Audited Financial Statements

BOYS & GIRLS CLUBS
OF SANTA MONICA

June 30, 2020

Quigley & Miron

Boys and Girls Clubs of Santa Monica
Audited Financial Statements
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Independent Auditor's Report

Board of Governors
Boys and Girls Clubs of Santa Monica
Santa Monica, California

We have audited the accompanying financial statements of Boys and Girls Clubs of Santa Monica (Club), a nonprofit organization, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Clubs of Santa Monica as of June 30, 2020, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited of Boys and Girls Clubs of Santa Monica's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Quigley & Miron

Los Angeles, California
August 3, 2021

Boys and Girls Clubs of Santa Monica
Statement of Financial Position
June 30, 2020
(with comparative totals for 2019)

	2020	2019
Assets		
Cash and cash equivalents	$ 571,121	$ 438,884
Accounts receivable	33,336	
Grants receivable	319,497	417,164
Investments—Note 3	10,124,131	9,857,910
Prepaid expenses	124,143	91,754
Interest receivable	128,996	131,294
Note receivable—Note 4	3,784,026	3,851,438
Property and equipment, net—Note 5	5,298,938	5,486,809
Total Assets	**$ 20,384,188**	**$ 20,275,253**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 126,319	$ 207,235
Employee benefits payable	197,406	292,244
Line of credit—Note 6	825,000	
PPP advance—Note 7	487,600	
Security deposits held	14,962	14,962
Total Liabilities	**1,651,287**	**514,441**
Net Assets		
Without donor restrictions		
Undesignated	8,214,273	9,294,839
Board-designated—Note 10	5,375,247	5,072,495
Total Net Assets Without Donor Restrictions	**13,589,520**	**14,367,334**
With donor restrictions—Note 11	5,143,381	5,393,478
Total Net Assets	**18,732,901**	**19,760,812**
Total Liabilities and Net Assets	**$ 20,384,188**	**$ 20,275,253**

See notes to financial statements.

Boys and Girls Clubs of Santa Monica
Statement of Activities
Year Ended June 30, 2020
(with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Operating Activities				
Support and Revenue				
Grants and contributions	$ 1,160,357	$ 26,794	$ 1,187,151	$ 1,498,289
Government grants	402,203	37,703	439,906	443,246
In-kind contributions	16,200		16,200	16,200
Fundraising events				
Gross revenue	518,742		518,742	622,718
Less cost of direct benefit to donors	(163,636)		(163,636)	(84,838)
Fundraising Events, Net	**355,106**		**355,106**	**537,880**
Program service fees	79,097		79,097	214,542
Membership fees	12,880		12,880	21,900
Interest and dividends	158,365	149,740	308,105	233,347
Interest on note receivable—Note 4	260,290		260,290	264,740
Rental revenue				
Gross revenue	238,943		238,943	220,566
Less rental property-related expense	(160,886)		(160,886)	(159,157)
Rental Revenue, Net	**78,057**		**78,057**	**61,409**
Other revenue	138,963		138,963	101,789
Total Support and Revenue	**2,661,518**	**214,237**	**2,875,755**	**3,393,342**
Net assets released from restrictions	597,804	(597,804)		
Total Support and Revenue and Reclassifications	**3,259,322**	**(383,567)**	**2,875,755**	**3,393,342**
Expenses				
Youth services	3,091,469		3,091,469	3,244,220
Supporting services				
Management and administration	629,372		629,372	542,232
Fund development	456,865		456,865	391,873
Total Expenses	**4,177,706**		**4,177,706**	**4,178,325**
Change in Net Assets from Operations	**(918,384)**	**(383,567)**	**(1,301,951)**	**(784,983)**
Nonoperating Activities				
Investment return, net—Note 3	140,570	133,470	274,040	228,759
Total Nonoperating Activities	**140,570**	**133,470**	**274,040**	**228,759**
Change in Net Assets	**(777,814)**	**(250,097)**	**(1,027,911)**	**(556,224)**
Net Assets at Beginning of Year	**14,367,334**	**5,393,478**	**19,760,812**	**20,317,036**
Net Assets at End of Year	**$ 13,589,520**	**$ 5,143,381**	**$ 18,732,901**	**$ 19,760,812**

See notes to financial statements.

Boys and Girls Clubs of Santa Monica
Statement of Functional Expenses
Year Ended June 30, 2020
(with comparative totals for 2019)

		Supporting Services					
	Youth Services	Management and Administration	Fund Development	Fundraising Events	Rental Property	2020 Total	2019 Total
Salaries and wages	$ 1,805,990	$ 267,549	$ 293,226	$	$	$ 2,366,765	$ 2,265,528
Employee benefits	234,732	34,775	38,111			307,618	310,496
Payroll taxes	131,612	19,497	21,369			172,478	202,427
Total Personnel Expenses	**2,172,334**	**321,821**	**352,706**			**2,846,861**	**2,778,451**
Advertising and marketing	5,408					5,408	3,024
Bank fees	7,965	1,180	1,293			10,438	17,255
Conferences, meetings, and training	12,050	3,180	4,391			19,621	34,887
Cost of direct benefits to donors				163,636		163,636	84,838
Depreciation	196,083	29,049	31,837			256,969	263,866
Dues and subscriptions	13,640	1,934	8,444			24,018	27,166
Family assistance and scholarships	91,501					91,501	66,097
Fieldtrips and tournaments	33,618					33,618	80,863
Insurance	141,218	20,920	22,929			185,067	167,525
Interest expense		21,151				21,151	11,354
Legal fees—Note 12		9,775				9,775	
Materials and supplies	112,569	80	89			112,738	118,961
Occupancy	126,624	10,215	11,233			148,072	133,030
Office expenses	31,090	3,805	6,572			41,467	39,854
Postage and delivery	4,134	600	1,414			6,148	7,068
Printing and reproduction	1,991	295	819			3,105	7,631
Professional and contract services	121,102	168,550	11,863			301,515	348,630
Rental property-related expense					160,886	160,886	159,157
Taxes and penalties		34,637				34,637	36,175
Telecommunications	10,588	874	958			12,420	16,099
Travel and transportation	9,554	1,306	2,317			13,177	20,389
Total Expenses by Function	**3,091,469**	**629,372**	**456,865**	**163,636**	**160,886**	**4,502,228**	**4,422,320**
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors				(163,636)		(163,636)	(84,838)
Rental property-related expense					(160,886)	(160,886)	(159,157)
Total Expenses	$ 3,091,469	$ 629,372	$ 456,865	$	$	$ 4,177,706	$ 4,178,325

See notes to financial statements.

Boys and Girls Clubs of Santa Monica
Statement of Cash Flows
Year Ended June 30, 2020
(with comparative totals for 2019)

	2020	2019
Operating Activities		
Change in net assets	$ (1,027,911)	$ (556,224)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	256,969	263,866
Investment gains	(348,240)	(303,714)
Change in operating assets and liabilities:		
Accounts receivable	(33,336)	27,462
Grants receivable	97,667	(322,164)
Prepaid expenses	(32,389)	(49,060)
Interest receivable	2,298	2,151
Accounts payable	(80,916)	(25,113)
Employee benefits payable	(94,838)	55,465
PPP advance	487,600	
Net Cash Used in Operating Activities	**(773,096)**	**(907,331)**
Investing Activities		
Purchases of property and equipment	(69,098)	(9,350)
Purchases of investments	(4,670,073)	(4,546,759)
Proceeds from sales of investments	4,752,092	5,427,703
Principal receipts on notes receivable	67,412	63,109
Net Cash Provided by Investing Activities	**80,333**	**934,703**
Financing Activities		
Draws on line of credit	825,000	475,000
Payments on line of credit		(475,000)
Net Cash Provided by Financing Activities	**825,000**	
Net Increase in Cash, Cash Equivalents, and Restricted Cash	**132,237**	**27,372**
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	**438,884**	**411,512**
Cash, Cash Equivalents, and Restricted Cash at End of Year	**$ 571,121**	**$ 438,884**
Supplementary Disclosures		
Income taxes paid	$	$
Interest paid	$ 21,151	$ 11,354

See notes to financial statements.

Note 1—Summary of Significant Accounting Policies

Organization and Nature of Activities—The Boys and Girls Clubs of Santa Monica (Club) is a California nonprofit corporation and a member of the Boys and Girls Clubs of America, Inc. The Club has served children in Santa Monica and West Los Angeles with educational, athletic, counseling and recreational programs since opening in 1944. The Club is overseen by an appointed board of governors and operated by a chief executive officer, paid staff, and volunteers. The Club is supported primarily by contributions from the general public, government grants, private grants, fund-raising events, and earnings from its investments.

Income Taxes—The Club is a nonprofit entity, exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes in the financial statements. In addition, the Club has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509 (a) of the Internal Revenue Code. Accounting standards require an organization to evaluate its tax positions and provide a liability for any position that would not be 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax position and has concluded that a provision for such a tax liability is not necessary at June 30, 2020 and 2019. Generally, the Club's information returns remain open for examination for a period of three years (federal) or four years (state of California) from the date of filing.

Financial Statement Presentation—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *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. The Club has adopted ASU No. 2016-14 for the year ended December 31, 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Club's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Club and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Club. These net assets may be used at the discretion of the Club's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Club and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Club to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of the Club to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Note 1—Summary of Significant Accounting Policies—*Continued*

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Club's ongoing youth services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash, Cash Equivalents, and Restricted Cash—The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Certificates of deposit are valued at original purchase cost, which, when combined with accrued interest receivable, approximates fair market value at June 30, 2020.

Recently Adopted Accounting Principles—

- In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU No. 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities will be required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Club has adopted ASU No. 2016-18 for the year ended June 30, 2020, and has adjusted the presentation of the financial statements accordingly.
- In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) will account for most government grants as donor restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or conditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. The Club adopted ASU No. 2018-08 for the year ended June 30, 2020. The adoption of ASU No. 2018-08 had no material impact on the financial statements.

Receivables—Receivables consist primarily of pledges due from various donors, and are stated at the amount that management expects to collect from outstanding balances. Management believes receivables as of June 30, 2020 and 2019 are fully collectible; therefore, the Club has not recorded an allowance for doubtful accounts. Receivable are written off when they are determined to be uncollectible.

Note 1—Summary of Significant Accounting Policies—*Continued*

Property and Equipment—Property and equipment are stated at cost, if purchased or at fair value at the date of the gift, if donated and significant. 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 unrestricted support. Depreciation has been recorded using the straight-line method over the estimated useful lives of the assets ranging from three to five years for equipment and vehicles and seven to forty years for buildings and improvements. The cost of property and equipment purchased in excess of $5,000 is capitalized. Repairs, maintenance and minor acquisitions are expensed as incurred, and the Club uses the direct expensing method to account for planned major maintenance activities.

Concentrations of Credit Risk—Financial instruments which potentially subject the Club to concentrations of credit risk consist of cash and cash equivalents and receivables. The Club maintains its cash balances in financial institutions as well as in money market investments. The balances at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The investments in money market funds are not insured by the FDIC. In the normal course of operations, such cash balances may exceed the FDIC insurance limits. Receivables are due from well-known charitable organizations with substantial assets, government entities, and other entities well-known to the Club. Management of the Club has assessed the credit risk associated with the cash and cash equivalents and receivable balances outstanding at June 30, 2020 and 2019 and has determined that an allowance for potential uncollectible amounts is not necessary.

In-Kind Contributions—The Club records various types of in-kind contributions, including services and tangible assets. Donated services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donations of tangible assets are recognized at fair value when received.

A local business provided in-kind property management services totaling $16,200 during each of the years ended June 30, 2020 and 2019. These amounts are reported in the rental revenue-related expense in the statement of activities and statement of functional expenses.

A substantial number of volunteers have donated significant amounts of their time to the Club and its programs. Other than the contributed services mentioned above, these volunteers donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services. The Club receives periodic donations of materials from local vendors, and from the community, which are recorded at estimated fair market value at the date of donation, if significant.

Functionalized Expenses—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. Occupancy is allocated on the basis of square footage, and depreciation is allocated on the basis of estimated use. Additionally, payroll and related expenses (consisting of salaries and wages, employee benefits, and payroll taxes), insurance, office expenses, professional and contract services, postage and delivery, printing and reproduction, telecommunications are allocated on the basis of estimates of time and effort.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The significant items in these statements that are affected by management estimates are depreciation and allocations of functional expenses.

Note 2—Availability and Liquidity

The following represents the availability and liquidity of the Club's financial assets at June 30, 2020 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	$ 571,121
Accounts receivable	33,336
Grants receivable	319,497
Investments	10,124,131
Interest receivable	128,996
Note receivable	3,784,026
Total Financial Assets	**14,961,107**
Less amounts not available to be used within one year:	
Net assets with donor restrictions for time or purpose	(319,498)
Net assets with donor restrictions of a perpetual nature	(4,000,000)
Board-designated endowment funds	(5,072,495)
Less: net assets with time restrictions to be met within one year	149,498
Total Amounts Not Available to be Used Within One Year	**(9,242,495)**
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	**$ 5,718,612**

The Club's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately $2.2 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. The Club has a $4.6 million line of credit available to meet cash flows needs. This line of credit is collateralized by a portion of the Club's investment portfolio (See Note 6). The board-designated fund is intended by board of director policy to be used for future major capital investments and to support programs that have been impacted by unanticipated funding reductions.

Note 3—Investments and Fair Value Measurements

In determining the fair value of investments, the Club utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Club determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Quoted market prices in active markets for identical assets. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs that can be corroborated by observable market data.

Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Note 3—Investments and Fair Value Measurements—*Continued*

The Club utilizes a practical expedient, Net Asset Value (NAV) per share (or its equivalent) for measuring the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards.

Fair values of assets and liabilities on a recurring basis at June 30, 2020 consist of investments, detailed as follows:

	Cost	Fair Market Value	Level 1	Level 2
Common stocks	$ 877,179	$ 1,920,205	$ 1,920,205	$
Corporate bonds	2,673,933	2,768,894		2,768,894
Mutual funds				
Equity	4,052,704	4,458,271	4,458,271	
Bond	995,798	972,040	972,040	
Real estate	4,879	3,917	3,917	
Commodities	1,283	804	804	
Totals	**$ 8,605,776**	**$ 10,124,131**	**$ 7,355,237**	**$ 2,768,894**

Fair values of assets and liabilities on a recurring basis at June 30, 2019 consist of investments, detailed as follows:

	Cost	Fair Market Value	Level 1	Level 2
Common stocks	$ 1,859,862	$ 2,616,384	$ 2,616,384	$
Corporate bonds	1,774,523	1,825,112		1,825,112
U.S. Treasury bonds	24	24	24	
Mutual funds				
Equity	4,077,354	4,577,326	4,577,326	
Bond	795,797	826,695	826,695	
Real estate	4,879	4,837	4,837	
Commodities	1,283	1,331	1,331	
Exchange traded funds	6,108	6,201	6,201	
Totals	**$ 8,519,830**	**$ 9,857,910**	**$ 8,032,798**	**$ 1,825,112**

The following schedule summarizes the investment return for the years ended June 30, 2020 and 2019:

	2020	2019
Realized gains	$ 167,965	$ 296,396
Unrealized gains	180,275	7,318
Less investment management fees	(74,200)	(74,955)
Investment Return, Net	**274,040**	**228,759**
Interest and dividend income	308,105	233,347
Total Return on Investment	**$ 582,145**	**$ 462,106**

Note 4—Note Receivable

As of July 1, 2010, the Club owned an undivided thirty percent interest of an undivided one third interest in commercial lots located at 1301 and 1333 4th Street in Santa Monica, California, with a carrying value of $241,104. On November 1, 2010, the Club sold this interest to a third party for $4,250,000, resulting in a gain of $4,008,896. The proceeds of the sale consisted of a note receivable for the sale price bearing interest at 6.82%, requiring annual payments of principal and interest, and maturing on January 1, 2042. As of June 30, 2020, future principal payments are as follows:

Year Ending June 30,		
2021	$	72,008
2022		76,917
2023		82,162
2024		87,763
2025		93,747
Thereafter		3,371,429
Total	**$**	**3,784,026**

Interest income related to the note receivable recognized during the years ended June 30, 2020 and 2019 amounted to $260,290 and $264,740, respectively. Accrued interest receivable related to the note receivable at June 30, 2020 and 2019 was $128,996 and $131,294, respectively.

Note 5—Property and Equipment, Net

Net property and equipment consist of the following at June 30, 2020 and 2019:

		2020		**2019**
Land	$	2,946,028	$	2,946,028
Buildings and improvements		4,741,796		4,741,796
Vehicles		220,235		184,146
Furniture, fixtures, and equipment		438,809		405,800
Total Property and Equipment		**8,346,868**		**8,277,770**
Less accumulated depreciation		(3,047,930)		(2,790,961)
Property and Equipment, Net	**$**	**5,298,938**	**$**	**5,486,809**

Note 6—Line of Credit

In May 2015, the Club negotiated a line of credit at U.S. Bank that provided a maximum of $4,600,000. The loan is fully collateralized by an investment portfolio account held at U.S. Bank and bears interest at the Prime Referenced Rate minus 1.65%. The interest rate at June 30, 2020 is 3.85%. At June 30, 2020, the outstanding balance related to this line of credit was $825,000. There was no balance owed related to this line of credit at June 30, 2019. The interest amount paid during the years ended June 30, 2020 and 2019 totaled $21,151 and $11,354, respectively. Subsequent to year end, the $825,000 line credit balance at June 30, 2020 was completely paid off as of June 29, 2021.

Note 7—PPP Advance

On April 27, 2020, the Club received $487,600 in Paycheck Protection Program (PPP) advance from the U.S. Small Business Administration (SBA). The advance is designed to provide a direct incentive for small businesses struggling from the impact of the COVID-19 pandemic (see Note 14) to keep their workers on the payroll. While these funds carry loan repayment terms, it is the opinion of management that all funds received will be forgiven under the present terms of the PPP in the upcoming fiscal year. The Club has elected to record the PPP grant revenue only upon receipt of the forgiveness letter from the SBA. On July 21, 2021, the Club received forgiveness of the $487,600 Paycheck Protection Program advance from the SBA.

Note 8—Commitments and Contingencies

In June 2007, the Club negotiated a joint use agreement with the Santa Monica-Malibu Unified School District (School District) for program space at John Adams Middle School (JAMS) in Santa Monica. Under this agreement, the Club was given joint use of facilities at JAMS by the School District in exchange for certain JAMS construction costs assumed by the Club. The agreement expires June 2032 and, thereafter, has a renewing option every five years.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although it is considered a possibility, the Board of Governors deems this contingency remote since, by accepting the gifts and their terms, it has accommodated the objectives of the grantor under the provisions of its gift.

Note 9—Employee Retirement Plans

The Club maintains a defined contribution pension plan (Plan). Full-time employees over 20 years of age are eligible to participate after six months of employment. The Club's contributions to the Plan are based on a specific percentage determined by years of service and the participants' gross earnings. Participants vest in Club contributions after five years of service. The Club's contributions to the Plan for the years ended June 30, 2020 and 2019 were $71,864 and $79,401, respectively.

Note 10—Endowment Fund

The Club's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Governors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Governors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 10—Endowment Fund—*Continued*

The Board of Governors of the Club has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Club classifies as net assets held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Club's endowment investment policy is based on fundamental financial principles that include prudent assets allocation, risk assessment, and long-term planning. The investment policy emphasizes total return, allowing appropriation of current dividend and interest income as well as a portion of the aggregate return from capital appreciation. This helps to provide a predictable stream of funding to programs supported by its endowment assets while seeking to maintain the purchasing power of these endowment assets over the long-term. Endowment assets are invested in a well-diversified asset mix which includes equity and debt securities. The current long-term return objective is to produce a real return of 5%, net of investment management fees. Actual returns in any given year may vary from this amount. The Club has a policy of appropriating for distribution each year 4.5% of the historical value of the endowment. In establishing this policy, the Club considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effect of inflation. Accordingly, over the long term, the Club expects the current spending policy to maintain or grow the principal endowment amounts. This is consistent with the Club's objective to maintain the principal balances of the endowment assets.

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 5,072,495	$ 4,816,314	$ 9,888,809
Total return on investments	298,276	283,210	581,486
Appropriation of endowment assets pursuant to spending-rate policy	180,000	(180,000)	
Additions to the board-designated endowment	373,836		373,836
Other changes:			
Distributions from board-designated endowment pursuant to distribution policy	(549,360)	(170,640)	(720,000)
Endowment Net Assets, End of Year	**$ 5,375,247**	**$ 4,748,884**	**$ 10,124,131**

Note 10—Endowment Fund—*Continued*

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 5,634,851	$ 4,785,570	$ 10,420,421
Total return on investments	248,144	210,744	458,888
Appropriation of endowment assets pursuant to spending-rate policy	180,000	(180,000)	
Other changes:			
Distributions from board-designated endowment pursuant to distribution policy	(990,500)		(990,500)
Endowment Net Assets, End of Year	**$ 5,072,495**	**$ 4,816,314**	**$ 9,888,809**

Note 11—Net Assets

Net assets without donor restrictions at June 30, 2020 and 2019 are as follows:

	2020	2019
Undesignated	$ 8,214,273	$ 9,294,839
Designated by the board for endowment	5,375,247	5,072,495
Total Net Assets without Donor Restrictions	**$ 13,589,520**	**$ 14,367,334**

Net assets with donor restrictions at June 30, 2020 and 2019 are as follows:

	2020	2019
Subject to expenditure for specified purpose:		
Youth services	$ 75,000	$ 160,000
Subject to passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	319,497	417,164
Endowments:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	4,000,000	4,000,000
Subject to the Club's endowment spending policy and appropriation		
General use	748,884	816,314
Total Net Assets with Donor Restrictions	**$ 5,143,381**	**$ 5,393,478**

Note 11—Net Assets—*Continued*

Net assets released from donor restrictions for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Expiration of time restrictions	$ 247,164	$ 95,000
Restricted-purpose spending-rate distributions and appropriations		
General use	350,640	180,000
Total Net Assets Released from Donor Restrictions	**$ 597,804**	**$ 275,000**

Note 12—Litigation

In May 2020, an employment-related complaint was filed in Los Angeles County Superior Court against the Club. As of August 3, 2021, the Club is reviewing all legal options regarding this claim including settlement. Without a settlement, the resolution of this legal matter is not expected until 2022. In management's opinion, the legal proceedings' ultimate outcome will, net of insurance coverage, not have a material effect on the Club's financial position.

Note 13—Recent Accounting Pronouncements

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2021, with early adoption permitted. The Club is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Club is currently evaluating the impact that the adoption of ASU No. 2020-07 will have on its financial statements.

Note 14—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Since then, business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The Club is continuing to conduct its activities, primarily on a remote basis, and to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on the Club cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Note 15—Subsequent Events

Management has evaluated all activities of Boys and Girls Clubs of Santa Monica through August 3, 2021, which is the date the financial statements were available to be issued, and concluded that, other than the notification of PPP forgiveness and the repayment of the line of credit described in Notes 6 and 7, respectively, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.