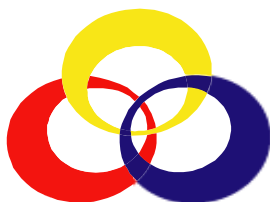


Audit Report
For the Years Ended
December 31, 2019 and 2018



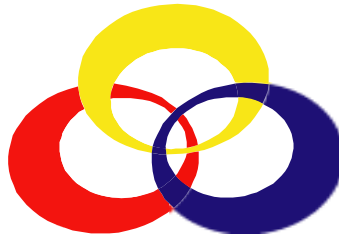
BOYS & GIRLS CLUB
OF WATERTOWN, INC.



Kinner & Company Ltd
Certified Public Accountants
Taxes, QuickBooks &
Investments

**BOYS AND GIRLS CLUB
OF WATERTOWN, INC.
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DECEMBER 31, 2019**

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Kinner & Company Ltd

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors of
Boys and Girls Club of Watertown, Inc.

We have audited the accompanying financial statements of the Boys and Girls Club of Watertown, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Kinner + Company Ltd.

Kinner & Company Ltd
Certified Public Accountants
Brookings, South Dakota

February 14, 2020

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BOYS AND GIRLS CLUB OF WATERTOWN, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	\$ 362,186	\$ 416,931
Accounts receivable	13,029	12,289
Food inventory	6,933	7,001
Prepaid insurance	7,579	5,319
Total Current Assets	389,727	441,539
Property and Equipment		
Buildings and Improvements	3,861,624	3,861,624
Equipment	365,147	365,147
Accumulated Depreciation	(277,932)	(128,466)
Total Property and Equipment	3,948,839	4,098,305
Other Assets		
Contributions receivable, restricted, net	409,674	832,216
Restricted cash	26,435	43,232
Assets whose use is limited	760,939	522,648
Buildings and Improvements	1,137,353	1,137,353
Accumulated Amortization	(777,893)	(749,449)
Total Other Assets	1,556,509	1,786,001
TOTAL ASSETS	\$ 5,895,074	\$ 6,325,846
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 14,787	\$ 14,250
Accrued Vacation	36,740	36,902
Accrued Salaries	38,828	35,123
Line of Credit	-	400,000
Total Current Liabilities	90,355	486,275
TOTAL LIABILITIES	90,355	486,275
Net Assets		
Without Donor Restrictions		
Undesignated	4,620,105	4,833,684
Designated by Board	760,939	522,648
With Donor Restrictions		
Purpose Restricted	423,674	483,239
Total Net Assets	5,804,718	5,839,571
TOTAL NET ASSETS	5,804,718	5,839,571
TOTAL LIABILITIES AND NET ASSETS	\$ 5,895,074	\$ 6,325,846

See notes to the financial statements

BOYS AND GIRLS CLUB OF WATERTOWN, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions	Total	Restrictions	Restrictions	Total
Revenues and Gains, and Other Support						
Agency subsidies	\$ 167,500	\$ -	\$ 167,500	\$ 164,500	\$ -	\$ 164,500
Fund raising and donations	317,359	56,519	373,878	285,973	183,853	469,825
Grants	283,965	71,736	355,701	191,738	273,199	464,937
Membership dues	216,105		216,105	223,096		223,096
Fee based programs						
Kidscope	151,138		151,138	183,992		183,992
Arrow Prep	118,264		118,264	127,427		127,427
Main Club Site	36,814		36,814	36,153		36,153
Food service						
Kidscope	3,786		3,786	6,094		6,094
Arrow Prep	4,371		4,371	7,000		7,000
Main Club Site	65,897		65,897	47,895		47,895
Rent, vending and other	8,004		8,004	4,947		4,947
Interest and dividends on investments	1,324	-	1,324	47	4,100	4,147
Net realized and unrealized gain (loss) on long-term investments	87,177		87,177	(27,263)		(27,263)
Gain (Loss) on disposal of assets	-		-	(4,150)		(4,150)
Net Assets Released from (Transferred to) Restrictions	187,820	(187,820)	-	3,083,434	(3,083,434)	-
Total Revenues, Gains, and Other Support	1,649,524	(59,565)	1,589,959	4,330,883	(2,622,282)	1,708,601
EXPENSES						
Kid scope	168,670	-	168,670	173,120	-	173,120
Arrow Prep	140,834	-	140,834	142,134	-	142,134
Management and General	1,175,393	-	1,175,393	1,094,434	-	1,094,434
Fundraising	139,915	-	139,915	6,030	-	6,030
Total Expenses	1,624,812	-	1,624,812	1,415,717	-	1,415,717
Change in Net Assets	24,712	(59,565)	(34,852)	2,915,166	(2,622,282)	292,884
Net Assets, Beginning of Year	5,356,332	483,239	5,839,571	2,441,166	3,105,521	5,546,687
Net Assets, End of Year	\$ 5,381,044	\$ 423,674	\$ 5,804,718	\$ 5,356,332	\$ 483,239	\$ 5,839,571

See notes to the financial statements

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services		Supporting Activities		Total Expenses
	Kidscope	Arrow Prep	Management and General	Fundraising	
Administrative salaries	\$ 19,463	\$ 20,821	\$ 139,492	\$ 72,974	\$ 252,750
Program salaries	97,636	82,467	458,619		638,723
Payroll taxes	9,261	8,727	49,713	-	67,701
Employee benefits	7,429	6,500	47,603		61,532
Professional fees	-	-	11,425	4,690	16,115
Insurance	4,717	4,717	21,571		31,005
Interest Expense			10,592		10,592
Telephone	792	1,082	6,315		8,190
Office	-	-	5,171	1,732	6,903
Marketing	225	343	7,208	-	7,775
Staff development	1,003	782	24,443	-	26,229
Food service	16,764	9,205	69,247		95,216
Program expenses	6,765	823	54,214		61,801
Depreciation	-	-	177,910		177,910
Repairs and maintenance	3,262	732	70,975		74,969
Vehicle	657	3,938	2,761		7,356
Board development	-	-	3,300		3,300
Resource development	-	-	(0.00)	60,519	60,519
Banking fees	-	-	1,940		1,940
BGCA dues	696	696	5,588		6,980
Miscellaneous	-	-	805		805
Scholarship Program			6,500		6,500
Total Expenses	\$ 168,670	\$ 140,834	\$ 1,175,393	\$ 139,915	\$ 1,315,308
					\$ 1,624,812

See notes to the financial statements

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services			Supporting Activities			Total Expenses
	Kidscope	Arrow Prep	Program Subtotal	Management and General	Fundraising	Supporting Subtotal	
Administrative salaries	\$ 20,110	\$ 18,631	\$ 38,741	\$ 207,003	\$ -	\$ 207,003	\$ 245,745
Program salaries	99,203	83,245	182,448	375,204	-	375,204	557,652
Payroll taxes	8,888	7,807	16,696	45,380	-	45,380	62,076
Employee benefits	7,849	6,652	14,502	49,432	-	49,432	63,934
Professional fees	-	-	-	8,315	-	8,315	8,315
Insurance	4,925	4,925	9,851	21,690	-	21,690	31,541
Interest Expense					5,391	5,391	5,391
Telephone	195	1,030	1,226	6,674	-	6,674	7,900
Office	-	-	-	9,426	-	9,426	9,426
Marketing	203	68	270	9,170	639	9,809	10,079
Staff development	922	875	1,797	9,310	-	9,310	11,107
Food service	20,694	8,906	29,600	49,416	-	49,416	79,017
Grant Expense	-	-	-	-	-	-	-
Program expenses	5,482	5,014	10,496	39,933	-	39,933	50,429
Depreciation	-	-	-	106,284	-	106,284	106,284
Repairs and maintenance	2,358	984	3,341	63,828	-	63,828	67,169
Vehicle	1,196	27	1,222	3,163	-	3,163	4,385
Board development	-	-	-	3,894	-	3,894	3,894
Resource development	-	-	-	60,381	-	60,381	60,381
Banking fees	-	-	-	2,054	-	2,054	2,054
BGCA dues	1,094	1,094	2,188	5,104	-	5,104	7,292
Lease/Moving Costs	-	2,875	2,875	18,023	-	18,023	20,897
Miscellaneous	-	-	-	750	-	750	750
Total Expenses	\$ 173,120	\$ 142,134	\$ 315,253	\$ 1,094,434	\$ 6,030	\$ 1,100,464	\$ 1,415,717

See notes to the financial statements

BOYS AND GIRLS CLUB OF WATERTOWN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	\$ (34,852)	\$ 292,884
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation	177,910	106,284
(Gain) Loss on sale of assets	-	4,150
Dividends/Interest	(1,324)	
Unrealized and realized (gain) loss on long-term investments	(87,177)	27,263
Cash provided by (used for):		
Accounts receivable	(740)	2,026
Contributions receivable	422,542	553,318
Inventory	68	(4,062)
Prepaid insurance	(2,260)	(1,295)
Accounts payable	537	2,251
Accrued Vacation	(162)	2,051
Accrued Salaries	3,705	5,676
Net Cash (used for) provided by Operating Activities	478,246	990,546
Cash Flow From Investing Activities:		
Transfer from cash restricted to long-term purposes	17,009	1,598,966
Transfer of funds to endowment and money market	(150,000)	(50,000)
Purchase of property and equipment		(2,963,313)
Net Cash (used for) provided by Investing Activities	(132,991)	(1,414,347)
Cash flows from financing activities		
Cash inflows		
Advances on debt	-	475,000
Cash outflows		
Principal paid on debt	(400,000)	(75,000)
Net cash flows provided by financing activities	(400,000)	400,000
Net Increase (Decrease) in Cash and Cash Equivalents	(54,745)	(23,801)
Cash and Cash Equivalents, Beginning of Year	416,931	440,732
Cash and Cash Equivalents, End of Year	\$ 362,186	\$ 416,931
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ 10,592	\$ 5,391

See notes to the financial statements

BOYS AND GIRLS CLUB OF WATERTOWN, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

a. Nature of Business

The Boys and Girls Club of Watertown, Inc. (“Club”) is a nonprofit organization providing behavior guidance and promoting health, social, educational, vocational and character development of youth in Watertown, South Dakota and surrounding communities.

The Club’s activities are conducted in a facility which is leased from the City of Watertown under terms discussed later in these notes.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

c. Revenue Recognition

The Club uses the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when they are earned, and expenses are recognized when they are incurred.

d. Basis of Presentation

As of December 31, 2018 the net asset classification has changed due to the implementation of FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance amends the requirements for financial statements and notes presented by a not-for-profit entity to: a) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes; b) present on the face of the statement of activities the amount of the change in either of the two classes of net assets rather than that of the currently required three classes; c) provide enhanced disclosures in the notes to the financial statements; d) report investment return net of external and direct internal investment expenses; e) provide enhanced disclosures of the amounts of expenses by both their natural classification and their functional classification; and f) utilize in the absence of explicit donor stipulations, the placed in service approach for reporting expirations of restrictions of gifts of cash or other assets to be used to acquire or construct a long-lived asset.

Net assets of the organization and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor imposed stipulations.

Without donor restrictions - Designated – Net assets subject to purposes designated by the governing board.

With donor restrictions - Purpose restricted – Net assets subject to donor imposed stipulations that will be met either by the Club and/or passage of time. The purpose restricted net assets include funds to be used for the Club remodel.

BOYS AND GIRLS CLUB OF WATERTOWN, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

e. Use of Estimates

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

f. Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Club includes all unrestricted and undesignated cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying balance sheets. Because of their short-term nature, the fair value of cash equivalents approximates the carrying value.

g. Accounts Receivable

Accounts receivable represents amounts owed to the Club from Federal, State and local governments for services rendered under contractual obligations and grants from the Boys and Girls Club of America. All outstanding accounts receivable are considered collectible and an allowance for uncollectible amounts was not reflected.

h. Contributions Receivable

Contributions receivable consist of unconditional promises to give and are recorded when the promises to contribute are made. Contributions receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Club provides an allowance for uncollectible contributions based on historical collection experience.

i. Food Inventory

Food inventory is stated at the lower of cost (first-in, first-out method) or market.

j. Property and Equipment

Property and equipment is stated at cost or at estimated fair market value on the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of five to forty years. The Club's policy is to capitalize those assets with a useful life greater than one year, and an initial acquisition cost of \$5,000 or above.

BOYS AND GIRLS CLUB OF WATERTOWN, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

k. Investment in marketable equity securities

The Club has investments in marketable equity securities. Marketable equity securities consist primarily of mutual funds that are traded or listed on national exchanges.

Available-for-sale securities consist of marketable securities not classified as held-to-maturity. Available-for-sale securities are stated at fair value and unrealized holding gains and losses are included in the statement of activities.

l. Revenue Recognition

The Club reports gifts of cash and other assets when received, less an allowance for uncollectible amounts of other assets, as temporarily restricted revenues, if they are received with donor or grantor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions except for gifts or grants that are reimbursements of expenses of a program, which are recorded as unrestricted support in the period the costs are incurred.

The Club reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted revenue. Absent donor stipulations about how long those long-lived assets must be maintained, the Club reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated materials and equipment are reflected as contributions at their estimated values on date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time in the Club's program services and fund raising efforts.

2. ASSETS WHOSE USE IS LIMITED

A summary of investment securities at December 31, 2019 and 2018 follows:

	<u>2019</u>	<u>2018</u>
Board Designated:		
Certificates of deposit	\$62,086	\$60,973
Mutual Funds, equity securities	76,617	63,355
Assets held by the Watertown Community Foundation for long-term investment	<u>622,236</u>	<u>398,320</u>
	<u>\$760,939</u>	<u>\$522,648</u>

BOYS AND GIRLS CLUB OF WATERTOWN, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

3. FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820 establishes a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2

Inputs to the valuation methodology include:

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

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

Level 3

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

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

Following is a description of the valuation methodologies used for assets measured at fair value.

Trading securities: Valued at the net realizable value of shares held by the Company at year-end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As of December 31, 2019 and 2018, the Club’s balances in investments accounts of \$76,617 and \$63,355, respectively, are considered level 2 assets.

BOYS AND GIRLS CLUB OF WATERTOWN, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

December 31,	<u>2019</u>	<u>2018</u>
Less than one year	\$395,668	\$489,304
One to five years	<u>27,981</u>	<u>398,113</u>
	\$423,652	\$887,417
Less: allowance for uncollectible contributions	(12,000)	(25,000)
Less: present value discount of 5%	<u>(1,975)</u>	<u>(30,201)</u>
	<u>\$409,674</u>	<u>\$832,216</u>

5. MAJOR SUPPORT AND COMMITMENTS

In 1985, the Club entered into an agreement with the City of Watertown to lease the operating facilities for 99 years at an annual rental of one dollar. The Club's leasing arrangement was modified in 1998 for an addition to the operating facilities at that time. The Club has recognized a contribution from the City in an amount equivalent to the cost of the space occupied by the Club in proportion to the cost of the entire building. Because of its nature, the contribution has been capitalized and is included as a component of buildings and improvements on the statement of financial position. The lease agreement includes a provision for contributed membership dues of \$204,450 for the year 2017, for year 2018 payments shall be increased by the lesser of the following: 3% of the previous year's payment; or the previous year's payment multiplied by the annual percentage change in the Consumer Price Index established by the South Dakota Department of Revenue pursuant to S.D.C.L §10-13-38. The amount received for the years ended December 31, 2019 and 2018, was \$193,667 and \$206,325, respectively, and has been reflected as a component of unrestricted revenue. This accounted for more than 10% of total unrestricted revenues of the Club for those years.

6. INCOME TAX MATTERS

The Club is a not-for-profit organization, which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code. In addition, the Club has been classified as an organization other than a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes has been reflected in the financial statements.

7. ACCUMULATED PAID TIME OFF

All regular employees, both full-time and part-time, earn paid time off.

Regular Part-Time Employees:

If an employee works less than 40 hours per week, the accrued PTO is prorated based on the number of hours working during their regular schedule. For the first year of employment, all part-time employees will be eligible for PTO hours that equal one week of their normal schedule. New part-time employees will have a waiting period of no less than 90 days. After one year of employment, part-time employees will be eligible for two weeks of PTO based on their normal hours worked. After five years of employment, part-time employees are eligible for one additional day per year. The maximum PTO that can be earned by part-time employees will equal three weeks of their normal schedule.

BOYS AND GIRLS CLUB OF WATERTOWN, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Full-Time Employees:

Full-time employees earn vacation on the following table:

Upon hire	20 Hours	10 Days
After first full year	30 Hours	15 Days
After five years	40 Hours	20 Days
After ten years	50 Hours	25 Days

All employees are allowed to carry-over PTO from one calendar year to the next. The maximum amount an employee can bank is 200 hours; hours accumulated over 200 will be forfeited without pay. Employees are highly encouraged to use their PTO. If organizational needs prevent the employee from taking scheduled time off, PTO hours accumulated over the maximum may be carried over and taken in the following quarter with prior approval from the Executive Director.

As of December 31, 2019 and 2018 the following liabilities existed for accumulated unpaid leave balances calculated at the employees' December 31, 2019 and 2018 pay rates:

	<u>2019</u>	<u>2018</u>
Vacation Pay	\$36,740	\$36,902

8. RISK CONCENTRATIONS – DEPOSITS AND INVESTMENTS

Cash and temporary investment deposit balances are held at financial institutions insured by the FDIC and SIPC.

At December 31, 2019 and 2018, cash and temporary cash investment balances were deposited in various financial institutions and included interest earned where applicable, had market values at December 31, 2019 and 2018 that are substantially the same as the carrying value in the accompanying financial statements.

The cash and investment balances at December 31, 2019, are categorized below to give an indication of the level of risk assumed by the Club at year-end.

<u>Held in</u>	<u>Depository Balance by Category</u>			<u>Total</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Banks	\$276,640	\$0	\$112,612	\$389,252	\$388,621

Category one includes cash and investments that are insured or registered of for which the accounts are held by the Club or its agent in the Club's name and includes FDIC or equivalent insurance coverage.

Category two includes uninsured or unregistered cash and investments for which the securities are held by the financial institution trust department or agent in the Club's name.

Category three includes all other uninsured and unregistered cash and investments.

Cash and investment balances exceeded insurable limits at various times throughout 2019 and 2018; the Club has not experienced any losses in the above accounts during either of those years.

BOYS AND GIRLS CLUB OF WATERTOWN, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

9. PENSION PLAN

The Club sponsors a retirement plan for employees who have completed two years of service, attained age 21 and work, on a regular basis, at least 1,000 hours annually. Employer contributions to the plan are discretionary and can range from no contribution to five percent of participants' annual compensation. Total pension expense for the years ended December 31, 2019 and 2018, was \$23,652 and \$19,380, respectively.

10. LINE OF CREDIT

The Club has a \$1,025,000 line of credit with First Premier Bank. As of December 31, 2018 the balance borrowed against the line was \$400,000. As of December 31, 2019 there was no balance due on the line of credit. The line bears interest at the bank's prime lending rate, so it changes throughout the year.

11. RISK MANAGEMENT

The Club is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended December 31, 2019 and 2018, the Club managed its risks as follows:

Employee Health Insurance - The Club purchases health insurance for its employees from a commercial insurance carrier.

Liability Insurance - The Club purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

Workmen's Compensation - The Club purchases liability insurance for workmen's compensation from a commercial carrier.

Unemployment Benefits - The Club provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

12. NET ASSETS

Undesignated without donor restrictions net assets consist of the following:

December 31,	<u>2019</u>	<u>2018</u>
Property and equipment	\$3,948,839	\$4,098,305
Board designated	760,939	522,648
Undesignated net assets	<u>671,266</u>	<u>735,379</u>
	<u>\$5,381,044</u>	<u>\$5,356,332</u>

With donor restrictions net asset are available for the following purposes:

December 31,	<u>2019</u>	<u>2018</u>
Capital Campaign	\$423,674	\$483,238

The intent of the Club's capital fundraising campaign was to remodel the current location of the Club. The project was completed in 2018. Pledges will still be coming in through 2021.

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13. METHODS USED FOR ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. These costs are allocated to these categories on a direct cost method.

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's working capital and cash flows have variations during the year attributable to fundraising, donation, and membership timing. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Club has investments in various short-term investments, including certificates of deposits.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of donor-imposed restrictions or internal designations. Amounts not available include assets set aside for long-term investing in operating reserves that could be drawn upon if the governing board approves that action.

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$362,186	\$416,931
Restricted cash	26,435	43,232
Assets whose use is limited	760,939	522,648
Contribution Receivable	423,674	832,216
Accounts Receivable	<u>13,029</u>	<u>12,289</u>
Total financial assets	1,586,263	1,727,316
Contractual or donor-imposed restrictions:		
Purpose restricted	423,674	483,238
Board designated	<u>760,939</u>	<u>522,648</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$401,650</u>	<u>\$721,430</u>

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 14, 2020, the date the financial statements were available to be issued. Subsequent event occurring after February 14, 2020, have not been evaluated by management. No material events have occurred since December 31, 2019, that require recognition or disclosure in the financial statements.