

**THE BOYS AND GIRLS CLUBS OF METROPOLITAN  
BALTIMORE, INCORPORATED**

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**Financial Statements  
Together with Independent Auditors' Report  
For the Years Ended June 30, 2020 and 2019**



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of The Boys and Girls Clubs  
of Metropolitan Baltimore, Incorporated:

We have audited the accompanying financial statements of The Boys and Girls Clubs of Metropolitan Baltimore, Incorporated (a nonprofit organization) (the Organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

### **Auditors' 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 The Boys and Girls Clubs of Metropolitan Baltimore, Incorporated as of June 30, 2020 and 2019, and the changes in its net assets (deficit) and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update (ASU), 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which modifies the guidance for revenue recognition. Our opinion is not modified with respect to that matter.

SC&H FIRST Services, P.C.

January 28, 2021

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Statements of Financial Position

<i>As of June 30,</i>	<i>2020</i>	<i>2019</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 459,468	\$ 153,865
Non-reciprocal grants receivable	346,794	256,263
Prepaid expenses and other assets	25,405	11,921
Investment held as agent	37,717	36,885
Property and equipment, net	286,441	233,996
<b>Total Assets</b>	<b>\$ 1,155,825</b>	<b>\$ 692,930</b>
<b>Liabilities and Net Assets (Deficit)</b>		
<b>Liabilities</b>		
Line of credit	\$ 99,000	\$ 100,000
Accounts payable and accrued expenses	206,342	261,258
Deferred revenue	35,805	174,309
Accrued retirement plan contributions	115,137	211,190
Paycheck Protection Program loan	66,457	-
Loan payable	-	7,537
Related party loan payable	-	11,000
Agency payable	37,717	36,885
<b>Total Liabilities</b>	<b>560,458</b>	<b>802,179</b>
<b>Commitments and Contingencies (Note 11)</b>		
<b>Net Assets (Deficit)</b>		
Without donor restriction	500,367	(171,877)
With donor restriction	95,000	62,628
<b>Total Net Assets (Deficit)</b>	<b>595,367</b>	<b>(109,249)</b>
<b>Total Liabilities and Net Assets (Deficit)</b>	<b>\$ 1,155,825</b>	<b>\$ 692,930</b>

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

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Statements of Activities For the Year Ended June 30, 2020 (With Comparative Totals for the Year Ended June 30, 2019)

	<i>Without Donor Restriction</i>	<i>With Donor Restriction</i>	<i>Total 2020</i>	<i>Total 2019</i>
<b>Revenues</b>				
Non-reciprocal grants	\$ 1,545,064	\$ 75,000	\$ 1,620,064	\$ 1,015,826
Contributions	767,073	-	767,073	847,480
Program fees	8,202	-	8,202	9,737
Special events	230,710	-	230,710	-
Other income	66,242	-	66,242	11,160
Net assets released from restriction	42,628	(42,628)	-	-
<b>Total Revenues</b>	<b>2,659,919</b>	<b>32,372</b>	<b>2,692,291</b>	<b>1,884,203</b>
<b>Expenses</b>				
Program services	1,403,695	-	1,403,695	1,235,324
Management and general	387,637	-	387,637	587,143
Fundraising	315,486	-	315,486	51,886
<b>Total Expenses</b>	<b>2,106,818</b>	<b>-</b>	<b>2,106,818</b>	<b>1,874,353</b>
<b>Other Income</b>				
Payroll Protection Program	119,143	-	119,143	-
<b>Change in Net Assets (Deficit)</b>	<b>672,244</b>	<b>32,372</b>	<b>704,616</b>	<b>9,850</b>
<b>Net Assets (Deficit), beginning of year</b>	<b>(171,877)</b>	<b>62,628</b>	<b>(109,249)</b>	<b>(119,099)</b>
<b>Net Assets (Deficit), end of year</b>	<b>\$ 500,367</b>	<b>\$ 95,000</b>	<b>\$ 595,367</b>	<b>\$ (109,249)</b>

*The accompanying notes are an integral part of this financial statement.*

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Statement of Activities For the Year Ended June 30, 2019

	<i>Without Donor Restriction</i>	<i>With Donor Restriction</i>	<i>Total</i>
<b>Revenues</b>			
Non-reciprocal grants	\$ 1,015,826	\$ -	\$ 1,015,826
Contributions	827,480	20,000	847,480
Program fees	9,737	-	9,737
Other income	11,160	-	11,160
Net assets released from restriction	700	(700)	-
<b>Total Revenues</b>	<b>1,864,903</b>	<b>19,300</b>	<b>1,884,203</b>
<b>Expenses</b>			
Program services	1,235,324	-	1,235,324
Management and general	587,143	-	587,143
Fundraising	51,886	-	51,886
<b>Total Expenses</b>	<b>1,874,353</b>	<b>-</b>	<b>1,874,353</b>
<b>Change in Net Assets (Deficit)</b>	<b>(9,450)</b>	<b>19,300</b>	<b>9,850</b>
<b>Net Assets (Deficit), beginning of year</b>	<b>(162,427)</b>	<b>43,328</b>	<b>(119,099)</b>
<b>Net Assets (Deficit), end of year</b>	<b>\$ (171,877)</b>	<b>\$ 62,628</b>	<b>\$ (109,249)</b>

*The accompanying notes are an integral part of this financial statement.*

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Statement of Functional Expenses For the Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 770,680	\$ 179,234	\$ 117,963	\$ 1,067,877
In-kind	139,400	1,755	92,599	233,754
Subgrant expense	166,005	-	-	166,005
Employee benefits	89,125	44,128	11,425	144,678
Contracted labor and consulting fees	51,097	20,916	6,410	78,423
Professional fees	48,917	26,870	-	75,787
Events and promotional Program	-	-	72,962	72,962
Rent	71,092	-	-	71,092
Insurance	3,467	31,204	-	34,671
Depreciation	22,546	5,636	-	28,182
Travel	-	19,310	-	19,310
Office	3,308	11,908	1,885	17,101
Human resources	8,289	6,845	1,638	16,772
Utilities	6,466	9,785	-	16,251
Dues and subscriptions	10,061	2,353	-	12,414
Repairs and maintenance	-	12,086	159	12,245
Computer equipment	11,396	113	-	11,509
Interest	-	9,537	7,771	17,308
Bank charges	-	5,753	-	5,753
Taxes and licenses	6	163	2,374	2,543
	1,840	41	300	2,181
<b>Total Expenses</b>	<b>\$ 1,403,695</b>	<b>\$ 387,637</b>	<b>\$ 315,486</b>	<b>\$ 2,106,818</b>

*The accompanying notes are an integral part of this financial statement.*

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Statement of Functional Expenses For the Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 564,733	\$ 246,439	\$ 29,081	\$ 840,253
In-kind	358,000	10,348	-	368,348
Employee benefits	108,158	80,766	2,452	191,376
Professional fees	17,251	134,630	15,200	167,081
Subgrant expense	95,820	-	-	95,820
Program	47,575	783	-	48,358
Insurance	-	31,881	-	31,881
Rent	-	28,758	-	28,758
Travel	11,960	10,142	131	22,233
Depreciation	-	15,071	-	15,071
Repairs and maintenance	14,323	735	-	15,058
Utilities	7,756	5,939	-	13,695
Office	211	9,135	73	9,419
Human resources	638	7,037	-	7,675
Interest	7,183	-	-	7,183
Bank charges	-	3,375	46	3,421
Computer equipment	122	1,361	1,909	3,392
Events and promotional	-	-	2,994	2,994
Taxes and licenses	894	-	-	894
Dues & subscriptions	-	743	-	743
Scholarships and awards	700	-	-	700
<b>Total Expenses</b>	<b>\$ 1,235,324</b>	<b>\$ 587,143</b>	<b>\$ 51,886</b>	<b>\$ 1,874,353</b>

*The accompanying notes are an integral part of this financial statement.*

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Statements of Cash Flows

<i>For the Years Ended June 30,</i>	<i>2020</i>	<i>2019</i>
<b>Cash Flows From Operating Activities</b>		
Change in net assets (deficit)	\$ 704,616	\$ 9,850
Adjustments to reconcile change in net assets (deficit) to net cash and cash equivalents provided by operating activities:		
Depreciation	19,310	15,071
Gain on settlement of related party loan	-	(10,782)
Gain on settlement of retirement plan contributions	(57,437)	-
Gain on disposal of property and equipment	(8,383)	-
Changes in assets and liabilities:		
Non-reciprocal grants receivable	(90,531)	(171,752)
Prepaid expenses and other current assets	(13,484)	23,923
Investment held as agent	(832)	(36,885)
Accounts payable and accrued expenses	(54,916)	199,006
Deferred revenue	(138,504)	174,309
Accrued retirement plan contributions	(38,616)	64,559
Accrued severance	-	(107,081)
Agency payable	832	3,602
Payroll Protection Program loan	66,457	-
<b>Net Cash and Cash Equivalents Provided by Operating Activities</b>	<b>388,512</b>	<b>163,820</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of property and equipment	14,130	-
Acquisition of property and equipment	(77,502)	(4,500)
<b>Net Cash and Cash Equivalents Used in Investing Activities</b>	<b>(63,372)</b>	<b>(4,500)</b>
<b>Cash Flows From Financing Activities</b>		
Net repayments on line of credit	(1,000)	-
Repayments of related party loan	(11,000)	-
Repayments of loan payable	(7,537)	(9,528)
<b>Net Cash and Cash Equivalents Used in Financing Activities</b>	<b>(19,537)</b>	<b>(9,528)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>305,603</b>	<b>149,792</b>
Cash and cash equivalents, beginning of year	153,865	4,073
Cash and cash equivalents, end of year	\$ 459,468	\$ 153,865
<b>Supplemental Cash Flow Information:</b>		
Non-cash gain on settlement of related party loan (Note 9)	\$ -	\$ 10,782
Cash paid for interest	\$ 19,310	\$ 7,183

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

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

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### 1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Description of the Organization

The Boys and Girls Clubs of Metropolitan Baltimore, Incorporated (the Organization) is a non-profit organization, incorporated in the State of Maryland in March 2009. The Organization's mission is to enable all young people, especially those that need us most, to reach their full potential as productive, caring, responsible citizens. The Organization provides programming to positively enhance the lives of young people in the greater Baltimore region with a focus on outcomes related to education, health and wellness, and character and career development.

#### Basis of Accounting and Presentation

The accompanying financial statements of the Organization are prepared on the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statement presentation is in accordance with the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities: Presentation of Financial Statements* (ASC 958). Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

*Net assets without donor restrictions:* Net assets without donor restrictions are the net assets that are not restricted by donor-imposed restrictions. Contributions with donor-imposed restrictions that are met in the same reporting period that the contribution is received are reported as net assets without donor restrictions.

*Net assets with donor restrictions:* Net assets with donor restrictions result from contributions whose use is limited by donor-imposed stipulations. Net assets may be donor restricted for various purposes, such as use in future periods or use for specified purposes. Donor restrictions may expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations. Net assets with donor restrictions may also result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

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### 1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd.

#### Cash and Cash Equivalents

Cash and cash equivalents include investments with an original maturity of three months or less.

#### Concentration of Credit Risk

The Organization maintains substantially all of its cash with two commercial banks. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. The Organization periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

#### Non-Reciprocal Grants Receivable

The non-reciprocal grants receivable balance represents expenses incurred before year-end for which the reimbursement from the grantor was not received as of year-end or unconditional awards for which the award amount has not been received from the grantor. Management considers all non-reciprocal grants receivable fully collectible; therefore, no allowance for doubtful accounts has been recorded as of June 30, 2020 and 2019.

#### Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation expense is recorded on a straight-line basis over the following estimated useful lives:

Leasehold improvements	Lesser of useful life or lease term
Furniture, fixtures and equipment	3-7 years
Vehicles	10 years
Computer equipment	3 years

The Organization capitalizes assets with a cost exceeding \$1,000 that have an expected life exceeding one year. Repairs and maintenance costs are charged to expense as incurred.

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

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### 1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd.

#### Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets in accordance with ASC 360, *Property, Plant and Equipment*. ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed are reported at the lower of the carrying amount or fair value, less costs to sell. Management has determined that there is no impairment indicated or assets held for disposal as of June 30, 2020 and 2019.

#### Income Taxes

ASC 740, *Income Taxes*, prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return as well as guidance on de-recognition, classification, interest and penalties, and financial statement reporting disclosures. For these benefits to be recognized, a tax position must be more-likely-than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has not identified any unrecognized tax exposures. The Organization recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Organization does not have any amounts accrued relating to interest and penalties as of June 30, 2020 and 2019.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress.

#### In-Kind Contributions

The Organization receives in-kind contributions, which consist of, but are not limited to donated goods, services and rent. The donated services are recognized if the service creates or enhances long-lived assets or if the service is provided by an individual possessing a specialized skill, which would typically be purchased had it not been provided in-kind. Donated goods, services and rent are recorded at the fair value of the good or service provided. For the years ended June 30, 2020 and 2019, in-kind contributions totaled \$233,754 and \$368,348, respectively. In-kind contributions are classified as contributions within the accompanying statements of activities.

Volunteers have made contributions of their time to develop and administer the Organization's programs. The value of this contributed time is not recorded in the financial statements since it is not subject to objective measurement or valuation.

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

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### 1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd.

#### Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 supersedes the revenue recognition requirements in FASB ASC 605 and most industry-specific guidance through the Industry Topics in the FASB ASC. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization implemented ASU 2014-09 for the year ended June 30, 2020. The adoption of the standard did not have a material impact on the timing of the Organization's revenue recognition. There was no effect on changes in net assets or net assets as a result of the adoption of ASU 2014-09.

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and accounting guidance for contributions. ASU 2018-08 clarifies whether certain transactions should be characterized as contributions (nonreciprocal transactions) within the scope of Topic 958-605 or as exchange (reciprocal) transactions subject to other guidance such as Topic 606, *Revenue from Contracts with Customers*. The ASU provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The update as it relates to contributions received and made is effective for periods beginning after December 15, 2018 and December 15, 2019, respectively. The Organization implemented ASU 2018-08 for the year ended June 30, 2020. The adoption of the standard did not have a material impact on the timing of the Organization's revenue recognition. However, the adoption of the standard did result in the reclassification of grant revenue to non-reciprocal grant revenue.

#### Revenue Recognition

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised goods or services (performance obligation) in an amount that reflects the consideration the Organization expects to receive in exchange for those goods or services (transaction price). The Organization records the following exchange transaction revenue in its statements of activities for the years ending June 30, 2020 and 2019:

*Program fees:* The Organization provides summer programs for students. The enrollees will pay fees based on a predetermined fee structure. Program fee revenue is recognized, straight-line, over the duration of the program.

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

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### 1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd.

#### Revenue Recognition – cont'd.

*Special event revenue:* Revenue generated from special events hosted by the Organization, includes sponsorships, silent auction and donations. These revenue streams can be bifurcated between exchange and non-exchange transactions. The cost of direct benefits to donors represent a reciprocal exchange transaction. The performance obligation for reciprocal exchange special events transactions is fulfilled upon the occurrence of the event. The special event exchange transaction totaled \$24,736 and \$0 for the years ended June 30, 2020 and 2019, respectively. In accordance with ASC 958-605, the excess of gross proceeds over the fair value of the direct donor benefit represents contribution revenue, which totaled \$205,974 and \$0 for the years ended June 30, 2020 and 2019, respectively.

#### Contributions and Non-Reciprocal Grants

The Organization recognizes contributions and non-reciprocal grants under ASC 958-605 *Not-for-Profit Entities Revenue Recognition*. In accordance with ASC 958-605, contributions and non-reciprocal grants received, including unconditional promises to give (pledges), are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions and non-reciprocal grants are recognized when the donor makes an unconditional promise to give to the Organization. If an unconditional promise to give is not previously made, then the contribution is recognized when received.

Conditional promises to give are not recognized until the related conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

#### Deferred Revenue

Deferred revenue consists of grant monies that have been received, but the non-reciprocal grant revenue cannot be recognized until conditions of the grant have been met, which generally require expenditures on allowable costs. These amounts are recognized as revenue when the related expenditures are incurred. Deferred revenue totaled \$35,805 and \$174,309 as of June 30, 2020 and 2019, respectively.

#### Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Costs that cannot be specifically identified with a particular function or that benefit more than one functional category are allocated on the basis of estimates of the portion of time expended by the staff on the various functions.

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

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### 1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd.

#### Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing transactions. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous leases' guidance. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statements of financial position as a depreciable right-to-use asset and a liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease.

In June 2020, the FASB deferred the effective date of the lease guidance for non-public entities to reporting periods beginning after December 15, 2021. Early adoption is permitted. Management has elected not to adopt ASU 2016-02 early and is evaluating the impact of adopting the new lease standard on the Organization's accompanying financial statements.

#### Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation. The reclassification had no effect on the previously reported total change in net assets or total net assets.

#### Subsequent Events

The Organization evaluated for disclosure any subsequent events through January 28, 2021 the date the financial statements were available to be issued and determined there were no material events that warrant disclosure, except as disclosed in Note 9.

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

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### 2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30,:

	2020	2019
Leasehold improvements	\$ 278,951	\$ 235,288
Furniture, fixtures and equipment	25,507	25,507
Vehicles	26,727	60,983
Computer equipment	45,137	38,025
	376,322	359,803
Less: accumulated depreciation	(89,881)	(125,807)
Property and Equipment, net	\$ 286,441	\$ 233,996

Depreciation expense totaled \$19,310 and \$15,071 for the years ended June 30, 2020 and 2019, respectively.

### 3. INVESTMENTS HELD AS AGENT AND AGENCY PAYABLE

For the year ended June 30, 2018, the Organization received funds from a donor totaling \$33,283 which are to be held by the Organization and ultimately distributed to a specific beneficiary's college tuition. The Organization will receive the funds if the beneficiary is ultimately unable to use the funds. As the Organization is acting as an agent on behalf of the donor and is not the primary beneficiary of the funds held by the Organization, the amount has been recorded as an agency payable as of June 30, 2020 and 2019. The investments are recorded at fair value and any realized and unrealized gains and losses and investment income are recorded as a change in the investments held as agent, with an offsetting change in the related agency payable on the accompanying statements of financial position.

ASC 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

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### 3. INVESTMENTS HELD AS AGENT AND AGENCY PAYABLE – cont'd.

The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets to which the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

*Interests in registered investment companies:* Valued at the closing price reported in the active market in which the funds are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used as of June 30, 2020 and 2019.

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

### 3. INVESTMENTS HELD AS AGENT AND AGENCY PAYABLE – cont'd.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Investments in registered investment companies	\$ 37,717	\$ -	\$ -	\$ 37,717
Total	\$ 37,717	\$ -	\$ -	\$ 37,717

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Investments in registered investment companies	\$ 36,885	\$ -	\$ -	\$ 36,885
Total	\$ 36,885	\$ -	\$ -	\$ 36,885

### 4. LINE OF CREDIT

The Organization maintains a line of credit for working capital needs. The line is payable on demand and bears interest at a rate equal to the Prime Rate plus 1%, adjusted daily. The Prime Rate was 3.25% and 5.50% as of June 30, 2020 and 2019, respectively. Interest is payable monthly. The line allows for maximum borrowings of up to \$100,000. All tangible and intangible assets are collateral for the line of credit. As of June 30, 2020 and 2019, outstanding borrowings under the line of credit totaled \$99,000 and \$100,000, respectively. Interest expense incurred on the line of credit totaled \$5,628 and \$6,000 for the years ended June 30, 2020 and 2019, respectively.

### 5. LOAN PAYABLE

In February 2015, the Organization entered into a loan agreement with a financial institution in the amount of \$45,000, which bore interest at a rate of 5%. The loan required monthly payments of principal and interest. All tangible and intangible assets were collateral for the loan payable. The Organization's loan agreement contained certain financial covenants that required, among other things, maintenance of a minimum debt service coverage ratio. The loan payable outstanding totaled \$7,537 as of June 30, 2019. The loan payable was repaid in full during the year ended June 30, 2020.

Interest expense incurred on the loan payable totaled \$125 and \$765 for the years ended June 30, 2020 and 2019, respectively.

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

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### 6. PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization entered into a term note in the amount of \$185,600 with the First National Bank of Pennsylvania, under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP), which was established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan is eligible for forgiveness pursuant to terms and conditions of the CARES Act, which minimally requires that (1) the loan proceeds be used to cover eligible expenses, which include payroll costs, mortgage interest, rent and utilities, and (2) the number of employees and compensation levels are generally maintained. The portion of the loan that is not forgiven bears interest at 1.0% and is due in monthly payments over a period of five years. Principal and interest payments are deferred for the first 6 months of the loan.

The Organization has elected to account for the forgivable loan as a conditional grant in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Accordingly, the Organization recorded the initial loan proceeds as a loan payable and reduced the loan payable and recognized contribution revenue once the conditions were substantially met or explicitly waived. Management anticipates that the full loan will be forgiven as the Organization has used the loan proceeds to cover eligible expenses and has maintained the necessary employee and compensation levels for loan forgiveness in accordance with the CARES Act. The Organization recorded contribution revenue as eligible expenses were incurred. For the year ended June 30, 2020, the Organization incurred eligible expenses under the Paycheck Protection Program totaling \$119,143. Accordingly, the Organization reduced the Paycheck Protection Program loan and recognized contribution revenue totaling \$119,143, as of and for the year ended June 30, 2020

### 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes as of June 30,:

	2020	2019
Brooklyn O'Malley Renovations	\$ -	\$ 42,628
Youth of Year Scholarship	20,000	20,000
STEM Lab	75,000	-
Net Assets with Donor Restrictions	\$ 95,000	\$ 62,628

For the years ended June 30, 2020 and 2019, the Organization incurred eligible cost totaling \$42,628 and \$700, respectively, which satisfied the restricted purpose and, accordingly, were released from donor restrictions.

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

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### 8. RELATED PARTY TRANSACTIONS

In May 2017, a former officer advanced \$15,000 to the Organization to cover operating costs. In July 2017, the former officer advanced an additional \$20,000 to the Organization. The advances were unsecured and non-interest bearing. During the year ended June 30, 2019, the Organization and the former officer agreed to a settlement, whereby the Organization agreed to repay the former officer \$11,000, over a 12-month period beginning in July 2019. Due to the settlement, the Organization recognized a gain totaling \$10,782 during the year ended June 30, 2019. The gain was classified as other income on the accompanying statements of activities. The outstanding borrowings totaled \$11,000 as of June 30, 2019. The amount owed under the settlement was paid in full during the year ended June 30, 2020.

The Organization receives contributions or non-reciprocal grant awards from the Boys and Girls Club of America (BGCA), a related party, as pass-through contributions or non-reciprocal grants from third party contributors. The BGCA receives contributions or non-reciprocal grants from the third-party contributors. The contributors may directly indicate that the contribution or non-reciprocal grant is for the Organization or BGCA may allocate a portion of the contribution or non-reciprocal grant to the Organization. Non-reciprocal grants receivable from BGCA totaled \$11,661 and \$21,310 as of June 30, 2020 and 2019, respectively.

The Organization also receives non-reciprocal grants from third party grantors that require the Organization to subgrant certain amounts to other local Boys and Girls Clubs. Payables to other local Boys and Girls Clubs, which are included in accounts payable in the accompanying statements of financial position, totaled \$43,425 and \$82,432 as of June 30, 2020 and 2019, respectively.

### 9. RETIREMENT PLANS

#### 401(a) Defined Contribution Plan

The Organization provided a 401(a) defined contribution plan (the Plan) through the Boys and Girls Clubs of America. Effective September 10, 2018 the plan was frozen. The Organization is responsible for contributing 5% of each participant's annual salary up to the effective date. Due to cash flow restrictions, contributions have not been remitted timely. The Organization's portion of contributions will be remitted to the Plan at a later date. Estimations of lost earnings have been made and accrued; however, the Organization may be subject to fines which have not been accrued as these are not probable or estimable. As of June 30, 2020 and 2019, the accrued retirement plan contributions totaled \$115,137 and \$211,190, respectively. The accrued retirement plan contributions includes an estimate due to the potential contribution related to lost earnings. The lost earnings contribution estimate totaled \$0 and \$57,437 as of June 30, 2020 and 2019.

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

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### 9. RETIREMENT PLANS – cont’d.

#### 401(a) Defined Contribution Plan – cont’d.

During the year ended June 30, 2020, the Organization applied to retroactively terminate the Plan, under Delegation Order 8-3. As of the report date, the application was approved, which retroactively terminated the Plan as of June 30, 2016. As a result, the Organization is only required to pay the remainder of the 2016 plan year contributions, which totaled \$26,282 and was paid on July 17, 2020. The Organization has the option to contribute all missed contributions that were not timely and the Organization intends to contribute all missed contributions that were not remitted timely, which totaled \$88,855. The Organization has opted not to make the contribution related to lost earnings, which totaled \$57,437.

#### 403(b) Safe Harbor Plan

Effective January 1, 2020, the Plan created a 403(b) safe harbor plan for all eligible employees. Employees are eligible to participate in the plan on the first day of the following month upon attaining the age of 21. The Organization matches 100% of the first 3% of participants’ contributions and 50% of the next 2% of participants’ contributions. For the year ended June 30, 2020, the Organization’s safe harbor matching contributions totaled \$8,165

### 10. OPERATING LEASES

The Organization leases office space under a non-cancelable operating lease, which expires in December 2020. Future minimum lease payments totaling \$17,408 are required under the non-cancelable operating lease during the year ended June 30, 2021. Rent expense totaled \$34,671 and \$28,758 during the years ended June 30, 2020 and 2019, respectively.

### 11. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization’s financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the statements of financial position date, are as follows as of June 30,:

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 459,468	\$ 153,865
Grants receivable	346,794	256,263
Total Financial Assets	806,262	410,128
Less: Restricted by donor - purpose restrictions	(95,000)	(62,628)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 711,262	\$ 347,500

# THE BOYS AND GIRLS CLUBS OF METROPOLITAN BALTIMORE, INCORPORATED

## Notes to the Financial Statements For the Years Ended June 30, 2020 and 2019

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### 11. LIQUIDITY AND AVAILABILITY OF RESOURCES – cont’d.

The Organization’s working capital and cash flows fluctuate due to the timing of grant reimbursements, contributions, programmatic expenses, and special events. To manage liquidity the Organization maintains a line of credit with maximum borrowing available of \$100,000 (Note 4).

### 12. CONCENTRATIONS

For the years ended June 30, 2020 and 2019, the Organization received funding and in-kind revenue from two and three contributors, respectively, which represented \$890,957 and \$901,043 in revenues, or 33% and 48% of total revenues, respectively. As of June 30, 2020, and 2019, these contributors comprised approximately 38% and 79%, respectively, of the Organization’s non-reciprocal grants receivable.

### 13. CORONAVIRUS

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern”. In March 2020, COVID-19 began to spread throughout the United States. Efforts to contain COVID-19, including restriction mandated by the Federal and State of Maryland governments has caused numerous Organizations to close or operate remotely in an effort to prevent COVID-19 from spreading more rapidly. The Organization experienced an immediate impact from COVID-19, which resulted in the Organization temporarily closing program locations through July 2020 and delaying the date of special events. The extent of the impact of COVID-19 on the Organizations revenues and financial performance for the year ending June 30, 2021 and beyond will depend on future developments, including the duration and spread of the outbreak, which is highly uncertain and cannot be predicted. The impact of COVID-19, however, could materially adversely affect the Organization’s results of operations.