

Boys & Girls Club of Greater Lowell, Inc.
Financial Statements
For the Years Ended
December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Boys & Girls Club of Greater Lowell, Inc.

We have audited the accompanying financial statements of Boys & Girls Club of Greater Lowell, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2020 and 2019, 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 & Girls Club of Greater Lowell, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2021, on our consideration of Boys & Girls Club of Greater Lowell, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boys & Girls Club of Greater Lowell, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys & Girls Club of Greater Lowell, Inc.'s internal control over financial reporting and compliance.

Anstiss & Co., P.C.

Anstiss & Co., P.C.
Lowell, MA
September 8, 2021

Boys & Girls Club of Greater Lowell, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 544,419	\$ 79,351
Accounts receivable	10,752	46,963
Pledges receivable - current	321,012	238,324
Prepaid expenses and other current assets	17,560	16,972
Total current assets	<u>893,743</u>	<u>381,610</u>
Long-term assets		
Cash and cash equivalents held for long-term purposes	24,996	26,130
Short-term investments held for long-term purposes	51,266	51,112
Pledges receivable - long term	-	181,251
Pledges receivable - capital campaign	2,205,649	901,451
Endowment investments	1,843,971	1,746,018
Beneficial interest in insurance investments held for endowment	23,819	23,790
Property and equipment, net	1,165,492	1,048,333
Total long-term assets	<u>5,315,193</u>	<u>3,978,085</u>
Total assets	<u>\$ 6,208,936</u>	<u>\$ 4,359,695</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 129,433	\$ 175,662
Payroll liabilities	76,669	47,122
Deferred revenue	-	4,751
Line of credit	-	134,679
Notes payable - current	11,511	9,509
Total current liabilities	217,613	371,723
Notes payable - long term	108,200	114,275
Total liabilities	<u>325,813</u>	<u>485,998</u>
Net assets		
Without donor restrictions		
Undesignated	132,290	342,688
Total without donor restrictions	<u>132,290</u>	<u>342,688</u>
With donor restrictions		
Restricted in perpetuity	364,759	364,759
Restricted for time or purpose	5,386,074	3,166,250
Total with donor restrictions	<u>5,750,833</u>	<u>3,531,009</u>
Total net assets	<u>5,883,123</u>	<u>3,873,697</u>
Total liabilities and net assets	<u>\$ 6,208,936</u>	<u>\$ 4,359,695</u>

See the accompanying notes to these financial statements.

Boys & Girls Club of Greater Lowell, Inc.
Statements of Activities
For the Years Ending December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions, grants and gifts	\$ 774,669	\$ 2,305,916	\$ 3,080,585	\$ 950,117	\$ 2,464,212	\$ 3,414,329
Contract revenue	410,714	-	410,714	292,447	-	292,447
Fundraising revenue	262,643	-	262,643	510,515	-	510,515
Paycheck Protection Program	249,200	-	249,200	-	-	-
Miscellaneous income	15,834	-	15,834	67,741	-	67,741
Rental income	23,729	-	23,729	30,533	-	30,533
Contributed goods	68,713	-	68,713	86,496	-	86,496
Program service fees	488	-	488	2,367	-	2,367
Investment return	-	98,556	98,556	9	108,880	108,889
Total support and revenue	<u>1,805,990</u>	<u>2,404,472</u>	<u>4,210,462</u>	<u>1,940,225</u>	<u>2,573,092</u>	<u>4,513,317</u>
Net assets released from restrictions						
Satisfaction of program restrictions	184,648	(184,648)	-	177,464	(177,464)	-
Total released from restrictions	<u>184,648</u>	<u>(184,648)</u>	<u>-</u>	<u>177,464</u>	<u>(177,464)</u>	<u>-</u>
Support, revenue, and releases	<u>1,990,638</u>	<u>2,219,824</u>	<u>4,210,462</u>	<u>2,117,689</u>	<u>2,395,628</u>	<u>4,513,317</u>
Operating expenses						
Program services	1,393,830	-	1,393,830	1,524,321	-	1,524,321
Management and general	259,440	-	259,440	268,992	-	268,992
Fundraising	390,465	-	390,465	360,020	-	360,020
Capital Campaign	157,301	-	157,301	160,893	-	160,893
Total operating expenses	<u>2,201,036</u>	<u>-</u>	<u>2,201,036</u>	<u>2,314,226</u>	<u>-</u>	<u>2,314,226</u>
Changes in net assets	(210,398)	2,219,824	2,009,426	(196,537)	2,395,628	2,199,091
Net assets at beginning of year	342,688	3,531,009	3,873,697	539,225	1,135,381	1,674,606
Net assets at end of year	<u>\$ 132,290</u>	<u>\$ 5,750,833</u>	<u>\$ 5,883,123</u>	<u>\$ 342,688</u>	<u>\$ 3,531,009</u>	<u>\$ 3,873,697</u>

See the accompanying notes to these financial statements.

Boys & Girls Club of Greater Lowell, Inc.
Statement of Functional Expenses
For the Year Ending December 31, 2020

	Academic Success	Healthy Lifestyles	Good Character and Citizenship	Total Program Services	Management and General	Fundraising	Capital Campaign	Total 2020
Payroll and related	\$ 417,792	\$ 301,388	\$ 124,216	\$ 843,396	\$ 183,658	\$ 198,160	\$ 90,680	\$ 1,315,894
Program expenses	25,408	164,639	23,972	214,019	-	-	-	214,019
Repairs and maintenance	17,326	37,274	13,026	67,626	12,278	5,925	-	85,829
Utilities	9,684	29,308	5,454	44,446	8,736	408	-	53,590
Office expenses	3,366	3,366	3,366	10,098	10,070	16,296	-	36,464
Marketing	-	-	-	-	800	574	-	1,374
Travel	-	-	-	-	304	-	-	304
Professional fees	-	-	-	-	12,407	80,972	50,526	143,905
Conferences and seminars	-	-	-	-	-	-	-	-
Interest expense	1,364	3,211	966	5,541	763	51	-	6,355
Dues and subscriptions	4,324	4,324	4,324	12,972	1,785	119	-	14,876
Insurance	22,898	22,898	22,898	68,694	9,453	1,194	-	79,341
Other expenses	5,805	5,805	5,808	17,418	7,336	837	-	25,591
Donated goods/services	8,313	8,313	8,313	24,939	194	32,114	-	57,247
Depreciation	18,455	55,898	10,328	84,681	11,656	796	-	97,133
Capital campaign expenses	-	-	-	-	-	-	16,095	16,095
Fundraising expense	-	-	-	-	-	53,019	-	53,019
Bad debt	-	-	-	-	-	-	-	-
Loss on disposal of fixed assets	-	-	-	-	-	-	-	-
Total functional expenses	\$ 534,735	\$ 636,424	\$ 222,671	\$ 1,393,830	\$ 259,440	\$ 390,465	\$ 157,301	\$ 2,201,036

See the accompanying notes to these financial statements.

Boys & Girls Club of Greater Lowell, Inc.
Statement of Functional Expenses
For the Year Ending December 31, 2019

	Academic Success	Healthy Lifestyles	Good Character and Citizenship	Total Program Services	Management and General	Fundraising	Capital Campaign	Total 2019
Payroll and related	\$ 404,140	\$ 315,956	\$ 220,349	\$ 940,445	\$ 137,240	\$ 150,614	\$ 74,968	\$ 1,303,267
Program expenses	28,098	185,518	24,784	238,400	-	-	-	238,400
Repairs and maintenance	19,667	44,828	14,242	78,737	15,282	4,217	-	98,236
Utilities	11,060	33,471	6,229	50,760	10,293	466	-	61,519
Office expenses	3,547	3,548	3,547	10,642	12,770	11,103	-	34,515
Marketing	-	-	-	-	800	6,989	-	7,789
Travel	-	-	-	-	104	-	-	104
Professional fees	-	-	-	-	15,771	75,651	83,830	175,252
Conferences and seminars	91	90	91	272	2,629	-	-	2,901
Interest expense	6,138	8,068	5,722	19,928	2,742	183	-	22,853
Dues and subscriptions	4,219	4,220	4,219	12,658	1,742	116	-	14,516
Insurance	19,549	19,549	19,549	58,647	8,071	1,116	-	67,834
Other expenses	5,381	5,381	5,381	16,143	5,363	1,040	-	22,546
Donated goods/services	6,709	6,708	6,709	20,126	-	2,125	-	22,251
Depreciation	16,903	51,178	9,482	77,563	10,766	722	-	89,051
Campaign expenses	-	-	-	-	-	-	2,095	2,095
Fundraising expenses	-	-	-	-	-	105,678	-	105,678
Bad debt	-	-	-	-	1,926	-	-	1,926
Loss on disposal of fixed assets	-	-	-	-	43,493	-	-	43,493
Total functional expenses	\$ 525,502	\$ 678,515	\$ 320,304	\$ 1,524,321	\$ 268,992	\$ 360,020	\$ 160,893	\$ 2,314,226

See the accompanying notes to these financial statements.

Boys & Girls Club of Greater Lowell, Inc.
Statements of Cash Flows
For the Years Ending December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 2,009,426	\$ 2,199,091
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	97,133	89,051
Loss on disposal of fixed assets	-	43,493
Realized and unrealized gain on investments - net	(89,477)	(97,834)
Change in beneficial interest in insurance investments	(29)	(192)
Contributions restricted to endowment	-	(1,000,000)
Decrease in accounts receivable	36,211	12,940
Increase in pledges receivable	(1,205,635)	(1,105,011)
Increase in prepaid expenses and other current assets	(588)	(3,727)
(Decrease) increase in accounts payable and accrued expenses	(16,682)	68,227
Decrease in deferred revenue	(4,751)	(1,249)
Decrease other current liabilities	-	(16,591)
Net cash provided by operating activities	<u>825,608</u>	<u>188,198</u>
Cash flows from investing activities		
Purchase of property and equipment	(214,292)	(199,853)
Purchase of investments	(380,972)	(1,423,901)
Proceeds from sale of investments	372,342	449,174
Net cash used by investing activities	<u>(222,922)</u>	<u>(1,174,580)</u>
Cash flows from financing activities		
Collection of contributions restricted to endowment	-	1,000,000
Proceeds from notes payable	5,347	100,000
Proceeds from line of credit	-	884,000
Payments on line of credit	(134,679)	(844,821)
Payments on notes payable	(9,420)	(109,425)
Net cash (used) provided by financing activities	<u>(138,752)</u>	<u>1,029,754</u>
Increase in cash and cash equivalents	463,934	43,372
Cash and cash equivalents at beginning of year	<u>105,481</u>	<u>62,109</u>
Cash and cash equivalents at end of year	569,415	105,481
Less cash and cash equivalents held for long-term purposes	<u>24,996</u>	<u>26,130</u>
Net cash and cash equivalents at end of year	<u>\$ 544,419</u>	<u>\$ 79,351</u>
Supplemental cash flow information		
Interest paid	<u>\$ 6,355</u>	<u>\$ 22,853</u>
In-kind contributions	<u>\$ 68,713</u>	<u>\$ 86,496</u>

See the accompanying notes to these financial statements.

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 1 - Nature of the Organization

Boys & Girls Club of Greater Lowell, Inc. (the “Organization”) is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code. The Organization’s mission is to inspire and enable young people, especially those who need us most, to realize their full potential as productive, responsible, and caring citizens by promoting the health, social, education, vocational, and character development of the youth in the Greater Lowell Area.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are classified as without donor restrictions.

In addition, the Board may vote to set aside a certain dollar amount or percentage of net assets without donor restrictions for use at a specific time, for a specific purpose, or to function as endowment as it sees fit. These board-designated net assets may become undesignated with the passage of time or when used for their intended purpose. The Board may undesignate these net assets at its discretion if the originally intended time period or purpose is deemed no longer relevant or applicable to the needs of the organization.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed stipulations that may or will be met, either by the actions of the Organization and/or the passage of time are classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category, are net assets subject to donor restrictions to be maintained in perpetuity as permanent assets of the Organization. Generally, all income and unrealized and realized net gains on investments related to these net assets are considered time or purpose restricted. These funds can be made available for expenditure as the Organization appropriates its annual spending or in accordance with donor restrictions. For the years ended December 31, 2020 and 2019, the Organization had net assets with donor restrictions to be maintained in perpetuity of \$364,759.

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all cash, time deposits, certificates of deposit, and other highly liquid financial instruments purchased with original maturities of three months or less, which are neither held nor restricted by donors for long-term purposes, to be cash equivalents. Cash, time deposits, certificates of deposit, and other highly liquid financial instruments restricted to long-term purposes are excluded from this definition.

Fair Value Measurements

GAAP defines fair value measurements applied to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. Under GAAP, fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy consisting of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The carrying amounts in the accompanying statements of financial position for cash and cash equivalents, accounts receivable, pledges receivable, prepaid expenses, and accounts payable and accrued expenses approximate fair value due to their short-term nature.

ASC 825-10, "*Financial Instruments*," permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The Organization has not adopted any of the additional fair value options allowed under the standard.

Investments

The Organization invests its assets in a manner intended to achieve a total rate of return sufficient to replace assets spent and recoup any value lost due to inflation. To minimize risk, the Organization diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies. Significant investment decisions are made by the Board of Trustees, which has oversight responsibility for the Organization's investments. The Organization's portfolio is managed by outside investment managers who invest according to the investment guidelines recommended and approved by the Board of Trustees.

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Investments (continued)

Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position and are included in level 1 of the fair value hierarchy. Fair value is based on market value which is based upon quotes from the principal exchanges on which the securities are traded. Investment return (including realized and unrealized gains and losses, interest, dividends, and external and direct internal investment expenses) is included in the current year change in net assets. Realized and unrealized gains or losses are determined by comparison of the difference between market values and average cost, respectively. Dividend and interest income is recognized when earned.

Accounts Receivable

Accounts receivable are accounted for at established rates on the accrual basis, less an allowance for contractual, charitable, and other arrangements for services provided at less than established rates. The Organization does not accrue interest on trade receivables. The Organization records its accounts receivable at the outstanding principal amount less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts based on the history of write-offs, collections, and current credit conditions. There was no allowance for doubtful accounts as of December 31, 2020 and 2019 as all amount were considered fully collectible.

Pledges Receivable

Pledges receivable expected to be collected within one year are recorded at net realizable value. Pledges receivable due in more than twelve months are recognized initially at fair value in the period the promise is made by the donor. The fair value of a pledge is estimated based on anticipated future cash receipts net of an allowance for uncollectible amounts, discounted using a risk adjusted rate of 4% applicable to the years in which the promises are to be received. In subsequent periods, amortization of the discount rate is included in contribution revenue in the statements of activities. The allowance for uncollectible pledges is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges are written off when deemed uncollectible. Outstanding pledges as of December 31, 2020 and 2019 were \$2,526,661 and \$1,321,026, respectively.

Beneficial Interests

The Organization has a beneficial interest in five life insurance policies. In accordance with GAAP, the interests have been reported as an asset of the Organization. The asset is stated at the cash surrender value of the policies. As of December 31, 2020 and 2019, the beneficial interest in life insurance investments was \$23,819 and \$23,790, respectively.

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

The Organization capitalizes major purchases of fixed assets of \$750 or more which are not in the nature of replacements or repairs. Minor equipment purchases, replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are charged to expense as incurred. Capitalized fixed assets are recorded at cost if purchased or constructed, or at fair market value at the date of the gift, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets capitalized as follows:

	<u>Years</u>
Buildings and improvements	10-39
Equipment	5-7
Vehicles	5

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparison to the future undiscounted net cash flows expected to be generated by the assets. 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 of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Revenue Recognition

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. There were no refundable advances as of December 31, 2020 and 2019.

Membership fees are recognized when delivery of services has occurred. Amounts billed or collected in advance are recorded as deferred revenue until the services are performed. There were no fees collected in advance for the year ended December 31, 2020. As of December 31, 2019, there were \$4,751 in membership fees collected in advance and recorded as deferred revenue.

Grants and contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Gifts of assets other than cash are recorded at their estimated fair value on the date of the gift. Pledges receivable are stated at the estimated net present value, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Investment return (including realized and unrealized gains and losses on investments, interest, dividends and external and direct internal investment expenses) is included in the current year change in net assets. Realized and unrealized gains or losses are determined by comparison of the difference between market values and average cost, respectively. Dividend and interest income is recognized when earned.

In-kind Contributions

Donated goods, services, and fixed assets are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as restricted contributions. The Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service. There were in-kind contributions of goods or fixed assets for \$68,713 and \$72,396 for the years ended December 31, 2020 and 2019, respectively.

The Organization receives services from volunteers in various aspects of its operations, however the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP. Contributed professional services are recorded at the respective fair values of the services received. There were no in-kind contributions of professional services for the years ended December 31, 2020 and 2019, respectively.

Functional Allocation of Expenses

The cost of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement of functional expenses is required to present the natural classification detail of expenses by function allocated on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program and support services are allocated directly. Based on management's estimates, certain costs have been allocated among major classes of program services and supporting activities. Salaries and wages, benefits, payroll taxes, and certain other expenses are allocated based on estimates of time and effort. Other expenses that are common to several functions are allocated as appropriate. Supporting costs such as general administration and overhead and fundraising are reported as management and general or fundraising, respectively.

Advertising

The Organization expenses advertising costs as incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization places its cash and cash equivalents with high quality financial institutions. Such deposits are covered by Federal Deposit Insurance Commission (FDIC) insurance and by state level insurance for balances exceeding FDIC limits. To minimize risk, management routinely assesses the financial strength of the institutions.

Investments are exposed to various risks such as market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in values in the near term could materially affect investment balances and the amounts reported in the financial statements.

Income Taxes and Uncertain Tax Positions

The Organization, incorporated under Chapter 180 of the Massachusetts General Laws as a tax-exempt entity, has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3) and is classified as other than a private foundation as defined by section 590(a) of the IRC. Therefore, it is generally exempt from federal and state income taxes except for tax on unrelated business income, if any. Management has determined that substantially all of the Organization's income, expenditures, and activities relate to its exempt purpose, therefore, the Organization is not subject to unrelated business income taxes and will continue to qualify as a tax-exempt entity. Accordingly, no provision for income taxes has been provided for in the accompanying financial statements.

The Organization is required to evaluate and disclose tax positions that could have an effect on the Organization's financial statements. There are no uncertain tax positions considered to be material. The Organization reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. The informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing. Management believes it is no longer subject to review by taxing authorities for periods prior to 2018.

Accounting Updates

In February 2016, the FASB issued ASU 2016-02, "Leases," amending Financial Accounting Standards Board Accounting Standards Codification (ASC) by adding topic 842. The new ASU requires that lessees recognize on the statement of financial position the assets and liabilities for the rights and obligations created by all leases with terms of more than twelve months, regardless of their classification as either operating or capital leases. For non-profit organizations without public debt, this ASU takes effect for annual periods beginning after December 15, 2021.

The Organization is currently evaluating the effect that this accounting pronouncement will have on the financial statements. There were no other accounting standards recently issued that had or are expected to have a material impact on the Organization's financial statements and associated disclosures.

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 3 – Liquidity and Availability

Financial assets available within one year for general expenditure were as follows for the years ending December 31st:

	2020	2019
Cash and cash equivalents	\$ 544,419	\$ 79,351
Accounts receivable	10,752	46,963
Pledges receivable – current	321,012	238,324
Total financial assets available	\$ 876,183	\$ 364,638

To manage liquidity, the Organization strives to maintain three months of operating reserves on hand to meet current liquidity needs and address shortfalls in cash flows caused by seasonal revenue cycles. To help manage unanticipated liquidity needs, the Organization has a committed line of credit secured by Endowments, in the amount of \$1,250,000. Additionally, the Organization has significant equity in its building to use as collateral should the need ever arise.

Endowments are maintained in investment accounts along with amounts designated for programs and scholarships. The amount appropriated annually from the endowment has historically been 5% of the endowment balance and is reviewed and approved each year.

Note 4 – Pledges Receivable

Pledges receivable consisted of the following as of December 31st:

	2020	2019
Receivable in less than one year	\$ 321,012	\$ 582,246
Receivable in one to five years	2,327,408	799,835
Total unconditional promises to give	2,648,420	1,382,081
Less: discounts to net present value	(121,759)	(61,055)
Net pledges receivable	\$ 2,526,661	\$ 1,321,026

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31st:

	2020	2019
Land	\$ 133,018	\$ 133,018
Buildings	2,603,164	2,587,369
Motor vehicles	27,160	27,160
Furniture and Equipment	458,903	422,146
Construction in progress	161,740	-
Total property and equipment	3,383,985	3,169,693
Less: Accumulated depreciation	(2,218,493)	(2,121,360)
Property and equipment - net	\$ 1,165,492	\$ 1,048,333

Depreciation expense was \$97,133 and \$89,051 for the years ended December 31, 2020 and 2019, respectively.

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 6 - Fair Value of Investments

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures (see Note 2). The following table presents the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31st:

	2020			
	Total	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash equivalents	\$ 1,080,823	\$ 1,080,823	\$ -	\$ -
Equity funds	544,055	544,055	-	-
Fixed income ETFs	257,025	257,025	-	-
Alternative ETFs	13,334	13,334	-	-
Life insurance – CSV	23,819	23,819	-	-
Total	\$ 1,919,056	\$ 1,919,056	\$ -	\$ -

	2019			
	Total	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash equivalents	\$ 1,073,407	\$ 1,073,407	\$ -	\$ -
Equity funds	500,707	500,707	-	-
Fixed income ETFs	206,143	206,143	-	-
Alternative ETFs	16,873	16,873	-	-
Life insurance - CSV	23,790	23,790	-	-
Total	\$ 1,820,920	\$ 1,820,920	\$ -	\$ -

Note 7 – Investment Return

Investment return consisted of the following for the years ended December 31st:

	2020	2019
Interest and dividend income	\$ 16,862	\$ 17,917
Unrealized gains (losses)	70,686	26,221
Realized gains	18,791	71,613
Investment management fees	(7,783)	(6,862)
Total	\$ 98,556	\$ 108,889

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
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Note 8 – Endowment Funds

The Organization's endowment funds were established for a variety of purposes including:

- The facilities endowment to provide funds to the Organization for maintenance of Club facilities, capital improvements, or special needs as designated by the Trustees.
- The art endowment to provide funds to the Organization in support of arts programming.
- Endowment established in response to the comprehensive campaign to support post expansion operations as part of the Organization's sustainability planning.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies net assets with donor restrictions that are perpetual in nature as (a) the original value of gifts donated to the perpetual endowment, (b) the original value of the subsequent gifts donated to the perpetual endowment, and (c) accumulations to the perpetual 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 perpetual endowment fund that is not classified as perpetual endowment is classified with other net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. General economic conditions
2. The possible effect of inflation and deflation
3. The expected tax consequences, if any, of investment decisions
4. The role that each investment or course of action plays within the overall investment portfolio of the fund
5. The expected total return from income and appreciation of investments
6. Other resources of the Organization
7. The needs of the Organization and the fund to make distributions and to preserve capital
8. An asset's special relationship or special value, if any, to the charitable purposes of the Organization
9. The duration and preservation of the fund
10. The Organization's investment policy

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur in newer endowment funds, shortly after the investment of new perpetual endowment contributions or when there was continued appropriation for certain programs that were deemed prudent by the Board of Trustees. There were no deficiencies of this nature as of December 31, 2020 and 2019. As of December 31, 2020 and 2019, perpetual endowment funds with original gift values of \$364,759 and fair values of \$583,748 and \$519,610, were reported in net assets with donor restrictions, respectively.

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 8 – Endowment Funds (continued)

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that conform to the Total Return Concept while assuming a moderate level of investment risk. The primary long-term investment objective for the assets is preservation of principal with a secondary goal of growth. Under the Organization’s investment policy, up to 60% of endowment assets are invested in cash equivalents and equity funds, and 40% in fixed income and other funds. Actual allocations in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places greater emphasis on equity-based investment to achieve its long-term return objectives within prudent risk constraints.

Each year the Board of Trustees reviews and approves the appropriation from the endowment which has historically been 5% of the value of the endowment annually. In making its appropriation, the Organization considers the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending rate to allow its endowments to grow. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional growth through new gifts and investment return.

Net asset composition by endowment type as of December 31, 2020 and 2019 was:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor created endowment	\$ -	\$ 1,867,790	\$ 1,867,790
Board created endowment	-	-	-
Total	<u>\$ -</u>	<u>\$ 1,867,790</u>	<u>\$ 1,867,790</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor created endowment	\$ -	\$ 1,769,808	\$ 1,769,808
Board created endowment	-	-	-
Total	<u>\$ -</u>	<u>\$ 1,769,808</u>	<u>\$ 1,769,808</u>

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 8 – Endowment Funds (continued)

Changes in endowment net assets for the year ended December 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,769,808	\$ 1,769,808
Investment return			
Investment income	-	35,399	35,399
Appreciation/depreciation	-	70,686	70,686
Total investment return	-	106,085	106,085
Contributions	-	-	-
Appropriations for expenditure	-	(7,784)	(7,784)
Other changes	-	(319)	(319)
Endowment net assets, end of year	\$ -	\$ 1,867,790	\$ 1,867,790

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 697,209	\$ 697,209
Investment return			
Investment income	-	82,423	82,423
Appreciation/depreciation	-	26,221	26,221
Total investment return	-	108,644	108,644
Contributions	-	1,000,000	1,000,000
Appropriations for expenditure	-	(36,045)	(36,045)
Other changes	-	-	-
Endowment net assets, end of year	\$ -	\$ 1,769,808	\$ 1,769,808

Note 9 – Line of Credit

The Organization has a \$1,250,000 line of credit available from Enterprise Bank & Trust Company with a variable interest rate applied to the outstanding balance. The interest rate was 4.25% and 5% as of December 31, 2020 and 2019, respectively. The line of credit is secured by all the investment assets of the Organization and is subject to annual renewal. There were no outstanding amount on the line of credit as of December 31, 2020. The outstanding balance as of 2019 December 31, 2019 was \$134,679.

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 10 – Notes Payable

	2020	2019
Mortgage Payable to Enterprise Bank at an interest rate of 4.01% through April 2022 and monthly payments of \$886. The interest rate will be reviewed then and every five years thereafter and adjusted to 1.75% over the Federal Home Loan five-year rate. This loan matures on March 1, 2035 and is secured by the property at 657 Middlesex Street.	\$ 114,365	\$ 120,199
Note Payable to JDCU at 2.74% interest with monthly payments of \$330. This loan matures on November 30, 2020 and is secured by a motor vehicle.	-	3,585
Note payable to CIT with no interest rate and monthly payment of \$568. This loan matures on September 2021.	5,344	
	119,711	123,784
Less: current portion	11,511	9,509
	\$ 108,200	\$ 114,275

Future maturities on notes payable are as follows for the years ending December 31st:

2021	\$ 11,511
2022	6,418
2023	6,680
2024	6,953
2025	7,237
Thereafter	80,912
Total	\$ 119,711

Note 11 - Net Assets

Net assets consisted of the following at December 31st:

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating funds	\$ 132,290	\$ -	\$ 132,290	\$ 342,688	\$ -	\$ 342,688
Pledges receivable	-	2,526,661	2,526,661	-	1,321,026	1,321,026
Scholarships	-	58,447	58,447	-	60,856	60,856
Other	-	1,297,935	1,297,935	-	379,319	379,319
Endowment	-	1,867,790	1,867,790	-	1,769,808	1,769,808
	\$ 132,290	\$ 5,750,833	\$5,883,123	\$ 342,688	\$ 3,531,009	\$ 3,873,697

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 11 - Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time or other events specified by the donors as follows for the years ended December 31st:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 135	\$ 60,000
Satisfaction of purpose restrictions	184,513	117,464
Total net assets released from restrictions	<u>\$ 184,648</u>	<u>\$ 177,464</u>

As of December 31, 2020 and 2019, net assets with donor restrictions included net assets of \$364,759 which must be held by the Organization in perpetuity. Earnings on perpetual endowment funds with purpose restrictions consist of funds restricted for a variety of uses which meet the charitable needs of the community.

In addition, there were net assets with donor restrictions consisting of contributions whose restrictions can be satisfied through purpose spending or time and that resulted from earnings on perpetual endowment funds under UPMIFA as adopted by the Commonwealth of Massachusetts as follows:

	<u>2020</u>	<u>2019</u>
Cumulative earnings - perpetual endowment funds		
Without purpose restrictions	\$ -	\$ -
With purpose restrictions	218,989	154,851
Subtotal	218,989	154,851
Other funds temporarily restricted for purpose	3,075,238	1,423,954
Other funds temporarily restricted for time	2,091,847	1,587,445
Total	<u>\$ 5,386,074</u>	<u>\$ 3,166,250</u>

Net assets with donor restrictions consisted of the following as of and for the years ended December 31st:

	<u>2020</u>	<u>2019</u>
Unrestricted endowment	\$ 1,032,502	\$ 1,026,587
Special needs endowment	291,874	259,805
Capital needs endowment	291,874	259,805
Arts programming endowment	251,540	223,611
Eric's Shoebox	24,300	14,100
Capital improvements	1,000,751	205,470
Have an Awesome Day Fund	19,794	18,465
Scholarships	58,447	60,856
Program grants	253,090	141,283
Pledges restricted for capital improvement	1,720,406	901,451
Other pledges restricted as to time	806,255	419,576
Total net assets with donor restrictions	<u>\$ 5,750,833</u>	<u>\$ 3,531,009</u>

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
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Note 12 - Retirement Plan

The Organization maintains an Internal Revenue Service qualified 401(k) defined contribution, salary reduction plan covering all qualified employees. Employees may make discretionary contributions to the plan, which are not subject to a match by the Organization. The Organization contributes five percent, comprised of a three percent Safe Harbor that is one hundred percent vested immediately, and a two percent discretionary contribution that is subject to a two to six-year vesting schedule. The two percent discretionary contribution may be modified annually by the Board of Directors upon recommendation from the Executive Director and the Board President. Employer contributions for the years ended December 31, 2020 and 2019 was \$44,166 and \$33,634, respectively.

Note 13 – SBA/PPP Loan Payable

On April 5, 2020, the Organization received loan proceeds in the amount of \$249,200 under the Paycheck Protection Program (“PPP”). The PPP was established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), enacted by the U.S. Government on March 27, 2020 to help small businesses retain employees during the pandemic and economic downturn. The PPP provides for loans to qualifying business for amounts up to two- and one-half times the average monthly allowable payroll costs incurred during the year prior to the loan date. The loan and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible expenditures, including payroll, benefits, rent, and utilities, and maintains its payroll levels. No more than 40% of the amounts expended can be for non-payroll costs and the amount of loan forgiveness will be reduced if the borrower terminates employees or reduces wages paid to employees by more than 25% during the twenty-four-week period. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%.

Loan forgiveness is contingent upon the lending institution’s approval. The Organization used the proceeds for purpose consistent with the PPP to allow for the total forgiveness of amounts received and recognition of the loan forgiveness. The loan was forgiven for the full amount of the loan proceeds on December 4, 2020. The Organization recorded the amount forgiven as revenue during the year ended December 31, 2020.

Note 14 – Contingency

As of September 8, 2021, the Organization continues to be impacted by COVID-19, which was characterized as a pandemic by the World Health Organization on March 11, 2020. Multiple jurisdictions in the U.S. have declared a state of emergency and implemented enhanced screenings, quarantine requirements, and travel restrictions.. It is anticipated that these impacts will continue for some time. The extent of the impact of the COVID-19 pandemic on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak. Changes to the operating environment may increase operating costs. Continued potential impacts may include disruptions or restrictions on staff members’ ability to work, members’ ability to pay dues, donors’ ability to contribute, our ability to fundraise, or fluctuations in market conditions. The future effects of these issues are unknown.

Boys & Girls Club of Greater Lowell, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

Note 15 - Reclassifications

During 2020, certain amounts from the prior year financial statements were reclassified to conform to current year presentation.

Note 16 - Subsequent Events

ASC 855-10, "*Subsequent Events*", defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with GAAP, the Organization's management has evaluated events subsequent to December 31, 2020 through September 8, 2021, which is the date the financial statements were available to be issued.

During 2021, the Organization received loan proceeds in the amount of \$249,200 under the Second Draw Paycheck Protection Program ("PPP"). On December 27, 2020, the Second Draw PPP was enacted under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the Economic Aid Act) under the same terms, conditions, and processes as the First Draw PPP loans. The Organization intends to use the proceeds for purposes consistent with the PPP to allow for total forgiveness of the amounts received. Loan forgiveness is contingent upon the lending institutions' approval, which had not been granted through the date of this report.

There were no other material events noted during this period that would either impact the results reflected in this report or the Organization's results going forward.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Boys & Girls Club of Greater Lowell, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boys & Girls Club of Greater Lowell, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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, and have issued our report thereon dated September 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boys & Girls Club of Greater Lowell, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boys & Girls Club of Greater Lowell, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Boys & Girls Club of Greater Lowell, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys & Girls Club of Greater Lowell, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anstiss & Co., P.C.

Anstiss & Co., P.C.
Lowell, MA
September 8, 2021