

GREAT FUTURES START **HERE.**



BOYS & GIRLS CLUB
OF DANE COUNTY

**BOYS AND GIRLS CLUB
OF DANE COUNTY, INC.**

FINANCIAL STATEMENTS

June 30, 2019 and 2018

CONTENTS

Independent Auditor's Report	1
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	10

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys and Girls Club of Dane County, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of Boys and Girls Club of Dane County, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Club of Dane County, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Boys and Girls Club of Dane County, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 14, 2019

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash	\$ 311,545	\$ 996,807
Certificates of deposit	-	251,373
Restricted cash for student scholarships	5,474	4,878
Grants receivable	112,259	268,605
Other receivables	38,641	25,826
Unconditional promises to give, net	1,011,645	973,556
Prepaid expenses	17,995	57,746
Deferred leasehold incentive	-	33,467
Property and equipment, net	5,030,631	3,624,762
Beneficial interest in charitable lead annuity trust	845,082	-
Beneficial interest in assets held by Madison Community Foundation	312,074	288,026
Total assets	\$ 7,685,346	\$ 6,525,046
LIABILITIES		
Accounts payable	\$ 168,388	\$ 129,754
Accrued payroll and taxes	119,168	274,790
Interest payable	3,598	-
Promises to give payable	71,974	84,293
Deferred revenue	1,500	-
Funds held for others	133,012	91,148
Notes payable, net	960,820	45,388
Deferred loans	655,261	655,261
Total liabilities	2,113,721	1,280,634
NET ASSETS		
Without donor restrictions	3,815,068	4,045,498
With donor restrictions	1,756,557	1,198,914
Total net assets	5,571,625	5,244,412
Total liabilities and net assets	\$ 7,685,346	\$ 6,525,046

See accompanying notes.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 595,065	\$ 3,294,562	\$ 3,889,627
Fundraising events	666,863	-	666,863
Government grants	1,049,731	-	1,049,731
Fees	463,330	-	463,330
Change in beneficial interest in assets held by Madison Community Foundation	20,285	-	20,285
Interest income	2,166	-	2,166
Miscellaneous income	15,926	-	15,926
Total revenues	2,813,366	3,294,562	6,107,928
EXPENSES AND LOSSES			
Program services			
Taft location	870,265	-	870,265
Allied location	964,456	-	964,456
TOPS	1,412,479	-	1,412,479
College clubs	274,154	-	274,154
Regional clubs	417,416	-	417,416
Supporting activities			
Management and general	914,050	-	914,050
Fundraising	901,608	-	901,608
Total expenses	5,754,428	-	5,754,428
Change in net assets before loss from discontinued operations	(2,941,062)	3,294,562	353,500
Loss from discontinued operations	26,287	-	26,287
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	2,515,030	(2,515,030)	-
Expiration of time restrictions	221,889	(221,889)	-
Total net assets released from restrictions	2,736,919	(2,736,919)	-
Change in net assets	(230,430)	557,643	327,213
Net assets at beginning of year	4,045,498	1,198,914	5,244,412
Net assets at end of year	\$ 3,815,068	\$ 1,756,557	\$ 5,571,625

See accompanying notes.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 1,077,753	\$ 2,531,948	\$ 3,609,701
Fundraising events	793,955	-	793,955
Government grants	561,331	-	561,331
Fees	450,875	-	450,875
Change in beneficial interest in assets held by Madison Community Foundation	23,594	-	23,594
Interest income	2,815	-	2,815
Miscellaneous income	5,509	-	5,509
Total revenues	2,915,832	2,531,948	5,447,780
EXPENSES			
Program services			
Taft location	812,534	-	812,534
Allied location	887,455	-	887,455
TOPS	1,482,737	-	1,482,737
College clubs	233,586	-	233,586
Regional clubs	145,172	-	145,172
Supporting activities			
Management and general	703,444	-	703,444
Fundraising	883,318	-	883,318
Total expenses	5,148,246	-	5,148,246
Change in net assets before changes related to acquisitions of regional clubs	(2,232,414)	2,531,948	299,534
Excess of assets required over liabilities assumed in donation of regional club	53,492	-	53,492
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	2,029,534	(2,029,534)	-
Expiration of time restrictions	18,500	(18,500)	-
Total net assets released from restrictions	2,048,034	(2,048,034)	-
Change in net assets	(130,888)	483,914	353,026
Net assets at beginning of year	4,176,386	715,000	4,891,386
Net assets at end of year	\$ 4,045,498	\$ 1,198,914	\$ 5,244,412

See accompanying notes.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services					Supporting Activities		Total Expenses
	Taft Location	Allied Location	TOPS	College Clubs	Regional Clubs	Management and General	Fundraising	
Personnel	\$ 503,070	\$ 592,831	\$ 982,734	\$ 187,871	\$ 299,883	\$ 532,775	\$ 459,046	\$ 3,558,210
Supplies	85,361	52,921	150,994	30,053	32,401	11,077	145,687	508,494
Professional fees	24,154	37,347	166,544	49,342	14,937	153,170	74,285	519,779
Occupancy	44,266	60,923	27,227	1,735	9,246	43,412	66,450	253,259
Equipment and maintenance	68,552	65,210	6,534	286	6,139	328	7,707	154,756
Marketing	980	-	-	19	9,680	-	124,916	135,595
Conferences	92	96	12,108	264	716	13,381	904	27,561
Scholarships and contributions	-	28,051	35,918	-	-	-	-	63,969
Depreciation	97,554	80,437	-	-	3,918	32,006	-	213,915
Insurance	5,471	6,197	19,097	2,676	5,915	40,077	12,426	91,859
Travel	13,819	15,288	10,787	1,736	4,024	2,308	7,497	55,459
Dues and subscriptions	2,595	2,605	-	-	1,641	32,455	1,053	40,349
Food and beverages	22,617	22,054	-	-	1,968	-	1,500	48,139
Other	1,278	-	-	-	-	14,518	-	15,796
Bad debt expense	-	-	-	-	-	37,807	-	37,807
Interest	456	496	536	172	26,948	736	137	29,481
Total expenses	\$ 870,265	\$ 964,456	\$ 1,412,479	\$ 274,154	\$ 417,416	\$ 914,050	\$ 901,608	\$ 5,754,428

See accompanying notes.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program Services					Supporting Activities		Total Expenses
	Taft Location	Allied Location	TOPS	College Clubs	Regional Clubs	Management and General	Fundraising	
Personnel	\$ 480,841	\$ 571,479	\$ 994,098	\$ 159,332	\$ 110,210	\$ 433,611	\$ 358,779	\$ 3,108,350
Supplies	46,972	53,982	198,579	51,742	11,617	19,985	334,450	717,327
Professional fees	67,968	27,156	154,493	12,937	9,876	103,568	50,408	426,406
Occupancy	45,124	47,636	33,007	1,618	5,180	37,378	19,879	189,822
Equipment and maintenance	47,384	45,198	4,885	-	543	573	1,819	100,402
Marketing	51	-	-	-	367	-	98,074	98,492
Conferences	363	74	5,759	-	548	20,691	5,576	33,011
Scholarships and contributions	-	29,321	64,652	-	-	-	-	93,973
Depreciation	85,930	77,647	-	-	-	25,132	-	188,709
Insurance	8,051	7,580	20,624	6,174	2,350	19,390	8,231	72,400
Travel	12,003	14,645	5,846	702	1,979	2,418	5,874	43,467
Dues and subscriptions	-	-	-	-	119	23,185	-	23,304
Food and beverages	17,246	11,945	-	935	2,328	-	-	32,454
Other	160	-	-	-	-	17,513	103	17,776
Interest	441	792	794	146	55	-	125	2,353
Total expenses	\$ 812,534	\$ 887,455	\$ 1,482,737	\$ 233,586	\$ 145,172	\$ 703,444	\$ 883,318	\$ 5,148,246

See accompanying notes.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 327,213	\$ 353,026
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	213,915	188,709
Donated property and equipment	(97,833)	-
Loss on discontinued operations	26,286	-
Loss on disposal of assets	1,278	-
Amortization of discount on unconditional promises to give	(10,439)	17,460
Amortization of deferred leasehold incentive	33,467	-
Discount on notes payable	(34,770)	-
Contributions received in donation of regional clubs	-	(53,492)
Change in value of assets held at Madison Community Foundation	(20,285)	(23,594)
(Increase) decrease in assets		
Restricted cash for student scholarships	(596)	8,533
Grants receivable	156,346	(14,203)
Other receivables	(6,440)	(6,877)
Unconditional promises to give	(27,650)	(142,541)
Prepaid expenses	39,751	(52,345)
Deferred leasehold incentive	-	(33,467)
Beneficial interest in charitable lead annuity trust	(845,082)	-
Increase (decrease) in liabilities		
Accounts payable	38,634	6,935
Accrued payroll and taxes	(155,622)	(41,083)
Interest payable	3,598	-
Promises to give payable	(12,319)	(22,024)
Deferred revenue	1,500	-
Funds held for others	41,864	83,222
Net cash flows from operating activities	(327,184)	268,259
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from certificates of deposit	251,373	-
Purchases of property and equipment	(743,229)	(47,736)
Additions to beneficial interest in assets held by Madison Community Foundation	(13,500)	(14,000)
Distributions from beneficial interest in assets held by Madison Community Foundation	9,737	9,278
Interest retained in certificates of deposit	-	(377)
Cash received from acquisition of regional clubs, net of liabilities assumed	-	53,492
Cash paid on discontinued operations	(32,662)	-
Net cash flows from investing activities	(528,281)	657

See accompanying notes.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on notes payable	190,000	-
Payments on note payable	(13,027)	(13,043)
Proceeds from contributions for investment in property and equipment	-	-
Payments for debt issuance costs	(6,771)	-
Net cash flows from financing activities	170,202	(13,043)
Net change in cash	(685,263)	255,873
Cash at beginning of year	996,807	740,934
Cash at end of year	\$ 311,545	\$ 996,807
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 25,883	\$ 2,354
Noncash investing and financing transactions		
Acquisition of equipment with accounts payable	-	17,536
Acquisition of property		
Cost of property	\$ 1,225,000	\$ -
Notes payable	(780,000)	-
Cash payment for property	\$ 445,000	\$ -
Acquisition of regional clubs		
Fair value of assets acquired	\$ -	\$ 62,132
Liabilities assumed	-	(8,640)
Contributions received in acquisition of regional clubs	\$ -	\$ 53,492

See accompanying notes.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

Boys and Girls Club of Dane County, Inc. (Club), located in Madison, Wisconsin, is an affiliate of Boys and Girls Clubs of America. The Club's mission is to inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible, and caring citizens. The Club's primary funding sources are grants from the Burke Foundation, Inc., Ascendium, City of Madison, United Way of Dane County, State of Wisconsin Department of Children and Families, and contributions from the general public. The following summary of significant accounting policies is presented to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Receivables

The Club considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Contributions

All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Government Grants

Certain programs are funded by service contracts with various government agencies. Revenue from these contracts is based upon the actual cost of providing such services up to the maximum amount specified in the contracts. Costs allocated to these programs are in accordance with established procedures and are subject to audit by the government agency contracted to fund

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

such programs. No determination has been made regarding the effect, if any; such audit could have on the financial statements.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. All donor-restricted property and equipment are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Services and Facilities

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Club. Volunteers also provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met.

Donated facilities are recorded at fair value at the date of donation.

Expense Allocation

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, professional fees, supplies, occupancy, marketing, conferences, travel, and insurance, which are allocated on a time and effort estimate basis.

The following program services and supporting activities are included in the accompanying financial statements:

Taft Location—provides health and life skills, character and leadership development, arts and cultural enrichment, education and career development, sports and recreation, and various general programs and the operation of facilities for community events and activities by working with children from elementary school age through high school age at their Taft Location.

Allied Location—provides health and life skills, character and leadership development, arts and cultural enrichment, education and career development, sports and recreation, and various general programs and the operation of facilities for community events and activities by working with children from elementary school age through high school age at their Allied Location.

Teens of Promise (TOPS)—provides services to high school students to prepare them for college and to make it more affordable.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

College Clubs—provides college prep services for 1st through 12th grade students that is built on a foundation of academic monitoring, tutoring and case management.

Regional Clubs—provides various enrichment programs in Walworth County, Fort Atkinson, and Sun Prairie by working with children from elementary school age through middle school age. Fort Atkinson was discontinued during the year (as further discussed in Note 13).

Management and general—provides the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Club's program strategy through the office of the president; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of the Club; and manage the financial and budgetary responsibilities of the Club.

Fundraising—provides the structure necessary to encourage and secure private financial support individuals, foundations, and corporations.

Adoption of New Accounting Pronouncement

The Club adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. This 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. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Income Tax Status

The Club is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Date of Management's Review

Management has evaluated subsequent events through November 14, 2019, the date which the financial statements were available to be issued.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Club maintains its cash balances in seven financial institutions located in Madison, Wisconsin and one financial institution in Delavan, Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019 and 2018, the Club’s uninsured cash balances total \$51,567 and \$239,805, respectively.

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give are as follows:

	2019	2018
Receivable in less than one year	\$ 806,442	\$ 631,646
Receivable in one to five years	213,381	360,528
Total unconditional promises to give	1,019,823	992,174
Less discounts at 5.33% to net present value	(8,178)	(18,618)
Unconditional promises to give, net	\$ 1,011,645	\$ 973,556

Unconditional promises to give include the value of facilities donated in connection with a long-term lease (see note 15). The fair value of the future facilities to be received was based on the fair value at the date of initial recognition.

Conditional promises to give are as follows:

	2019	2018
Fund Teens of Promise (TOPS) program	\$ 621,980	\$ 400,000
Matching grant from Burke Foundation for TOPS program	1,800,000	700,000
Fund programs based on membership goals	60,000	70,000
	\$ 2,481,980	\$ 1,170,000

NOTE 4 – DEFERRED LEASEHOLD INCENTIVE

In February 2018, the Club entered into a one year agreement with Madison Dental Initiative for space to operate a dental clinic. The Club provided the space free of charge and incurred buildout costs of \$57,372 during the year ended June 30, 2018, which was amortized over the agreement and recognized as program service expense in the statements of activities. Fair value was estimated at \$9,285 per year based on the Madison Metro area rental rate per square foot.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018
Land	\$ 500,117	\$ 273,200
Buildings and improvements	5,349,241	4,172,897
Leasehold improvements	9,297	6,967
Equipment	768,214	892,748
Vehicles	274,662	274,662
Construction in progress	76,071	-
Property and equipment	6,977,602	5,620,474
Less accumulated depreciation	1,946,971	1,995,712
Property and equipment, net	<u>\$ 5,030,631</u>	<u>\$ 3,624,762</u>

NOTE 6 – ENDOWMENT

At June 30, 2019 and 2018, the Club's board of directors has designated \$312,074 and \$288,026, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of Club. Since those amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restrictions.

The Club established a fund at Madison Community Foundation (Foundation) to invest its endowment assets. The agreement between the Club and the Foundation states that the transfer of assets is irrevocable and that the transferred assets will not be returned to the Club. However, the Foundation will make annual distributions of the income earned on the fund subject to the Foundation's spending policy. The agreement also grants variance power to the Foundation, which permits the Foundation to substitute another beneficiary in place of the Club if the Club ceases to exist or if the Foundation's board of governors votes that support of the Club either is no longer necessary or is inconsistent with the needs of the community.

The Foundation's primary investment goal is to deliver long-term investment returns sufficient to cover both spending and inflation to preserve the purchasing power of the investment portfolio. The Foundation seeks to achieve this goal through cost-effective implementation at an appropriate level of risk, diversification of asset classes and strategies to provide consistent returns, capital preservation in down market cycles to provide stability in spending support, and long-term capital appreciation through the incorporation of risk-based assets, including nonmarketable, illiquid alternatives.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 6 – ENDOWMENT (continued)

Composition of and changes in endowment net assets are as follows:

	2019	2018
Board-designated endowment net assets at beginning of year	\$ 288,026	\$ 259,710
Contributions	13,500	14,000
Distributions	(9,737)	(9,278)
Change in value of beneficial interest	20,285	23,594
Board-designated endowment net assets at end of year	\$ 312,074	\$ 288,026

NOTE 7 – CHARITABLE LEAD ANNUITY TRUST

During 2019, a donor established a trust with a local bank naming the Club one of twenty eligible charitable organizations of a charitable lead annuity trust. Under terms of the split-interest agreement, the Club is to receive a one-time distribution of \$42,727 and \$95,613 annually for the next 10 years for its unrestricted use. The present value of the estimated future payments expected to be received by the Club at June 30, 2019 of \$845,082 is calculated using a discount rate of 2.8%, which was reported in 2019 as a contribution with donor restrictions and a beneficial interest in charitable lead annuity trust.

NOTE 8 – COMPONENT FUND AT FOUNDATION

The Foundation, as a charitable trust, serves the mutual interests of Dane County and those individuals and organizations who wish to enhance the quality of life in the community through charitable giving. Donors establish component funds and, when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the funds. However, donors also grant the Foundation variance power that allows it to modify the donors' stipulations under certain circumstances as it monitors the changing needs of the community. Therefore, these funds are not included in the Club's financial statements. The Club received distributions totaling \$4,642 and \$9,604 during the years ended June 30, 2019 and 2018, respectively. The value of the component fund at the Foundation held for the benefit of the Club totals \$120,617 and \$117,118, respectively at June 30, 2019 and 2018.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 9 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

Assets at Fair Value as of June 30, 2019		
	Fair Value	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by Madison Community Foundation	\$ 312,074	\$ 312,074
Beneficial interest in a charitable lead annuity trust	845,082	845,082
Total	\$ 1,157,156	\$ 1,157,156
Assets at Fair Value as of June 30, 2018		
	Fair Value	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by Madison Community Foundation	\$ 288,026	\$ 288,026

The Club's beneficial interest in assets held by the Foundation represents an agreement between the Club and the Foundation in which the Club transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is based on the fair value of the underlying assets as reported to the Club by the Foundation. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Fair value for the beneficial interest in charitable lead annuity trust is based on the present value of the estimated future payments using an appropriate risk-adjusted discount rate. The Club remeasures the fair value of its beneficial interest in the charitable lead annuity trust annually and adjusts the measurement inputs based on statements received from the trustee, market conditions, and other relevant data.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 9 – FAIR VALUE MEASUREMENTS (continued)

The following table presents a reconciliation from the beginning balance to the ending balance of assets measured at fair value on a recurring basis using significant unobservable:

	Beneficial interest in assets held at Madison Community Foundation	Beneficial interest in charitable lead annuity trust
Balance as of July 1, 2017	\$ 259,710	\$ -
Change in value of beneficial interest	23,594	-
Additions	14,000	-
Distributions	<u>(9,278)</u>	<u>-</u>
Balance as of June 30, 2018	288,026	-
Change in value of beneficial interest	20,285	-
Additions	13,500	845,082
Distributions	<u>(9,737)</u>	<u>-</u>
Balance as of June 30, 2019	<u>\$ 312,074</u>	<u>\$ 845,082</u>

NOTE 10 – PROMISES TO GIVE PAYABLE

Promises to give payable at June 30, 2019 and 2018 consists of scholarships payable of \$71,974 and \$78,877, respectively and promises to give payable of \$0 and \$5,416, respectively.

Future minimum payments for the years ending June 30:

2020	\$ 20,846
2021	20,846
2022	20,846
2023	<u>9,437</u>
Total	<u>\$ 71,974</u>

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 11 – NOTES PAYABLE

The Club's obligations under notes payable consists of the following:

	2019	2018
5% note payable, due in monthly installments of \$1,290, including interest, through August 16, 2021, secured by the vehicles.	\$ 31,877	\$ 45,388
Commercial-revolving draw arrangement with an area bank, with interest at the prime rate (not less than 5%), through August 8, 2024. The revolving draw limit is \$100,000.	40,000	-
6.15% note payable, due in monthly installments of \$5,696 beginning in February 2020, including interest with a balloon payment of \$642,937 due on maturity date January 4, 2026, secured by the property.	780,000	-
0% note payable, due in full on March 5, 2024, secured by assignment of rents and all equipment, fixtures, and inventory.	150,000	-
Notes payable	1,001,877	45,388
Less discount	(34,770)	-
Less unamortized debt issuance costs	(6,287)	-
Notes payable, net	\$ 960,820	\$ 45,388

The future scheduled maturities of notes payable are as follows for the years ending June 30:

2020	\$ 22,546
2021	35,870
2022	24,748
2023	23,576
2024	174,970
Thereafter	720,167
Total	\$ 1,001,877

The interest-free note has been discounted to reflect the Club's incremental borrowing rate of 5.5%. The discount has been recorded as a contribution with donor restrictions in the statements of activities. Amortization of the discount is reported as interest expense in the statements of functional expenses.

Amortization of the debt issuance costs is reported as interest expense in the statements of functional expenses.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 12 – DEFERRED LOANS

The Club assumed a deferred loan of \$161,811 from the City of Madison (CDBG) on December 31, 1998. In 2008, the Club received a deferred loan of \$45,000. The loans are secured by real estate occupied by the Club at 2001 Taft Street. Upon transfer of property, sale of property, or discontinuance of permitted use, the amount due to the City of Madison is the greater of \$206,811 or 35.66% of the fair value of the property.

In January 2006, the Club received a deferred loan of \$448,450 from the City of Madison (CDBG). The loan is secured by real estate occupied by the Club at 4619 Jenewein Road (Allied location). Upon transfer of property, sale of property, or discontinuance of permitted use, the amount due to the City of Madison is the greater of \$448,450 or 14.37% of the fair value of the property.

NOTE 13 – DISCONTINUED OPERATIONS

On October 15, 2018 the Fort Atkinson Club dissolved from the Club in response to management and compliance issues. Assets of \$39,035 were written off resulting in a loss of \$26,286 on the statements of activities. Total operating cash flows of the discontinued operations for the year ended June 30, 2019 were \$54,838 and financing outflows for that period of \$32,662.

NOTE 14 – DONATED SERVICES

Donated services included as contributions in the statements of activities and the expenses included in the statements of functional expenses are as follows:

	2019					
	Total	Taft Location	Allied Location	Regional Clubs	Fundraising	Management and General
Equipment and maintenance	\$ 26,655	\$ 12,000	\$ 13,155	\$ 1,500	\$ -	\$ -
Professional fees	1,525	-	-	-	-	1,525
Marketing	57,513	-	-	-	57,513	-
Supplies	5,218	-	-	-	5,218	-
Total	\$ 90,911	\$ 12,000	\$ 13,155	\$ 1,500	\$ 62,731	\$ 1,525

	2018					
	Total	Taft Location	Allied Location	Regional Clubs	Fundraising	Management and General
Equipment and maintenance	\$ 32,000	\$ 15,360	\$ 16,640	\$ -	\$ -	\$ -
Professional fees	7,158	-	-	-	1,500	5,658
Marketing	75,000	-	-	-	75,000	-
Total	\$ 114,158	\$ 15,360	\$ 16,640	\$ -	\$ 76,500	\$ 5,658

Donated services for architectural and construction services of \$37,450 were capitalized in 2019.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 15 – DONATED FACILITIES

In March 2015, the Club entered into a lease agreement for administrative office space with an aggregate annual base rent of \$1 that expires on May 31, 2020. A verbal promise to give was received that extends the agreement until May 31, 2022. The Club is responsible for paying for all utility expenses. Fair value was determined based on the Madison Metro area rental rate per square foot. Fair value is estimated at \$568,800 based on the present value using a discount rate of 5.63%. The balance of \$232,350 and \$303,730 at June 30, 2019 and 2018, respectively is included in unconditional promises to give and net assets with donor restrictions in the statements of financial position. Lease expense for the years ended June 30, 2019 and 2018 was \$81,820 and \$81,494, respectively.

The Club estimates the use of the facility to have an annual fair value of \$82,147, \$80,134, and \$70,069 for the years ending June 30, 2020, 2021, 2022, respectively. The unconditional promise to give receivable in more than one year has been discounted \$8,178 and \$18,618 for the years ended June 30, 2019 and 2018, respectively using a discount rate of 5.33% and is reflected at the present value of the estimated future fair value of the facility. The fair value of the donated facility was recorded as both revenue and expense in the statements of activities for the years ended June 30, 2019 and 2018.

NOTE 16 – RETIREMENT PLAN

The Club has established a retirement plan that covers all employees who are at least 21 years of age and who have worked at the Club for at least 12 months. Employer contributions to the plan for 2019 and 2018 were 3% and 10%, respectively of the employees' annual compensation. Retirement expense for the years ended June 30, 2019 and 2018 was \$10,967 and \$148,202.

NOTE 17 – RELATED PARTY

The following related party transactions occurred between the Club and its board members:

	2019	2018
Contributions	\$ 192,213	\$ 138,934
Nature of services:		
Equipment and maintenance	42,500	32,000
Food and beverages	18,775	-
Marketing	132,513	30,000
Total	\$ 386,001	\$ 200,934

Direct giving by the board members was \$192,213 and \$138,934 for the years ending June 30, 2019 and 2018 respectively. Goods and services provided by entities owned or managed by a board member of \$193,788 and \$62,000 for the years ending June 30, 2019 and 2018 respectively.

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 18 – NET ASSETS

Net assets without donor restrictions consists of the following:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 48,444	\$ 833,359
Designated for property and equipment	3,454,550	2,924,113
Designated for beneficial interest in assets held at Madison Community Foundation	<u>312,074</u>	<u>288,026</u>
Net assets without donor restrictions	<u>\$ 3,815,068</u>	<u>\$ 4,045,498</u>

Net assets with donor restrictions are available for the purposes and periods:

	<u>2019</u>	<u>2018</u>
Purpose Restrictions		
Teens of Promise Program	\$ 192,750	\$ 190,000
College Club	26,499	53,000
Mindfulness	-	30,438
Washington D.C. trip	45,000	40,490
Skilled trades center/programming	95,000	124,030
Collaborative Workforce Development Program	-	67,014
Administrative office rental	232,350	303,730
United Way - Middle/High School After School	20,314	25,629
United Way - Elementary After School	20,314	15,000
Kitchen remodel	-	227,517
Capacity building	-	20,000
Penn Park event	-	10,546
Martial arts	8,100	10,000
Money matters	5,000	5,000
Music matters	-	5,000
Behavioral health	15,104	-
Junior Staff	14,262	-
Dance program	9,450	-
Walworth County STEM	10,000	-
Special projects	1,841	-
Staff incentives	1,567	-
Teen technology	5,000	-
Sun Prairie location	98,900	-
Sports Academy	12,500	-
Moving expenses	6,085	-
Time Restrictions		
For subsequent years	<u>936,521</u>	<u>71,520</u>
Net assets with donor restrictions	<u>\$ 1,756,557</u>	<u>\$ 1,198,914</u>

BOYS AND GIRLS CLUB OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

NOTE 19 – LIQUIDITY AND AVAILABILITY

The following table reflects the Club's financial assets as of the date of the statement of financial position, reduced by amounts that are not available to meet cash needs for general expenditures within one year of the date of the statement of financial position because of board-designations and contractual or donor imposed restrictions:

Financial assets at year-end	\$ 2,636,720
Less those unavailable for general expenditures with one year due to:	
Board-designated endowment	(312,074)
Restricted by donor with purpose restrictions	(820,036)
Restricted by donor with time restrictions	<u>(734,061)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 770,549</u>

The Club strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. As a non-profit, donor-funded organization, the Club receives significant contributions each year from donors on a regular basis, which are available to meet annual cash needs for general operating expenditures. Distributions from the beneficial interest assets held by the Foundation and charitable lead annuity trust are available for general expenditures. In the event of unanticipated liquidity needs, the Club also can draw up to \$100,000 of the available line of credit (as further discussed in Note 11).

NOTE 20 – SUBSEQUENT EVENTS

On September 27, 2019, the Club received a \$1 million pledge for the purpose of paying down construction debt and purchases for furniture, equipment, technology, and transportation needs for members and personnel costs. On September 25, 2019 the Club entered into an agreement for \$1,105,499 for remodeling of the Sun Prairie facility.