

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF
THE TWIN CITIES FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED AUGUST 31, 2019 AND 2018

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
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YEARS ENDED AUGUST 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Boys and Girls Clubs of the Twin Cities and
Boys and Girls Club of the Twin Cities Foundation
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Boys and Girls Clubs of the Twin Cities and Boys and Girls Club of the Twin Cities Foundation (nonprofit organizations), which comprise the consolidated balance sheets as of August 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
Boys and Girls Clubs of the Twin Cities and
Boys and Girls Club of the Twin Cities Foundation

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of the Twin Cities and Boys and Girls Club of the Twin Cities Foundation as of August 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating statement of activities in the supplementary information are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 12, 2019

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED BALANCE SHEETS
AUGUST 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 733,859	\$ 776,282
Receivables	71,053	38,879
Pledges and Grants Receivable	670,162	910,880
Remainder Trust Receivable	85,000	92,000
Prepaid Expenses	61,926	59,402
Investments	7,144,801	7,426,740
Cash Surrender Value of Life Insurance Policies	124,600	128,600
Community Foundation Funds	185,830	193,756
Fixed Assets - Net	10,927,831	11,616,619
Total Assets	\$ 20,005,062	\$ 21,243,158
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 154,506	\$ 229,199
Fiscal Agent Payable	179,653	251,883
Accrued Expenses	206,149	233,136
Deferred Revenue	260,750	314,521
Lines of Credit	317,211	290,163
Notes Payable	608,031	581,342
Total Liabilities	1,726,300	1,900,244
NET ASSETS		
Without Donor Restrictions:		
Undesignated	6,982,245	7,560,336
Board Designated	208,393	235,277
Subtotal - Without Donor Restrictions	7,190,638	7,795,613
With Donor Restrictions	11,088,124	11,547,301
Total Net Assets	18,278,762	19,342,914
Total Liabilities and Net Assets	\$ 20,005,062	\$ 21,243,158

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2019 AND 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING - REVENUE, GAINS, AND OTHER SUPPORT			
Contributions, Including In-Kind Contributions of \$62,704 and \$48,001, Respectively	\$ 2,454,111	\$ 44,820	\$ 2,498,931
Special Events, Net of Expenses of \$298,776 and \$271,741, Respectively	997,222	-	997,222
Grants and Contracts	954,935	83,761	1,038,696
Program Fees	131,948	5,500	137,448
Investment Income	-	-	-
Change in Value of Split-Interest Agreements	-	(11,000)	(11,000)
Rental Income	20,555	850	21,405
Other Income	434	-	434
Net Assets Released from Restrictions - Operating	714,806	(714,806)	-
Total Operating - Revenue, Gains, and Other Support	5,274,011	(590,875)	4,683,136
EXPENSES			
Program Services	4,702,930	-	4,702,930
Support Services:			
Administration	589,356	6,900	596,256
Fundraising	605,199	-	605,199
Total Support Services	1,194,555	6,900	1,201,455
Total Expenses	5,897,485	6,900	5,904,385
CHANGE IN NET ASSETS OPERATING	(623,474)	(597,775)	(1,221,249)
NONOPERATING			
Change in Value of Community Foundation	-	(7,926)	(7,926)
Capital Grants for Clubs	18,426	80,000	98,426
Capital Expenses for Clubs	-	-	-
Capital Government Grants for Clubs	-	7,500	7,500
Gain on Disposal of Assets	-	-	-
Investment Income	-	59,097	59,097
Net Assets Released from Restrictions - Capital	73	(73)	-
Change in Net Assets Nonoperating	18,499	138,598	157,097
TOTAL CHANGE IN NET ASSETS	(604,975)	(459,177)	(1,064,152)
Net Assets - Beginning of Year	7,795,613	11,547,301	19,342,914
NET ASSETS - END OF YEAR	<u>\$ 7,190,638</u>	<u>\$ 11,088,124</u>	<u>\$ 18,278,762</u>

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED AUGUST 31, 2019 AND 2018**

2018		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 2,235,936	\$ 115,827	\$ 2,351,763
959,348	-	959,348
1,114,455	101,656	1,216,111
177,646	2,579	180,225
830	-	830
-	14,700	14,700
16,050	-	16,050
1,269	-	1,269
<u>613,060</u>	<u>(613,060)</u>	<u>-</u>
5,118,594	(378,298)	4,740,296
4,858,090	-	4,858,090
600,538	-	600,538
<u>699,597</u>	<u>-</u>	<u>699,597</u>
<u>1,300,135</u>	<u>-</u>	<u>1,300,135</u>
<u>6,158,225</u>	<u>-</u>	<u>6,158,225</u>
(1,039,631)	(378,298)	(1,417,929)
-	6,739	6,739
71,048	-	71,048
(18,721)	-	(18,721)
125,000	-	125,000
-	-	-
7,630	491,086	498,716
<u>88,424</u>	<u>(88,424)</u>	<u>-</u>
273,381	409,401	682,782
(766,250)	31,103	(735,147)
<u>8,561,863</u>	<u>11,516,198</u>	<u>20,078,061</u>
<u>\$ 7,795,613</u>	<u>\$ 11,547,301</u>	<u>\$ 19,342,914</u>

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED AUGUST 31, 2019 AND 2018**

	2019				
	Support Services			Total Support Services	Total
	Program Services	Administration	Fundraising		
OPERATING					
Salaries and Wages	\$ 2,165,279	\$ 359,436	\$ 406,310	\$ 765,746	\$ 2,931,025
Payroll Taxes	168,234	26,047	48,327	74,374	242,608
Benefits	351,222	53,993	46,116	100,109	451,331
Total Personnel Costs	<u>2,684,735</u>	<u>439,476</u>	<u>500,753</u>	<u>940,229</u>	<u>3,624,964</u>
Utilities	301,184	9,085	15,934	25,019	326,203
Supplies	351,858	6,317	8,484	14,801	366,659
In-Kind Program Incentives	47,579	-	-	-	47,579
Insurance	87,385	2,716	4,270	6,986	94,371
Professional Fees	97,288	73,841	15,572	89,413	186,701
Maintenance and Repairs	137,682	19,007	15,408	34,415	172,097
Interest Expense	22,520	19,677	14,203	33,880	56,400
Staff Training	2,115	5,654	1,106	6,760	8,875
National and Regional Dues	46,451	464	553	1,017	47,468
Telephone	53,926	4,556	8,233	12,789	66,715
Rent	23,000	-	-	-	23,000
In-Kind Rent	74,720	-	-	-	74,720
Travel	57,305	8,515	4,419	12,934	70,239
Postage and Printing	29,435	4,653	11,891	16,544	45,979
Scholarships	29,025	-	-	-	29,025
Other	13,031	411	3,554	3,965	16,996
Total Before Depreciation	<u>4,059,239</u>	<u>594,372</u>	<u>604,380</u>	<u>1,198,752</u>	<u>5,257,991</u>
Depreciation	643,691	1,884	819	2,703	646,394
Total Operating	<u>4,702,930</u>	<u>596,256</u>	<u>605,199</u>	<u>1,201,455</u>	<u>5,904,385</u>
NONOPERATING					
Other	-	-	-	-	-
Subtotal Before Special Events	4,702,930	596,256	605,199	1,201,455	5,904,385
Special Events	-	-	298,776	298,776	298,776
Total	<u>\$ 4,702,930</u>	<u>\$ 596,256</u>	<u>\$ 903,975</u>	<u>\$ 1,500,231</u>	<u>\$ 6,203,161</u>

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
YEARS ENDED AUGUST 31, 2019 AND 2018**

2018				
Program Services	Support Services		Total Support Services	Total
	Administration	Fundraising		
\$ 2,169,687	\$ 370,461	\$ 439,153	\$ 809,614	\$ 2,979,301
179,079	26,363	32,908	59,271	238,350
366,921	47,184	65,170	112,354	479,275
<u>2,715,687</u>	<u>444,008</u>	<u>537,231</u>	<u>981,239</u>	<u>3,696,926</u>
291,738	7,814	15,518	23,332	315,070
404,381	11,308	7,506	18,814	423,195
46,052	-	-	-	46,052
82,910	2,349	5,245	7,594	90,504
154,630	66,167	50,453	116,620	271,250
112,120	12,659	22,674	35,333	147,453
24,876	15,828	13,364	29,192	54,068
4,451	4,675	1,635	6,310	10,761
40,407	567	692	1,259	41,666
49,110	3,873	9,799	13,672	62,782
23,000	-	-	-	23,000
74,720	-	-	-	74,720
69,236	18,733	15,448	34,181	103,417
31,259	7,235	12,888	20,123	51,382
19,154	-	-	-	19,154
2,730	324	5,062	5,386	8,116
4,146,461	595,540	697,515	1,293,055	5,439,516
711,629	4,998	2,082	7,080	718,709
4,858,090	600,538	699,597	1,300,135	6,158,225
18,721	-	-	-	18,721
4,876,811	600,538	699,597	1,300,135	6,176,946
-	-	271,741	271,741	271,741
<u>\$ 4,876,811</u>	<u>\$ 600,538</u>	<u>\$ 971,338</u>	<u>\$ 1,571,876</u>	<u>\$ 6,448,687</u>

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets - Operating	\$ (1,221,249)	\$ (1,417,929)
Adjustments to Reconcile Change in Operating Net Assets to Net Cash Used by Operating Activities:		
Net Nonoperating Activity	157,097	682,782
Depreciation	646,394	718,709
Amortization of Donated Building Lease	74,720	74,720
Donated Fixed Assets	-	(1,949)
Realized Gain on Investments	(131,292)	(158,644)
Unrealized Gain on Investments	253,008	(229,263)
Change in Cash Surrender Value of Life Insurance Policies	4,000	(15,700)
Change in Value of Remainder Trust Receivable	7,000	1,000
Change in Value of Community Foundation Assets	7,926	(6,739)
(Increase) Decrease in Current Assets:		
Receivables	(32,174)	50,666
Pledges and Grants Receivable	240,718	(164,687)
Prepaid Expenses and Other Current Assets	(2,524)	78,403
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(74,693)	(37,525)
Fiscal Agent Payable	(72,230)	23,988
Accrued Expenses	(26,987)	14,597
Deferred Revenue and Advances	(53,771)	155,721
Net Cash Used by Operating Activities	(224,057)	(231,850)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Marketable Securities	(1,933,593)	(1,087,063)
Sales of Marketable Securities	2,093,816	1,386,082
Purchase of Fixed Assets	(32,326)	(114,928)
Net Cash Provided by Investing Activities	127,897	184,091
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Notes Payable	-	(41,371)
Proceeds from Long-Term Debt	26,689	-
Contributions for Long-Term Purposes	-	-
Advances on Line of Credit	629,633	508,139
Payments on Line of Credit	(602,585)	(297,588)
Net Cash Provided by Financing Activities	53,737	169,180
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(42,423)	121,421
Cash and Cash Equivalents - Beginning of Year	776,282	654,861
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 733,859	\$ 776,282
SUPPLEMENTAL INFORMATION		
Donated Fixed Assets	\$ -	\$ 1,949
Cash Paid for Interest	\$ 56,400	\$ 54,068
Fixed Asset Additions Included in Accounts Payable	\$ -	\$ 130,000

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Activities

Boys and Girls Clubs of the Twin Cities (the Clubs) is a nonprofit organization which provides programs to build character for boys and girls, ages 6 through 18. These programs are provided through eight urban Twin Cities youth facilities and one camp facility located outside of the Twin Cities metropolitan area. Substantially all of the Clubs' activities are financed by public support.

Boys and Girls Club of the Twin Cities Foundation (the Foundation) was incorporated to, among other matters, advance, support, and promote the growth and development of the Clubs. In January 1986, the Clubs transferred all assets of the Living Memorial Endowment Fund and the Boys and Girls Clubs of Minneapolis Endowment Fund to the Foundation. In March 1998, the Clubs transferred \$98,113 to the Foundation to be used to fund scholarships. The Foundation has agreed to abide by all restrictions imposed by the donors as to the use of these funds and the related investment income.

The majority of members of the Foundation's board of directors are also members of the Clubs' board of directors. Because of this common control of the two entities, the accompanying financial statements present the balance sheet and activities of the Clubs and the Foundation on a consolidated basis.

The consolidated financial statements include the accounts of the Clubs and the Foundation (collectively referred to as the Organization). All significant transactions between the two entities have been eliminated.

Basis of Presentation

Net assets and revenues, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

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

The Organization has elected to present contributions with restrictions that are temporary in nature, which are fulfilled in the same time period, within the net asset without donor restrictions.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonoperating Income and Expense

Nonoperating income and expense includes the investment income of the Foundation, the change in value of community foundation funds, gain, or loss on disposal of assets, and capital campaign activities.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash deposits, receivables, and investments. The Organization maintains cash reserves and cash balances in one financial institution. At times, the amounts on deposit may exceed federally insured limits. With respect to investments, the Organization places its investments with one financial institution.

At August 31, 2019, approximately 29% of the pledges and grants receivable balance was attributed to two contributors. At August 31, 2018, approximately 30% of the pledges and grants receivable balance was attributed to two contributors.

Cash and Cash Equivalents

The Organization considers all highly liquid securities purchased with an original maturity of 90 days or less to be cash equivalents.

Accounts Receivable

Receivables are recorded at their net realizable value. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. An allowance is provided for accounts when a significant pattern of uncollectibility has occurred. No allowance for bad debts was recorded at August 31, 2019 and 2018.

Pledges and Grants Receivable

Pledges and grants that are expected to be collected within one year are recorded at their net realizable value. Grants and pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until such time as the conditions are substantially met. An allowance of \$3,285 has been recorded at August 31, 2019 and 2018.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Remainder Trust Receivable

Charitable remainder trusts are recognized as revenue with donor restrictions and as a receivable at the present value of the estimated future benefits to be received when the trust assets are distributed. Any changes in the value of the trust agreements will be reported as a change in the value of trust agreements. Two charitable remainder trusts have been recorded at present value of approximately \$85,000 and \$92,000 at August 31, 2019 and 2018, respectively. The trusts have been discounted using a rate of 7.25%.

Investments

The Organization carries its investments at market value and realized and unrealized gains and losses are reflected in the consolidated statements of activities. Mutual funds, real estate, and complementary strategies consist of equities mutual funds, real estate funds, and alternative funds carried at quoted market values. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets.

Capitalization Policy and Depreciation

The Organization capitalizes land, buildings, and equipment in excess of \$1,000 cost per item. Facilities that are leased for rent below market rate are recorded at fair value and are recorded in net assets with donor restrictions. Donated fixed assets are capitalized at their fair market value or appraised value. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as net assets without donor restrictions. Costs of current repairs and minor replacements are charged to expense as incurred.

The Organization provides for depreciation of buildings and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and Leasehold Improvements	15 to 30 Years
Donated Building Use and Land Leases	50 Years
Furniture and Equipment	5 to 10 Years
Software and IT Equipment	3 Years
Vehicles	4 Years

Deferred Revenue

Deferred revenue consists of sponsorships and ticket revenue received in advance of the events.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Grants and Contracts

Governmental grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Expenditures under governmental contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Contributions

Contributions, unconditional promises to give (pledges receivable), and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When these restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. It is the Organization's policy to record contributions received with donor restrictions and expended in the same accounting period in net assets without donor restrictions.

Donated Goods and Services

Donated goods and services are valued at their fair market value and are presented as revenue and offsetting program costs.

Functional Expenses

The costs of programs and supporting services have been summarized on a functional basis. Salaries and related benefits are allocated based on department and employee job descriptions as well as estimated time spent on each program. All other costs are either allocated on a direct basis or are allocated on management's best estimate of usage.

Income Tax Status

Both Organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. The Internal Revenue Service (IRS) determined the organizations are not private foundations. The Organizations are public charities and contributions to the organizations qualify as charitable tax deductions by the contributor.

The Organization follows guidance in the Accounting for Uncertainty in Income Taxes Standard. The Organization has no current obligation for unrelated business income tax.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

The Organization accounts for its investments at fair value. The Organization has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets recorded on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes long/short funds, private equity, venture capital, hedge fund, and real assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 12, 2019, the date the consolidated financial statements were available to be issued.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Management has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented which increased net assets without donor restrictions by \$539 and decreased net asset with donor restrictions by \$18,411 resulting from the reclassifications of underwater endowment funds as required under ASU 2016-14.

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NOTE 2 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consist of the following at August 31:

	2019		
	Clubs	Foundation	Total
Pledges and Grants Receivable Due			
Within One Year	\$ 653,447	\$ -	\$ 653,447
Pledges and Grants Receivable Due			
Within One to Five Years	20,000	-	20,000
Gross Pledges and Grants Receivable	673,447	-	673,447
Allowance for Uncollectible Pledges	(3,285)	-	(3,285)
Net Pledges and Grants Receivable	<u>\$ 670,162</u>	<u>\$ -</u>	<u>\$ 670,162</u>
	2018		
	Clubs	Foundation	Total
Pledges and Grants Receivable Due			
Within One Year	\$ 797,165	\$ -	\$ 797,165
Pledges and Grants Receivable Due			
Within One to Five Years	117,000	-	117,000
Gross Pledges and Grants Receivable	914,165	-	914,165
Allowance for Uncollectible Pledges	(3,285)	-	(3,285)
Net Pledges and Grants Receivable	<u>\$ 910,880</u>	<u>\$ -</u>	<u>\$ 910,880</u>

NOTE 3 INVESTMENTS

Investments consist of the following at August 31:

	2019		
	Clubs	Foundation	
		Cost	Market
Bonds and Bond Mutual Funds	\$ -	\$ 2,087,303	\$ 2,141,463
Mutual Funds - Equities	-	2,349,011	3,611,800
Real Estate Funds	-	228,698	258,216
Complementary Strategies	-	1,122,787	1,133,322
Total Investments	<u>\$ -</u>	<u>\$ 5,787,799</u>	<u>\$ 7,144,801</u>
	2018		
	Clubs	Foundation	
		Cost	Market
Bonds and Bond Mutual Funds	\$ -	\$ 2,000,540	\$ 1,938,271
Mutual Funds - Equities	-	2,480,465	4,069,148
Real Estate Funds	-	416,095	479,926
Complementary Strategies	-	919,630	939,395
Total Investments	<u>\$ -</u>	<u>\$ 5,816,730</u>	<u>\$ 7,426,740</u>

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NOTE 3 INVESTMENTS (CONTINUED)

Investment income consists of the following at August 31:

	2019		
	Clubs	Foundation	Total
Interest and Dividends	\$ 434	\$ 241,079	\$ 241,513
Realized Gains	-	131,292	131,292
Unrealized Losses	-	(253,008)	(253,008)
Gross Investment Income	434	119,363	119,797
Less: Investment Fees	-	(60,266)	(60,266)
Net Investment Income	<u>\$ 434</u>	<u>\$ 59,097</u>	<u>\$ 59,531</u>

	2018		
	Clubs	Foundation	Total
Interest and Dividends	\$ 830	\$ 169,913	\$ 170,743
Realized Gains	-	158,644	158,644
Unrealized Gains	-	229,263	229,263
Gross Investment Income	830	557,820	558,650
Less: Investment Fees	-	(59,104)	(59,104)
Net Investment Income	<u>\$ 830</u>	<u>\$ 498,716</u>	<u>\$ 499,546</u>

All investment income of the Clubs is included in operating income, and all investment income of the Foundation is included in nonoperating income.

NOTE 4 FIXED ASSETS

Fixed assets consist of the following at August 31:

	2019	2018
	Clubs	Clubs
Land and Improvements	\$ 626,131	\$ 626,131
Building and Leasehold Improvements	17,266,486	17,268,955
Construction in Progress	8,911	-
Donated Building Use and Land Lease	2,544,728	2,619,448
Furniture and Equipment	2,730,030	3,080,242
Subtotal	<u>23,176,286</u>	<u>23,594,776</u>
Accumulated Depreciation	<u>(12,248,455)</u>	<u>(11,978,157)</u>
Fixed Assets, Net	<u>\$ 10,927,831</u>	<u>\$ 11,616,619</u>

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NOTE 5 NOTES PAYABLE AND LINE OF CREDIT

The following schedule of notes payable reflects the current value of outstanding loans at August 31:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Note Payable - \$740,000 fixed interest at 4.05%. Monthly principal and interest payments of \$5,515 for 59 months and one balloon payment at time of maturity. Loan secured by property and equipment. Note matured on July 16, 2019.	<u>\$ -</u>	<u>\$ 581,342</u>
Note Payable - \$611,688 fixed interest at 4.35%. Monthly principal and interest payments of \$6,319 for 59 months and one balloon payment at time of maturity. Loan secured by property and equipment. Note matures on August 16, 2024.	<u>\$ 608,031</u>	<u>\$ -</u>

The future annual debt payments consist of the following:

<u>Year Ending August 31,</u>	<u>Amount</u>
2020	\$ 49,936
2021	52,255
2022	54,607
2023	57,065
2024	<u>394,168</u>
Total	<u>\$ 608,031</u>

The Organization entered into a business line of credit agreement with a limit of \$700,000. Effective July 11, 2019, this agreement was renewed and expires on January 31, 2020. Interest on the line of credit is the financial institution's index plus 1.00%, with an interest rate of no less than 5.5% (6% at August 31, 2019) and is secured by a mortgage on certain property. Outstanding balance was \$317,211 and \$140,103 at August 31, 2019 and 2018, respectively.

The Organization entered into a business line of credit with a limit of \$300,000. Effective February 1, 2018, this agreement was renewed and expired on July 10, 2019 when it was rolled into the \$700,000 line of credit. There was an outstanding balance of \$-0- and \$150,060 at August 31, 2019 and 2018, respectively.

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NOTE 6 LEASES

On August 1, 1993, the city of St. Paul and the Boys and Girls Clubs entered into a 30-year lease with the option to renew the lease for two successive terms of 10 years for land for the East Side Club. The yearly rental rate is \$1. The fair value of this land was appraised at \$1,130,000. The value of the land usage had been recorded at fair market value at the date of donation and is being amortized over the 50-year lease term. Accumulated amortization as of August 31, 2019 and 2018 was \$589,482 and \$566,882, respectively. Rent expense was \$22,600 for 2019 and 2018.

On June 1, 1996, the Organization entered into a lease with the city of St. Paul for land for the West Side Club. The lease is a 30-year lease with the option to renew for two successive terms of 10 years. The yearly rental rate is \$1. The fair value of the property had been appraised at \$606,000. The value of the land usage has been recorded at fair market value and is being amortized over the 50-year term. Accumulated amortization as of August 31, 2019 and 2018 was \$281,790 and \$269,670, respectively. Rent expense was \$12,120 for 2019 and 2018.

During the year ended August 31, 2012, the Organization entered into a lease with the city of St. Paul for the building for the Mount Airy Club and Administrative Center. The lease is a 30-year lease with the option to renew for two successive terms of 10 years. The yearly rental rate is \$1. The fair value of the property had been estimated at \$2,000,000. The value of the building usage had been reflected as in-kind revenue in 2012 at its fair market value and is being amortized over the 50-year lease term. Accumulated amortization as of August 31, 2019 and 2018 was \$320,000 and \$280,000, respectively. Rent expense was \$40,000 for 2019 and 2018.

On July 1, 2014, the Organization entered into a 10-year lease with the city of Minneapolis for the Phelps Park Building with an option to renew for two successive terms of five years each. The yearly rental rate is \$23,000 and can be adjusted every year based on the consumer price index. Rent expense was \$23,000 in 2019 and 2018.

The Organization also has several operating equipment leases. Minimum lease payments under space and equipment leases are as follows for the years ending August 31:

<u>Year Ending August 31,</u>	<u>Amount</u>
2020	\$ 54,456
2021	52,072
2022	50,008
2023	33,364
2024	27,384
Thereafter	424
Total	<u>\$ 217,708</u>

Lease Income

In July 2015, the Organization signed a sublease and started collecting rental payments from a tenant with a commitment signed through June 2021. Future rental lease payments are \$850 a month.

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NOTE 7 EMPLOYEE BENEFIT PLAN

The Clubs offer a tax-deferred annuity 403(b) plan to all eligible employees under which eligible employees may contribute 25% of their salary not to exceed annual IRS limitations. The Clubs match \$.50 for every \$1.00 of employee contributions up to 3% of the employees' salary. All employee contributions are fully vested. The Clubs' contributions vest 20% per year of eligible service after two years. Full vesting occurs after five years of eligible service. The pension expense was \$52,044 and \$41,426 for the years ended August 31, 2019 and 2018, respectively.

NOTE 8 NET ASSETS

Without Donor Restrictions – Board Designated

The board of directors have designated by board action \$208,393 and \$235,277 to be used for scholarships in 2019 and 2018, respectively.

The net assets without donor restrictions – board designated consists of the following scholarships:

	2019 Clubs	2018 Clubs
Boys and Girls Clubs Scholarships	\$ 85,543	\$ 74,809
Weinert Voyageur Scholarship	12,580	21,159
Lenzmeier Scholarships	52,653	54,053
Nigon Scholarship	4,795	4,795
BGCA Golf Scholarship	3,500	3,500
All Star HomeTeam Scholarships	49,322	76,961
Total	\$ 208,393	\$ 235,277

These funds were designated by the board to be used for post-secondary scholarships for Club members. Each year, members apply for the available scholarships and are awarded based on criteria set-up by the scholarship sponsor. The annual awards can be from \$500 to \$5,000.

Each year the funds are replenished by the sponsor based on the number of recipients each year.

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NOTE 8 NET ASSETS (CONTINUED)

With Donor Restrictions

Net assets with donor restrictions consist of the following donor restrictions:

	2019		
	Clubs	Foundation	Total
Subject to Expenditure for Specified Purpose or Period of Time:			
Donated Building Lease	\$ 2,544,728	\$ -	\$ 2,544,728
Donor Advisory Fund	-	7,131	7,131
Charitable Remainder Trust	85,000	-	85,000
Voyageur Camp Operations	135,272	-	135,272
Capital Campaign Contributions	39,292	-	39,292
Cash Surrender Value of Life Insurance	-	124,600	124,600
Other Time and Program Restrictions	377,426	-	377,426
Total	<u>3,181,718</u>	<u>131,731</u>	<u>3,313,449</u>
Subject to Foundation Endowment Spending Policy and Appropriation	-	350,244	350,244
Original Donor-Restricted Endowment Amount and Amounts Required to be Maintained in Perpetuity by Donor:			
Scholarship	5,580	-	5,580
Endowment Fund	-	7,233,021	7,233,021
Community Foundation (Note 13)	-	185,830	185,830
Total	<u>5,580</u>	<u>7,418,851</u>	<u>7,424,431</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 3,187,298</u>	 <u>\$ 7,900,826</u>	 <u>\$ 11,088,124</u>

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NOTE 8 NET ASSETS (CONTINUED)

With Donor Restrictions (Continued)

	2018		
	Clubs	Foundation	Total
Subject to Expenditure for Specified Purpose or Period of Time:			
Donated Building Lease	\$ 2,619,448	\$ -	\$ 2,619,448
Donor Advisory Fund	-	7,413	7,413
Charitable Remainder Trust	92,000	-	92,000
Voyageur Camp Operations	134,772	-	134,772
Capital Campaign Contributions	45,685	-	45,685
Cash Surrender Value of Life Insurance	-	128,600	128,600
Other Time and Program Restrictions	420,780	-	420,780
Total	<u>3,312,685</u>	<u>136,013</u>	<u>3,448,698</u>
Subject to Foundation Endowment Spending Policy and Appropriation:	-	666,226	666,226
Original Donor-Restricted Endowment Amount and Amounts Required to be Maintained in Perpetuity by Donor:			
Scholarship	5,580	-	5,580
Endowment Fund	-	7,233,041	7,233,041
Community Foundation (Note 13)	-	193,756	193,756
Total	<u>5,580</u>	<u>7,426,797</u>	<u>7,432,377</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 3,318,265</u>	 <u>\$ 8,229,036</u>	 <u>\$ 11,547,301</u>

Net Assets Released from Restrictions

Net assets were released from donor restriction by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2019		
	Clubs	Foundation	Total
Land Usage	\$ 74,720	\$ -	\$ 74,720
Other Time and Program Restrictions	271,605	368,481	640,086
Subtotal - Operating	346,325	368,481	714,806
Capital Campaign - Capital Expenditures	73	-	73
Total Releases	<u>\$ 346,398</u>	<u>\$ 368,481</u>	<u>\$ 714,879</u>
	2018		
	Clubs	Foundation	Total
Land Usage	\$ 74,720	\$ -	\$ 74,720
Other Time and Program Restrictions	166,802	371,538	538,340
Subtotal - Operating	241,522	371,538	613,060
Capital Campaign - Capital Expenditures	88,424	-	88,424
Total Releases	<u>\$ 329,946</u>	<u>\$ 371,538</u>	<u>\$ 701,484</u>

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NOTE 8 NET ASSETS (CONTINUED)

Changes in Net Assets

Changes in net assets consist of the following at August 31:

	2019		
	Clubs	Foundation	Total
Without Donor Restrictions	\$ (604,975)	\$ -	\$ (604,975)
With Donor Restrictions	(130,967)	(328,210)	(459,177)
Total	\$ (735,942)	\$ (328,210)	\$ (1,064,152)
	2018		
	Clubs	Foundation	Total
Without Donor Restrictions	\$ (767,152)	\$ 902	\$ (766,250)
With Donor Restrictions	(169,602)	200,705	31,103
Total	\$ (936,754)	\$ 201,607	\$ (735,147)

NOTE 9 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization values all other assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis at August 31:

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Bonds and Bond Mutual Funds	\$ 836,951	\$ 1,304,512	\$ -	\$ 2,141,463
Mutual Funds - Equities	3,611,800	-	-	3,611,800
Real Estate Securities	258,216	-	-	258,216
Complementary Strategies	1,133,322	-	-	1,133,322
Subtotal Investments	5,840,289	1,304,512	-	7,144,801
Community Foundation Funds	-	-	185,830	185,830
Remainder Trust Receivable	-	-	85,000	85,000
Total	\$ 5,840,289	\$ 1,304,512	\$ 270,830	\$ 7,415,631

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NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

	2018			Total
	Level 1	Level 2	Level 3	
Investments:				
Bonds and Bond Mutual Funds	\$ 602,363	\$ 1,335,908	\$ -	\$ 1,938,271
Mutual Funds - Equities	4,069,148	-	-	4,069,148
Real Estate Securities	479,926	-	-	479,926
Complementary Strategies	939,395	-	-	939,395
Subtotal Investments	6,090,832	1,335,908	-	7,426,740
Community Foundation Funds	-	-	193,756	193,756
Remainder Trust Receivable	-	-	92,000	92,000
Total	<u>\$ 6,090,832</u>	<u>\$ 1,335,908</u>	<u>\$ 285,756</u>	<u>\$ 7,712,496</u>

Level 3 Assets

The following tables provide summary of changes in fair value of the Organization's Level 3 financial assets for the years ended August 31:

	2019		
	Remainder Trust Receivable	Community Foundation Funds	Total
Balance - September 1, 2018	\$ 92,000	\$ 193,756	\$ 285,756
Investment Activity:			
Investment Income (Loss)	-	(1,154)	(1,154)
Interest and Dividends	-	3,240	3,240
Change in Value of Remainder Trust	(7,000)	-	(7,000)
Disbursements:			
Grants Paid	-	(7,423)	(7,423)
Administrative Fees	-	(1,655)	(1,655)
Investment Expenses	-	(934)	(934)
Balance - August 31, 2019	<u>\$ 85,000</u>	<u>\$ 185,830</u>	<u>\$ 270,830</u>

	2018		
	Remainder Trust Receivable	Community Foundation Funds	Total
Balance - September 1, 2017	\$ 93,000	\$ 187,017	\$ 280,017
Investment Activity:			
Investment Income	-	13,207	13,207
Interest and Dividends	-	3,209	3,209
Change in Value of Remainder Trust	(1,000)	-	(1,000)
Disbursements:			
Grants Paid	-	(7,261)	(7,261)
Administrative Fees	-	(1,587)	(1,587)
Investment Expenses	-	(829)	(829)
Balance - August 31, 2018	<u>\$ 92,000</u>	<u>\$ 193,756</u>	<u>\$ 285,756</u>

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NOTE 10 ENDOWMENTS

The Organization has donor-restricted endowment funds established for the purpose of securing the Organization's long-term financial viability and continuing to meet the operational needs of the Organization. As required by GAAP, net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors of both organizations have interpreted the state's 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, management of the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy called Balanced: Appreciation Biased. This strategy places a primary emphasis on potential capital appreciation through the use of a diversified selection of stocks and a very important secondary emphasis on current income through the use of bonds and stock dividends.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Clubs' programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to generate a total return which exceeds the annual payout to the Clubs plus reasonable expenses for custody and investment management plus the rate of inflation as measured by CPI over a market cycle.

Spending Policy

The spending policy of the Foundation was updated in April 2016 after the Foundation received a court order to consolidate all endowment funds into one fund and to adopt a spending policy for the new fund as a whole. The distribution value is now an amount equal to 5% of the fund's average of the fair market value of the fund of the preceding 12 quarters as of the close of June 30 each year. The fund's market value shall be based upon all assets in the fund including principal and retained earnings, and determined as of the last business day of the quarter.

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NOTE 10 ENDOWMENTS (CONTINUED)

Spending Policy (Continued)

This is consistent with the Organization's objective to generate a total return which exceeds the annual payout to the Clubs plus reasonable expenses for custody and investment management plus the rate of inflation as measured by CPI over a market cycle.

Changes in endowment net assets for the years ended August 31 were as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - September 1, 2018	\$ -	\$ 7,899,267	\$ 7,899,267
Investment Return:			
Investment Income	-	240,852	240,852
Net Realized and Unrealized Losses	-	(121,602)	(121,602)
Total Investment Return	-	119,250	119,250
Appropriations of Endowment Assets for Expenditure	-	(435,252)	(435,252)
Endowment Net Assets - August 31, 2019	<u>\$ -</u>	<u>\$ 7,583,265</u>	<u>\$ 7,583,265</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - September 1, 2017	\$ -	\$ 4,802,937	\$ 4,802,937
Investment Return:			
Investment Income	-	140,122	140,122
Net Realized and Unrealized Gains	-	315,982	315,982
Total Investment Return	-	456,104	456,104
Contributions	-	58,356	58,356
Appropriations of Endowment Assets for Expenditure	-	(283,394)	(283,394)
Reclassification of Donor Intent	-	2,865,264	2,865,264
Endowment Net Assets - August 31, 2018	<u>\$ -</u>	<u>\$ 7,899,267</u>	<u>\$ 7,899,267</u>

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restrictions were \$20,706 and \$18,411 as of August 31, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations in the endowment fund's investments and continued appropriations that were deemed prudent by the board of directors.

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NOTE 11 DONATED GOODS AND SERVICES

Donated materials and services have been valued at their estimated fair value. The value of donated materials and services included in the financial statements and the corresponding expenditures are as follows:

	2019		
	Clubs	Foundation	Total
In-Kind Revenue (Contributions):			
Donated Supplies and Tickets	\$ 47,579	\$ -	\$ 47,579
Donated Fixed Assets	-	-	-
Donated Services	15,125	-	15,125
Total	<u>\$ 62,704</u>	<u>\$ -</u>	<u>\$ 62,704</u>
In-Kind Expenses:			
Program Supplies and Tickets	\$ 47,579	\$ -	\$ 47,579
Rent (See Note 6)	74,720	-	74,720
Donated Services	15,125	-	15,125
Total	<u>\$ 137,424</u>	<u>\$ -</u>	<u>\$ 137,424</u>
	2018		
	Clubs	Foundation	Total
In-Kind Revenue (Contributions):			
Donated Supplies and Tickets	\$ 46,052	\$ -	\$ 46,052
Donated Fixed Assets	1,949	-	1,949
Total	<u>\$ 48,001</u>	<u>\$ -</u>	<u>\$ 48,001</u>
In-Kind Expenses:			
Program Supplies and Tickets	\$ 46,052	\$ -	\$ 46,052
Rent (See Note 6)	74,720	-	74,720
Total	<u>\$ 120,772</u>	<u>\$ -</u>	<u>\$ 120,772</u>

NOTE 12 RELATED PARTIES

The Clubs are required to pay dues to the Boys and Girls Clubs of America. The dues for 2019 and 2018 were \$17,893 and \$16,788, respectively. The Clubs also received \$192,500 and \$220,898 of grants from the National organization in 2019 and 2018, respectively. The Clubs also paid dues to the Boys and Girls Clubs of Minnesota Alliance of \$29,574 and \$24,890 in 2019 and 2018, respectively.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

NOTE 12 RELATED PARTIES (CONTINUED)

In 2010, the Boys and Girls Clubs of Minnesota Alliance received a \$1.0875 million two-year grant from the state of Minnesota for workforce development which is renewed every two years. The Clubs are serving as administrator of the grant for the Alliance and are responsible for disbursing funds to the Alliance members as expenses are incurred. The Clubs received \$11,875 and \$35,625 for 2019 and 2018, respectively, from the Alliance as reimbursement for administering the grant to all of the Clubs.

At August 31, 2019 and 2018, pledges totaling \$99,934 and \$241,450, respectively, were outstanding from board members of the Organization.

NOTE 13 COMMUNITY FOUNDATION FUNDS

The St. Paul Foundation holds and administers funds totaling \$1,279,781 and \$1,315,914 for the years ended August 31, 2019 and 2018, respectively, of donor advised contributions from individuals to the St. Paul Foundation for the benefit of the Boys and Girls Clubs of the Twin Cities. The Organization's agreement with the Foundation requires that the principal be maintained in four separate advised funds with the income available for distribution to Boys and Girls Clubs of the Twin Cities subject to the St. Paul Foundation's Board of Trustees approval and subject to their "variance powers" to redirect such gifts.

The four funds held assets as of August 31 as follows:

	2019	2018
Camping Scholarships	\$ 136,268	\$ 142,106
Endowment Fund	773,655	788,139
Facilities Maintenance Fund	184,029	191,913
Subtotal St. Paul Foundation Net Asset	1,093,952	1,122,158
Endowment Fund - Foundation Net Assets	185,829	193,756
Total Held by St. Paul Foundation	\$ 1,279,781	\$ 1,315,914

The four donor advised funds were set up at the St. Paul Foundation for the following purposes:

- Camping – designated for camp scholarships
- Endowment – designated for general support
- Facilities – designated for on-going maintenance at the Club's facilities
- Endowment – Foundation Net Assets – designated for general support

The amount received each year from the funds are based on the spending rate determined by the St. Paul Foundation based on their spending policy. To stabilize the annual distribution amount, the annual spending rate will not be less than 4.25% or more than 5.5% of a fund's current market rate. The amount distributed each year is calculated in the first quarter of each year with December 31 of the previous year as the last measurement point.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018**

NOTE 13 COMMUNITY FOUNDATION FUNDS (CONTINUED)

The portion of the Endowment fund recorded as net assets by the Foundation represents the amount contributed by the Foundation to St. Paul Foundation for its own benefit. Total contributions received from the St. Paul Foundation for the years ended August 31, 2019 and 2018 was \$51,126 and \$49,977, respectively.

NOTE 14 LIQUIDITY AND AVAILABILITY

Based on the analysis of its revenue cycle and according to its financial policies, the Clubs' goal is to maintain a minimum operating reserve of 30 days, with the value calculated as no less than one twelfth of the budgeted annual operating expenses.

Operating Reserve Required per Policy - 30 days

Budgeted Annual Operating Expenses FY2019	<u>\$ 5,273,035</u>
One Twelfth of the Budgeted Operating Expenses FY2019	<u>\$ 439,420</u>

The reserve itself consists of those assets without restrictions: cash, receivables, and pledges and grants receivable. The portion of assets with donor restrictions included in the reserve is an estimate of funds likely to be released from restrictions within one year.

	<u>Clubs</u>	<u>Foundation</u>
Cash	\$ -	\$ 371,717
Receivables	71,053	-
Pledges and Grants Receivable	653,447	-
Transfer to/(from) BGCTC Foundation	371,717	(371,717)
Less: Amounts Unavailable for General Expenditures within One Year Due to Donor-Imposed Time or Purpose Restrictions	(40,000)	-
Total	<u>\$ 1,056,217</u>	<u>\$ -</u>

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATING BALANCE SHEET
AUGUST 31, 2019
(SEE INDEPENDENT AUDTIORS' REPORT)**

	Clubs	Foundation	Consolidated Total
ASSETS			
Cash and Cash Equivalents	\$ 288,248	\$ 445,611	\$ 733,859
Receivables	71,053	-	71,053
Pledges and Grants Receivable	670,162	-	670,162
Remainder Trust Receivable	85,000	-	85,000
Prepaid Expenses	61,926	-	61,926
Investments	-	7,144,801	7,144,801
Cash Surrender Value of Life Insurance Policies	-	124,600	124,600
Community Foundation Funds	-	185,830	185,830
Fixed Assets, Net of Accumulated Depreciation of \$12,248,455	10,927,831	-	10,927,831
Total Assets	\$ 12,104,220	\$ 7,900,842	\$ 20,005,062
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable	\$ 154,506	\$ -	\$ 154,506
Fiscal Agent Payable	179,653	-	179,653
Accrued Expenses	206,149	-	206,149
Deferred Revenue	260,750	-	260,750
Lines of Credit	317,211	-	317,211
Notes Payable	608,031	-	608,031
Total Liabilities	1,726,300	-	1,726,300
NET ASSETS			
Without Donor Restrictions:			
Undesignated	6,982,229	16	6,982,245
Board Designated	208,393	-	208,393
Subtotal - Without Donor Restrictions	7,190,622	16	7,190,638
With Donor Restrictions	3,187,298	7,900,826	11,088,124
Total Net Assets	10,377,920	7,900,842	18,278,762
Total Liabilities and Net Assets	\$ 12,104,220	\$ 7,900,842	\$ 20,005,062

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	Clubs		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING - REVENUE, GAINS, AND OTHER SUPPORT			
Contributions, Including In-Kind Contributions of \$62,704	\$ 2,402,985	\$ 44,820	\$ 2,447,805
Special Events, Net of Expenses of \$298,776	997,222	-	997,222
Grants and Contracts	954,935	83,761	1,038,696
Program Fees	131,948	5,500	137,448
Change in Value of Split-Interest Agreements	-	(7,000)	(7,000)
Rental Income	20,555	850	21,405
Other Income	434	-	434
Net Assets Released from Restrictions - Operating	<u>346,325</u>	<u>(346,325)</u>	<u>-</u>
Total Operating - Revenue, Gains, and Other Support	4,854,404	(218,394)	4,636,010
EXPENSES			
Program Services	4,702,930	-	4,702,930
Support Services:			
Administration	589,356	-	589,356
Fundraising	<u>605,199</u>	<u>-</u>	<u>605,199</u>
Total Support Services	<u>1,194,555</u>	<u>-</u>	<u>1,194,555</u>
Total Expenses	<u>5,897,485</u>	<u>-</u>	<u>5,897,485</u>
CHANGE IN NET ASSETS OPERATING	(1,043,081)	(218,394)	(1,261,475)
NONOPERATING REVENUE (EXPENSE)			
Change in Value of Community Foundation	-	-	-
Capital Grants for Clubs	18,426	80,000	98,426
Capital Government Grants for Clubs	-	7,500	7,500
Investment Income	-	-	-
Net Assets Released from Restrictions - Capital	<u>73</u>	<u>(73)</u>	<u>-</u>
Change in Net Assets Nonoperating	<u>18,499</u>	<u>87,427</u>	<u>105,926</u>
NET ASSETS CHANGE PRIOR TO OTHER CHANGES	(1,024,582)	(130,967)	(1,155,549)
OTHER CHANGES IN NET ASSETS			
Transfers (to) from Clubs/Foundation	419,607	-	419,607
CHANGE IN NET ASSETS	(604,975)	(130,967)	(735,942)
Net Assets - Beginning of Year	<u>7,795,597</u>	<u>3,318,265</u>	<u>11,113,862</u>
NET ASSETS - END OF YEAR	<u>\$ 7,190,622</u>	<u>\$ 3,187,298</u>	<u>\$ 10,377,920</u>

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION (CONTINUED)
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019
(SEE INDEPENDENT AUDTIORS' REPORT)**

Foundation				2019 Consolidated Total
Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	
\$ 51,126	\$ -	\$ 51,126	\$ -	\$ 2,498,931
-	-	-	-	997,222
-	-	-	-	1,038,696
-	-	-	-	137,448
-	(4,000)	(4,000)	-	(11,000)
-	-	-	-	21,405
-	-	-	-	434
<u>368,481</u>	<u>(368,481)</u>	<u>-</u>	<u>-</u>	<u>-</u>
419,607	(372,481)	47,126	-	4,683,136
-	-	-	-	4,702,930
-	6,900	6,900	-	596,256
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>605,199</u>
<u>-</u>	<u>6,900</u>	<u>6,900</u>	<u>-</u>	<u>1,201,455</u>
<u>-</u>	<u>6,900</u>	<u>6,900</u>	<u>-</u>	<u>5,904,385</u>
419,607	(379,381)	40,226	-	(1,221,249)
-	(7,926)	(7,926)	-	(7,926)
-	-	-	-	98,426
-	-	-	-	7,500
-	59,097	59,097	-	59,097
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>51,171</u>	<u>51,171</u>	<u>-</u>	<u>157,097</u>
419,607	(328,210)	91,397	-	(1,064,152)
(419,607)	-	(419,607)	-	-
-	(328,210)	(328,210)	-	(1,064,152)
<u>16</u>	<u>8,229,036</u>	<u>8,229,052</u>	<u>-</u>	<u>19,342,914</u>
<u>\$ 16</u>	<u>\$ 7,900,826</u>	<u>\$ 7,900,842</u>	<u>\$ -</u>	<u>\$ 18,278,762</u>