,652	46,593
Professional fees	232,683	100,762	333,445	924,450	1,230,164
Program services contracts	--	--	--	118,720	409,414
Scholarships and stipends	--	--	--	136,924	151,188
Supplies	104,927	35,760	140,687	654,676	985,564
Telephone	3,807	1,386	5,193	180,374	164,631
Transportation and travel	910	304	1,214	119,199	576,979
Total Expenses Before Depreciation	1,323,957	1,497,036	2,820,993	14,981,195	17,317,629
Depreciation	2,926	--	2,926	1,390,748	1,431,914
Total Expenses	1,326,883	1,497,036	2,823,919	16,371,943	18,749,543
Less: Expenses Netted Against Special Events Revenue on the Consolidated Statement of Activities and Changes in Net Assets	--	(164,557)	(164,557)	(164,557)	(1,109,937)
Total Functional Expenses	\$ 1,326,883	\$ 1,332,479	\$ 2,659,362	\$ 16,207,386	\$ 17,639,606

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, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 18,830,132	\$ 6,929,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated marketable securities that were not liquidated	(546,027)	--
New Market Tax Credit debt forgiveness, net	(9,288,875)	--
Bad debt expense	180	58,144
Change in discount for doubtful promises to give	32,745	245,377
Net realized and unrealized investment (gains) losses	(167,264)	12,791
Change in the interest in the net assets of the Endowment Trust	(3,855,759)	(1,147,296)
Change in beneficial interest in trusts	5,113	24,792
Amortization of debt issuance costs	150,708	200,945
Depreciation	1,390,748	1,431,914
Gain on sale of property and equipment	(9,937)	(1,381)
Changes in operating assets and liabilities:		
Accounts receivable	186,285	(3,681)
Grants receivable	(11,504)	31,771
Promises to give	1,138,315	(6,422,918)
Prepaid expenses	27,680	(89,917)
Accounts payable and accrued expenses	(306,710)	21,797
Accrued salaries and benefits	153,284	82,541
Deferred revenue	(57,835)	(134)
Net Cash Provided by Operating Activities	<u>7,671,279</u>	<u>1,374,092</u>
Cash Flows From Investing Activities		
Purchase of investments	(496,263)	(63,771)
Proceeds from sale or maturity of investments	258,823	125,880
BGCSF Board designated investment in the Endowment Trust	(3,098,600)	(1,450,000)
Distributions from the Endowment Trust	1,179,058	2,300,322
Proceeds from sale of property and equipment	9,939	--
Purchase of property and equipment	(85,349)	(282,466)
Cash paid for construction in progress	(363,573)	(713,827)
Net Cash Used in Investing Activities	<u>(2,595,965)</u>	<u>(83,862)</u>

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, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	2020	2019
Cash Flows From Financing Activities		
Borrowings on line of credit	\$ 800,000	\$ 300,000
Repayments on line of credit	<u>(800,000)</u>	<u>(300,000)</u>
Net Cash From Financing Activities	<u>--</u>	<u>--</u>
Net Increase in Cash, Cash Equivalents, and Restricted Cash	5,075,314	1,290,230
Cash, Cash Equivalents, and Restricted Cash - Beginning	<u>3,250,889</u>	<u>1,960,659</u>
Cash, Cash Equivalents, and Restricted Cash - Ending	<u>\$ 8,326,203</u>	<u>\$ 3,250,889</u>
Consolidated Statement of Financial Position:		
Cash and cash equivalents	\$ 8,326,203	\$ 3,220,634
Cash restricted for interest	<u>--</u>	<u>30,255</u>
	<u>\$ 8,326,203</u>	<u>\$ 3,250,889</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, 2020

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 twelve 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 the accrual method of 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, 2020

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; (e) assets donated with stipulations by the donor that they be used for a specified purpose, be preserved, and not be sold; or (f) 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 cash and cash equivalents, receivables and accounts payable approximate fair value because of the short maturity of these instruments. The carrying amounts of long-term receivables approximate fair value as these receivables are discounted based on the prevailing rates.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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.

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, 2020, 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, 2020, all grants receivable were considered collectible.

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.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

PROMISES TO GIVE (CONTINUED)

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, 2020, all promises to give were considered collectible.

INVESTMENTS

Investments traded on national exchanges are recorded at fair value as determined by the exchanges' quoted prices.

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

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 ("the Board") and exists exclusively for the benefit of the Club. The Club accounts for its interest in the Endowment Trust in accordance with Financial Accounting Standards Board ("FASB") Statement 136 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 the 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, 2020.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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 or appraised 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.

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, undiscounted 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 loss incurred during the year ended September 30, 2020.

DEBT ISSUANCE COSTS

Debt issuance costs consist of an advisory fee, attorneys' fees, and other miscellaneous costs incurred in connection with the New Markets Tax Credit ("NMTC") transaction. These costs were amortized using the straight-line method, which approximates the effective interest method, over its estimated useful life of seven years, and are included in interest expense. Debt issuance costs were fully amortized during the year ended September 30, 2020.

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, 2020, the self-insurance liability was \$53,445 and is included in accounts payable and accrued expenses in the consolidated statement of financial position.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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.

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 net assets without donor restrictions and decreasing net assets with donor restrictions 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-imposed 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-imposed restrictions.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

REVENUE RECOGNITION (CONTINUED)

Contributed Goods and Services (Continued)

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 support with donor-imposed restrictions when the donor-imposed restriction is met. 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.

During the year ended September 30, 2020, the Club received \$677,436 of in-kind donations that included \$95,353 of professional services, \$239,999 in use of facilities, \$224,860 in meals, and \$117,224 of materials and supplies. 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. During the year ended September 30, 2020, the Club received approximately 3,800 hours from volunteers.

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. Grant revenue is recognized when the Club has unconditional right to reimbursement of funds per the grant agreement for the contracted services being delivered to targeted units or specific capital projects and the related eligible costs are incurred.

Investment Income

Interest is recorded as earned. Dividends are recorded on the ex-dividend date. Net realized and unrealized investment gains (losses) include realized and unrealized gains and losses on investments bought and sold as well as held during the year.

ADVERTISING

The costs of advertising are charged to expense as incurred. Advertising expense for the year ended September 30, 2020, was \$60,852, which is included in advertising and promotion in the consolidated statement of functional expenses.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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 franchise taxes under §23701d of the California Revenue and Taxation Code, respectively. Accordingly, they are exempt from federal and California income taxes and are not liable for federal unemployment taxes.

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 consolidated 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.

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, 2020, the Club exceeded Federal Deposit Insurance Corporation coverage by approximately \$6,727,000. 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.

During the year ended September 30, 2020, the Club received 43% of total contributions from three donors, with 19% received from a government grant, 13% from an individual, and 11% from the PPP grant.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs, fundraising, and management and general have been summarized in the 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.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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 September 30, 2019, and for the year then ended, from which the summarized information was derived. In addition, the prior year summarized comparative information has certain reclassifications to conform to the current year's presentation. These reclassification have no effect on the previously reported consolidated net assets or changes in net assets.

ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued Accounting Standard Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, related to revenue recognition for contributions received and made. The update addresses whether a transaction should be accounted for as a contribution or as an exchange transaction and clarifies the determination of contributions as conditional or unconditional. The Club adopted the recipient portion of ASU 2018-08 on a modified prospective basis as of October 1, 2019, and it did not have a material impact on the Club's consolidated financial statements.

The FASB issued ASU 2016-18, *Statement of Cash Flows, ASC Topic 230, Restricted Cash*, that requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. Therefore, restricted cash 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 Club adopted ASU 2016-18 during the year ended September 30, 2020. The implementation included a retrospective transition to the summarized September 30, 2019, consolidated statement of financial position to reclassify \$753,353 from cash held for long-term purposes to cash and cash equivalents and consolidated statement of cash flows to reclassify the change in cash restricted for long-term purposes in the amount of \$274,198, out of net cash from investing activities. This amount is included in the net increase in cash, cash equivalents and restricted cash. In addition, the cash restricted for interest of \$30,242 is included in the beginning balance of cash, cash equivalents and restricted cash on the consolidated statement of cash flows.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

RECENT ACCOUNTING PRONOUNCEMENTS

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. This ASU's effective date had two one-year delays and is now effective for fiscal years beginning after December 15, 2019. 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. ASU 2020-05 delayed the effective date of this ASU by another year. This ASU's effective date had two one-year delays and is now effective for fiscal years beginning after December 15, 2021; and early application is permitted. Management is evaluating the impact of this guidance.

On September 17, 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 provides guidance concerning presentation and disclosure for contributed nonfinancial assets for nonprofit organizations, including additional presentation and disclosure rules for recognized contributed services. It does not change the recognition and measurement requirements for contributed nonfinancial assets.

This ASU requires the nonprofit organization to present donated nonfinancial assets separately in the consolidated statement of activities and changes in net assets from contributions of cash or other financial assets. The additional disclosure rules require disclosure of nonfinancial assets by category and for each category, the disclosure is required to include the following:

- Qualitative information about whether contributed nonfinancial assets were either monetized or used during the reporting period. If used, a description of the programs or other activities in which those assets were used;
- The nonprofit organization's policy (if any) for monetizing rather than using contributed nonfinancial assets;
- A description of any associated donor-imposed restrictions;

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition.
- The principal market (or most advantageous market) used to arrive at a fair value measurement if it is a market in which the recipient nonprofit is prohibited by donor-imposed restrictions from selling or using the contributed nonfinancial asset.

The guidance should be applied on a retrospective basis, and is applicable for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. Management is evaluating the impact of this new guidance.

NOTE 2 - PROMISES TO GIVE

Unconditional promises to give as of September 30, 2020, consist of the following:

	Due in Less Than 1 Year	Due in 1 to 5 Years	Total
Without donor restrictions	\$ 178,178	\$ --	\$ 178,178
With donor restrictions:			
Capacity Building Capital Campaign	2,190,325	3,620,230	5,810,555
Discount to net present value	<u>--</u>	<u>(278,122)</u>	<u>(278,122)</u>
Total	<u>\$ 2,368,503</u>	<u>\$ 3,342,108</u>	<u>\$ 5,710,611</u>

The Capacity Building Capital Campaign is restricted for expanding the capacity of the Club by increasing salaries, expanding capacity for technology and software, capital expansion projects at select Clubhouses and at Camp Mendocino, program improvement, and investing contributions in the Board designated Endowment Trust to support future expansion efforts.

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, 2020, three donors comprise 56% of total promises to give.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 NMTC transaction (see Note 6). On June 30, 2020, the NMTC transaction was terminated and BGCSF exercised the put option. As a result, BGCSF controls the Fund, and the note was offset against an associated note payable. The note called 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 were 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, 2020, was \$188,718.

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. NMTC transaction. On June 30, 2020, the NMTC transaction was terminated and BGCSF exercised the put option. As a result, BGCSF controls the Fund, and the note was offset against an associated note payable. The note called 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 were 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, 2020, was \$37,500.

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). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement.

The levels of the fair value hierarchy are as follows:

Level 1

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

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2

Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities from those willing to trade in markets that are not active, or other inputs that are derived principally from or corroborated by observable market data by correlation or other means for the term of the instrument. If the asset or liability has a specified (contractual) term, the Level 2 must be observable for substantially the full term of the asset or liability.

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.

The following is a description of the valuation methodologies used for assets measured at fair value. There has been no changes to the methodologies used during the year ended September 30, 2020.

Money Market Funds

Values at the daily closing price as reported by the fund. Money market funds held by the Club are open-ended mutual funds that are registered with the U.S. Securities and Exchange commission. These funds are required to publish their daily net asset value and to transact at that price. The money market funds held by the Club are deemed to be actively traded.

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.

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.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

The Club's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer. The Club had no transfers into or out of levels of the fair value hierarchy during the year ended September 30, 2020.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following table summarizes the Club's investments, interest in the net assets of the endowment trust, and beneficial interest in trusts measured at fair value on a recurring basis as of September 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments				
Domestic fixed income funds	\$ 2,401,059	\$ --	\$ --	\$ 2,401,059
Equity securities:				
Domestic	2,531,899	--	--	2,531,899
International	<u>850,156</u>	<u>--</u>	<u>--</u>	<u>850,156</u>
Total Investments	<u>\$ 5,783,114</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,783,114</u>
Interest in the Net Assets of the Endowment Trust				
Money market funds	\$ 1,679,634	\$ --	\$ --	\$ 1,679,634
Equity securities:				
Domestic	18,184,183	--	--	18,184,183
International	7,673,174			7,673,174
Fixed income securities:				
Domestic	<u>12,002,206</u>	<u>--</u>	<u>--</u>	<u>12,002,206</u>
Investments at fair value	<u>\$ 39,539,197</u>	<u>\$ --</u>	<u>\$ --</u>	39,539,197
Investments measured at net asset value				6,915,226
Land at historical cost				<u>650,919</u>
Total Interest in the Net Assets of the Endowment Trust				<u>\$ 47,105,342</u>
Beneficial Interest in Trusts	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 771,472</u>	<u>\$ 771,472</u>

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following analysis summarizes the Club's investment return for the year ended September 30, 2020:

	Net Investment Income	Net Realized and Unrealized Investment Gains (Losses)		Total
Interest from notes receivable	\$ 226,218	\$ --	\$	226,218
Equity securities:				
Domestic	46,435	132,065		178,500
International	13,276	(11,129)		2,147
Fixed income funds:				
Domestic	63,831	45,574		109,405
International	--	754		754
Total	<u>\$ 349,760</u>	<u>\$ 167,264</u>	<u>\$</u>	<u>517,024</u>

The following table summarizes the activity for interest in the net assets of the Endowment Trust for the year ended September 30, 2020:

Balance - Beginning	\$ 41,330,041
Change in net assets	3,855,759
BGCSF's Board designated investment in the Endowment Trust	3,098,600
Distributions to the Club	<u>(1,179,058)</u>
Balance - Ending	<u>\$ 47,105,342</u>

The Endowment Trust's net assets are allocated based on donor-imposed restrictions. All of the land is without donor-imposed restrictions and the balance of the investments are allocated 60.62% without donor imposed restrictions and 39.38% with a donor-imposed restriction to be held in perpetuity. 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, 2020

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, 2020:

Balance - Beginning	\$	776,585
Change in beneficial interest in trusts		(5,113)
Balance - Ending	\$	771,472

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, 2020:

	Total Fair Value	Unfunded Commitments	Unfunded Commitments to be Called by September 30,	Redemption Frequency	Redemption Notice Period
Private Equity					
HMI Capital					
Partners, L.P.	\$ 5,558,008	\$ --	N/A	Annually	90 days
Kabouter International Opportunities Offshore					
Fund II Ltd.	1,187,485	--	N/A	Monthly	30 days
Venture Investments					
Associates IV, L.P.	109,102	19,000	**	*	*
DCM Affiliates					
Fund V, L.P.	60,631	--	N/A	*	*
Total Private Equity	\$ 6,915,226	\$ 19,000			

*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, 2020

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, 2020, consist of the following:

Buildings and improvements	\$ 40,235,472
Land	4,349,017
Furnishings and equipment	1,012,324
Vehicles	451,662
Computer hardware	<u>100,906</u>
	46,149,381
Less: accumulated depreciation	<u>(14,444,163)</u>
Total	<u>\$ 31,705,218</u>

For the year ended September 30, 2020, depreciation expense was \$1,390,748.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 was a 99.99% non-managing member of LCD New Markets Fund XIV, LLC and LCD New Markets Fund, LLC was 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, 2020

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 was 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 was a 99.99% non-managing member of USBCDE Sub CDE 79, LLC and USBCDE, LLC was 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.

Pursuant to the NMTC Exit Agreement dated June 30, 2020, the NMTC transaction was terminated.

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). The put option was exercised on June 30, 2020. As such, BGCSF controls the Fund and has forgiven the QLICI Loans of \$30,665,000 and the related notes receivable in the amount of \$21,376,125. Accordingly, The Club has recognized net income from debt forgiveness of \$9,288,875.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 6 - NEW MARKETS TAX CREDIT (CONTINUED)

PUT AND CALL AGREEMENTS (CONTINUED)

The following are highlights of the agreement:

Put Option Agreement

The agreement between BGCSF (purchaser) and U.S. Bancorp Community Development Corporation (seller) permitted 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 had 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) permitted 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 had 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 had the right and option at any time within ninety days after the put option period had 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. The call option was not exercised.

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 property secured the notes payable. On June 30, 2020, the NMTC transaction was terminated and the put options were exercised. As such, BGCSF controls the LCD New Markets Fund VIII, LLC, and has forgiven the notes payable. 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.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 7 - NOTES PAYABLE (CONTINUED)

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.

The notes called for interest only payments at 1.00% per annum payable on December 15th of each year to 2020, when interest and principal payments were required. The notes were due on June 26, 2043. The property secured the notes payable. Fulton Clubhouse, Inc. had 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, 2020, was \$382,087, which included \$150,708 of amortization of debt issuance costs.

NOTE 8 - LINE OF CREDIT

The Club renewed its existing revolving line of credit with First Republic Bank on August 17, 2018, for a maximum borrowing amount of \$2,000,000, with an expiration date of August 2, 2020. Interest was the one month London Interbank Offered Rate ("LIBOR") (1.50%), as published in the Wall Street Journal, plus 2.25%, per annum. The minimum rate is 2.50%, per annum. The line of credit is secured by the Club's equipment, inventory, and accounts receivable. On October 7, 2020, the Club renewed the line of credit, with an expiration date of October 2, 2022. The renewal also included a change in the interest rate to the United States prime rate as published by the Wall Street Journal, less 0.75%, per annum. During the year ended September 30, 2020, \$800,000 was drawn on the line of credit and was fully repaid.

NOTE 9 - PAYCHECK PROTECTION PROGRAM FUNDING

On April 15, 2020, the Club entered a loan agreement with FinWise Bank (the "Bank") for the issuance of a Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), in the amount of \$1,962,400. The PPP loan payments are deferred for a ten-month period. Principal and interest payments commence one month after the deferral period expires. The PPP loan accrues interest at 1% per annum, and the PPP loan matures on April 14, 2022. The PPP loan is intended to help businesses impacted by the economic impact from the COVID-19 virus. As part of the CARES Act, a portion or all of the PPP loan may be forgiven by the SBA if the principal is used for limited purposes that qualify for forgiveness under the SBA requirements. The Club expects the entire PPP loan to be forgiven. Accordingly, the Club is treating the PPP loan proceeds as a conditional grant.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 9 - PAYCHECK PROTECTION PROGRAM FUNDING (CONTINUED)

In management's opinion, the Club has met the conditions, namely paying and incurring sufficient qualified expenses in the appropriate period to have the full amount of the PPP loan forgiven.

NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at September 30, 2020, are as follows:

Net investment in property and equipment and related net assets	\$ 31,836,943
Amounts designated by the Board of Governors for long-term investment, included in the Endowment Trust	27,901,853
Undesignated	<u>8,292,504</u>
Total	<u><u>\$ 68,031,300</u></u>

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2020, net assets with donor restrictions were restricted for the following purposes or period:

Subject to Passage of Time and Expenditure for Specific Purpose:

Capacity Building Capital Campaign - inherent time restrictions	<u>\$ 5,532,433</u>
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Subject to Passage of Time:

Beneficial interest in trusts - inherent time restrictions	<u>771,472</u>
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Subject to Expenditure for Specific Purpose:

Capacity Building Capital Campaign	4,452,763
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Scholarship and Fine Arts Fund	683,758
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Purple Kumquats	22,175
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All others	<u>443,599</u>
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5,602,295

Total Expendable Net Assets with Donor Restrictions	11,906,200
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Endowment Trust to be Held in Perpetuity	<u>19,203,489</u>
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Total	<u><u>\$ 31,109,689</u></u>
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BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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 \$19,203,489, are net assets contributed by donors to be held in perpetuity.

NOTE 12 - 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, including salary increases, as well as a source of capital for improvements to 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.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 12 - ENDOWMENT (CONTINUED)

INTERPRETATION OF RELEVANT LAW (CONTINUED)

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.

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Interest in the Net Assets of the Endowment Trust	<u>\$ 27,901,853</u>	<u>\$ 19,203,489</u>	<u>\$ 47,105,342</u>

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 12 - ENDOWMENT (CONTINUED)

CHANGES IN ENDOWMENT NET ASSETS FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Trust			
Net Assets - Beginning	<u>\$ 23,176,313</u>	<u>\$ 18,153,728</u>	<u>\$ 41,330,041</u>
Investment Return			
Investment income	553,394	340,437	893,831
Net realized and unrealized gains	<u>1,784,036</u>	<u>1,177,892</u>	<u>2,961,928</u>
Net Investment Return	<u>2,337,430</u>	<u>1,518,329</u>	<u>3,855,759</u>
Other Changes			
Transfers in	3,098,600	--	3,098,600
Transfers out	(710,490)	--	(710,490)
Appropriation of endowment assets for expenditure	<u>--</u>	<u>(468,568)</u>	<u>(468,568)</u>
Total Other Changes	<u>2,388,110</u>	<u>(468,568)</u>	<u>1,919,542</u>
Net Change	<u>4,725,540</u>	<u>1,049,761</u>	<u>5,775,301</u>
Endowment Trust			
Net Assets - Ending	<u>\$ 27,901,853</u>	<u>\$ 19,203,489</u>	<u>\$ 47,105,342</u>

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 5.75% annually. Actual returns in any given year may vary from this percentage.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 12 - ENDOWMENT (CONTINUED)

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 emphasis on fixed income and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 13 - 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, 2020, as follows:

Capacity Building Capital Campaign	\$ 3,848,007
Endowment Trust	468,568
Scholarship and Fine Arts Fund	25,976
All others	<u>26,232</u>
Total	<u>\$ 4,368,783</u>

NOTE 14 - SPECIAL EVENTS

To supplement its fundraising activities, the Club held two major program/fundraising events during the year ended September 30, 2020. Activity for the year is as follows:

Gross revenue	\$ 2,003,759
Less: direct costs	<u>(164,557)</u>
Special Events, Net	<u>\$ 1,839,202</u>

NOTE 15 - 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

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 15 - RETIREMENT PLANS (CONTINUED)

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 the IRC. 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 \$363,751 for the year ended September 30, 2020.

NOTE 16 - 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.

Rent expense for the year ended September 30, 2020; including \$239,999 of donation in-kind facility use; was \$402,232.

The following is a schedule of minimum lease commitments:

For the Years Ending September 30,	Amount
2021	\$ 26,499
2022	23,489
2023	1,294
2024	863
2025	1
Thereafter	10
Total	\$ 52,156

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2020, and for the year then ended.

NOTE 17 - 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 significant during the year ended September 30, 2020.

NOTE 18 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended September 30, 2020, the put options related to the Fulton Clubhouse, Inc.'s NMTC were exercised and BGCSF's notes receivable of \$21,376,125 and Fulton Clubhouse, Inc.'s notes payable of \$30,665,000 were forgiven.

During the year ended September 30, 2020, construction in progress in the amount of \$403,434 was transferred to property and equipment.

During the year ended September 30, 2020, cash paid for interest for was \$461,367.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 19 - 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 \$2,000,000 line of credit.

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	\$ 8,326,203
Grants receivable and promises to give without donor restrictions	1,167,710
Investments	5,783,114
Interest in the Board designated net assets of the Endowment Trust	<u>27,901,853</u>
Total Financial Assets	43,178,880
Investments held for Board designated endowment	(27,901,853)
Donor-imposed restrictions	<u>(5,602,295)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 9,674,732</u></u>

The Club has adequate 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. However, the interest in the Board designated net assets of the Endowment Trust of \$27,901,853 is not readily available to the Club for general expenditures. The Endowment Trust is governed by a separate Board of Governors that must approve distributions to the Club, including the annual distribution.

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.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Note 19 - LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

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, 2020.

NOTE 20 - RISK AND UNCERTAINTY

In March 2020, the World Health Organization declared the outbreak of COVID-19 virus as a pandemic, which continues to spread throughout the United States. The Club has been actively evaluating the impact of the COVID-19 virus as it relates to the Club's operations and does not yet know the full extent of the impact, if any, that this may have on the Club. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The CARES Act was enacted on March 27, 2020. Among the business provisions, the CARES Act provided for various payroll tax incentives, changes to net operating loss carryback and carryforward rules, business interest expense limitation increases, PPP loans, and bonus depreciation on qualified improvement property. As discussed in Note 9, the Club obtained a PPP loan.

The Club faces sustained uncertainty as it moves through an extended recovery period that could last five or more years. The Club expects that its services will be called on even more during this period. The Club has some concern about the medium-term capacity for local government to sustain giving levels. This will be determined by the level of federal support that the City of San Francisco receives and how quickly local tax revenue returns.

NOTE 21 - SUBSEQUENT EVENTS

The Club has evaluated all subsequent events through March 9, 2021, the date the consolidated financial statements were available to be issued. No events were identified that require recognition or disclosure in the consolidated financial statements, except the renewal of the line of credit in Note 8.

BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2020

	Boys & Girls Clubs of San Francisco	BGCSF Mission Clubhouse, Inc.	BGCSF Fulton Clubhouse, Inc.	Elimination Increase (Decrease)	Consolidated Total
Assets					
Cash and cash equivalents	\$ 8,326,203	\$ --	\$ --	\$ --	\$ 8,326,203
Accounts receivable	43,960	--	--	--	43,960
Grants receivable	989,532	--	--	--	989,532
Promises to give, net	5,710,611	--	--	--	5,710,611
Prepaid expenses	263,514	--	--	--	263,514
Investments	6,794,006	--	--	(1,010,892)	5,783,114
Interest in the net assets of the Endowment Trust	47,105,342	--	--	--	47,105,342
Beneficial interest in trusts	771,472	--	--	--	771,472
Property and equipment, net	7,312,257	7,377,694	21,655,317	(4,640,050)	31,705,218
Construction in progress	131,725	--	--	--	131,725
Inter-entity receivable (payable)	<u>(170,791)</u>	<u>--</u>	<u>170,791</u>	<u>--</u>	<u>--</u>
Total Assets	<u>\$ 77,277,831</u>	<u>\$ 7,377,694</u>	<u>\$ 21,826,108</u>	<u>\$ (5,650,942)</u>	<u>\$ 100,830,691</u>

See independent auditors' report.

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

SEPTEMBER 30, 2020

	Boys & Girls Clubs of San Francisco	BGCSF Mission Clubhouse, Inc.	BGCSF Fulton Clubhouse, Inc.	Elimination Increase (Decrease)	Consolidated Total
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	\$ 718,193	\$ --	\$ --	\$ --	\$ 718,193
Accrued salaries and benefits	945,081	--	--	--	945,081
Deferred revenue	<u>26,428</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>26,428</u>
Total Liabilities	<u>1,689,702</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,689,702</u>
Net Assets					
Without donor restrictions	44,478,440	7,377,694	21,826,108	(5,650,942)	68,031,300
With donor restrictions	<u>31,109,689</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>31,109,689</u>
Total Net Assets	<u>75,588,129</u>	<u>7,377,694</u>	<u>21,826,108</u>	<u>(5,650,942)</u>	<u>99,140,989</u>
Total Liabilities and Net Assets	<u>\$ 77,277,831</u>	<u>\$ 7,377,694</u>	<u>\$ 21,826,108</u>	<u>\$ (5,650,942)</u>	<u>\$ 100,830,691</u>

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BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	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				
Public Support and Revenue							
Public Support							
Contributions:							
Individuals	\$ 2,312,398	\$ 6,324,347	\$ 8,636,745	\$ --	\$ --	\$ --	\$ 8,636,745
Government	3,963,868	--	3,963,868	--	--	--	3,963,868
Paycheck Protection Program (PPP) funding	1,962,400	--	1,962,400	--	--	--	1,962,400
Foundations and trusts	1,805,282	850,760	2,656,042	--	--	--	2,656,042
Bequests	112,041	--	112,041	--	--	--	112,041
Corporate	1,039,917	36,000	1,075,917	--	--	--	1,075,917
Federal Awards	50,784	--	50,784	--	--	--	50,784
Change in the interest in the net assets of the Endowment Trust	2,337,430	1,518,329	3,855,759	--	--	--	3,855,759
Special events, net	1,839,202	--	1,839,202	--	--	--	1,839,202
In-kind contributions	677,436	--	677,436	--	--	--	677,436
Change in beneficial interest in trusts	--	(5,113)	(5,113)	--	--	--	(5,113)
Net assets released from restrictions	4,368,783	(4,368,783)	--	--	--	--	--
Total Public Support	<u>20,469,541</u>	<u>4,355,540</u>	<u>24,825,081</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>24,825,081</u>
Revenue and Investment Income (Loss)							
Net investment income	349,744	--	349,744	--	16	--	349,760
Other investment loss	(20,312)	--	(20,312)	--	--	--	(20,312)
Camp fees	4,069	--	4,069	--	--	--	4,069
Membership dues	121,601	--	121,601	--	--	--	121,601
Net program incidental revenue	83,924	--	83,924	--	--	--	83,924
Total Revenue and Investment Income	<u>539,026</u>	<u>--</u>	<u>539,026</u>	<u>--</u>	<u>16</u>	<u>--</u>	<u>539,042</u>
Total Public Support, Revenue and Investment Income	<u>21,008,567</u>	<u>4,355,540</u>	<u>25,364,107</u>	<u>--</u>	<u>16</u>	<u>--</u>	<u>25,364,123</u>

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BOYS & GIRLS CLUBS OF SAN FRANCISCO AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	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				
Expenses							
Program services	\$ 12,474,053	\$ --	\$ 12,474,053	\$ 189,949	\$ 1,112,545	\$ (228,523)	\$ 13,548,024
Supporting Services							
Management and general	1,326,883	--	1,326,883	--	--	--	1,326,883
Fundraising	1,332,479	--	1,332,479	--	--	--	1,332,479
Total Supporting Services	<u>2,659,362</u>	<u>--</u>	<u>2,659,362</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,659,362</u>
Total Expenses	<u>15,133,415</u>	<u>--</u>	<u>15,133,415</u>	<u>189,949</u>	<u>1,112,545</u>	<u>(228,523)</u>	<u>16,207,386</u>
Total Operating Income (Loss)	<u>5,875,152</u>	<u>4,355,540</u>	<u>10,230,692</u>	<u>(189,949)</u>	<u>(1,112,529)</u>	<u>228,523</u>	<u>9,156,737</u>
Other Income (Expenses)							
Rental income	170,459	--	170,459	--	228,523	(228,523)	170,459
Net realized and unrealized investment gains	167,264	--	167,264	--	--	--	167,264
Miscellaneous income	36,055	--	36,055	--	805	--	36,860
Net gain on sale of property and equipment	9,937	--	9,937	--	--	--	9,937
New Markets Tax Credit receivable and debt forgiveness	(21,376,125)	--	(21,376,125)	--	30,665,000	--	9,288,875
Total Other Income (Expenses)	<u>(20,992,410)</u>	<u>--</u>	<u>(20,992,410)</u>	<u>--</u>	<u>30,894,328</u>	<u>(228,523)</u>	<u>9,673,395</u>
Change in Net Assets	<u>(15,117,258)</u>	<u>4,355,540</u>	<u>(10,761,718)</u>	<u>(189,949)</u>	<u>29,781,799</u>	<u>--</u>	<u>18,830,132</u>
Net Assets (Deficit) - Beginning	59,595,698	26,754,149	86,349,847	7,103,930	(8,502,870)	(4,640,050)	80,310,857
Investment in BGCSF Mission Clubhouse, Inc.	--	--	--	463,713	--	(463,713)	--
Investment in BGCSF Fulton Clubhouse, Inc.	--	--	--	--	547,179	(547,179)	--
Net Assets - Ending	<u>\$ 44,478,440</u>	<u>\$ 31,109,689</u>	<u>\$ 75,588,129</u>	<u>\$ 7,377,694</u>	<u>\$ 21,826,108</u>	<u>\$ (5,650,942)</u>	<u>\$ 99,140,989</u>

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