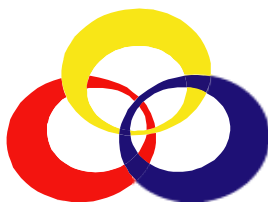


Audit Report  
For the Years Ended  
December 31, 2020 and 2019



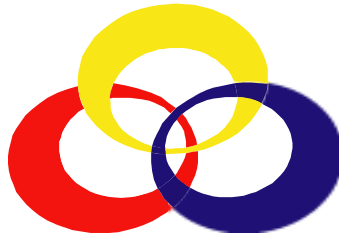
**BOYS & GIRLS CLUB**  
OF WATERTOWN, INC.



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

**BOYS AND GIRLS CLUB  
OF WATERTOWN, INC.  
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DECEMBER 31, 2020**

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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, 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 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, 2020 and 2019, 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

March 9, 2021

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**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

ASSETS	<u>2020</u>	<u>2019</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 810,909	\$ 450,707
Accounts receivable	14,452	13,029
Food inventory	10,369	6,933
Prepaid insurance	19,896	7,579
Total Current Assets	<u>855,626</u>	<u>478,249</u>
<b>Property and Equipment</b>		
Buildings and Improvements	3,861,624	3,861,624
Equipment	390,788	365,147
Accumulated Depreciation	<u>(427,616)</u>	<u>(277,932)</u>
Total Property and Equipment	<u>3,824,796</u>	<u>3,948,839</u>
<b>Other Assets</b>		
Contributions receivable, restricted, net	51,130	409,674
Franklin Templeton Investment	85,401	76,617
Watertown Endowment- Assets whose use is limited	960,666	622,236
Buildings and Improvements	1,137,353	1,137,353
Accumulated Amortization	<u>(806,337)</u>	<u>(777,893)</u>
Total Other Assets	<u>1,428,213</u>	<u>1,467,987</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,108,635</u></b>	<b><u>\$ 5,895,074</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 10,598	\$ 14,787
Accrued Vacation	45,803	36,740
Accrued Salaries	45,251	38,828
Payroll Protection Program Loan	<u>168,200</u>	<u>-</u>
Total Current Liabilities	<u>269,852</u>	<u>90,355</u>
<b>TOTAL LIABILITIES</b>	<u>269,852</u>	<u>90,355</u>
<b>Net Assets</b>		
Without Donor Restrictions		
Undesignated	4,727,585	4,620,105
Designated by Board	1,046,067	760,939
With Donor Restrictions		
Purpose Restricted	<u>65,131</u>	<u>423,674</u>
<b>TOTAL NET ASSETS</b>	<u>5,838,783</u>	<u>5,804,718</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,108,635</u></b>	<b><u>\$ 5,895,074</u></b>

See notes to the financial statements

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<b>2020</b>			<b>2019</b>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Gains, and Other Support</b>						
Agency subsidies	\$ 168,500	-	\$ 168,500	\$ 167,500	-	\$ 167,500
Fund raising and donations	268,264	250	268,514	317,359	56,519	373,878
Grants	388,133	-	388,133	283,965	71,736	355,701
Membership dues	204,005		204,005	216,105		216,105
Fee based programs						
Kidscope	84,267		84,267	151,138		151,138
Arrow Prep	132,108		132,108	118,264		118,264
Main Club Site	16,139		16,139	36,814		36,814
Food service						
Kidscope	1,243		1,243	3,786		3,786
Arrow Prep	3,040		3,040	4,371		4,371
Main Club Site	201,106		201,106	65,897		65,897
Rent, vending and other	8,488		8,488	8,004		8,004
Interest and dividends on investments	892		892	1,324		1,324
Net realized and unrealized gain (loss) on long-term investments	104,016		104,016	87,177		87,177
Net Assets Released from (Transferred to) Restrictions	358,793	(358,793)	-	187,820	(187,820)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>1,938,994</b>	<b>(358,543)</b>	<b>1,580,451</b>	<b>1,649,524</b>	<b>(59,564)</b>	<b>1,589,960</b>
<b>EXPENSES</b>						
Kid scope	108,378	-	108,378	168,670	-	168,670
Arrow Prep	135,987	-	135,987	140,834	-	140,834
Management and General	1,191,665	-	1,191,665	1,175,393	-	1,175,393
Fundraising	110,357	-	110,357	139,915	-	139,915
<b>Total Expenses</b>	<b>1,546,387</b>	<b>-</b>	<b>1,546,387</b>	<b>1,624,812</b>	<b>-</b>	<b>1,624,812</b>
<b>Change in Net Assets</b>	<b>392,607</b>	<b>(358,543)</b>	<b>34,064</b>	<b>24,712</b>	<b>(59,564)</b>	<b>(34,852)</b>
Net Assets, Beginning of Year	5,381,044	423,674	5,804,718	5,356,332	483,239	5,839,571
<b>Net Assets, End of Year</b>	<b>\$ 5,773,652</b>	<b>\$ 65,131</b>	<b>\$ 5,838,783</b>	<b>\$ 5,381,044</b>	<b>\$ 423,674</b>	<b>\$ 5,804,718</b>

See notes to the financial statements

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services			Supporting Activities			Total Expenses
	Kidscope	Arrow Prep	Program Subtotal	Management and General	Fundraising	Supporting Subtotal	
Administrative salaries	\$ 14,102	\$ 17,581	\$ 31,683	\$ 187,331	\$ 58,037	\$ 245,368	\$ 277,051
Program salaries	61,556	88,307	149,863	440,351	-	440,351	590,214
Payroll taxes	4,868	7,460	12,328	47,915	4,440	52,355	64,683
Employee benefits	7,647	6,923	14,570	69,151	-	69,151	83,721
Professional fees	-	-	-	7,635	6,402	14,037	14,037
Insurance	3,765	3,507	7,273	19,453	-	19,453	26,726
Interest Expense	-	-	-	-	-	-	-
Telephone	567	797	1,363	6,186	-	6,186	7,549
Office	-	-	-	7,524	2,720	10,244	10,244
Marketing	250	125	375	5,086	-	5,086	5,461
Staff development	216	299	514	7,762	-	7,762	8,277
Food service	7,623	6,407	14,030	99,325	-	99,325	113,355
Program expenses	3,221	3,033	6,253	43,461	-	43,461	49,714
Depreciation	-	-	-	178,128	-	178,128	178,128
Repairs and maintenance	3,511	834	4,345	56,193	-	56,193	60,538
Vehicle	53	11	64	-	-	-	64
Board development	-	-	-	2,518	-	2,518	2,518
Resource development	-	-	-	-	38,757	38,757	38,757
Banking and Investment Fees	-	-	-	7,561	-	7,561	7,561
BGCA dues	1,000	704	1,704	5,335	-	5,335	7,039
Miscellaneous	-	-	-	750	-	750	750
Scholarship Program	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 108,378</b>	<b>\$ 135,987</b>	<b>\$ 244,365</b>	<b>\$ 1,191,665</b>	<b>\$ 110,357</b>	<b>\$ 1,302,022</b>	<b>\$ 1,546,387</b>

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		Program Subtotal	Supporting Activities		Supporting Subtotal	Total Expenses
	Kidscope	Arrow Prep		Management and General	Fundraising		
Administrative salaries	\$ 19,463	\$ 20,821	\$ 40,284	\$ 139,492	\$ 72,974	\$ 212,466	\$ 252,750
Program salaries	97,636	82,467	180,103	458,619	-	458,619	638,722
Payroll taxes	9,261	8,727	17,988	49,713	-	49,713	67,701
Employee benefits	7,429	6,500	13,929	47,603	-	47,603	61,532
Professional fees	-	-	-	11,425	4,690	16,115	16,115
Insurance	4,717	4,717	9,434	21,571	-	21,571	31,005
Interest Expense				10,592	-	10,592	10,592
Telephone	792	1,082	1,874	6,315	-	6,315	8,190
Office	-	-	-	5,171	1,732	6,903	6,903
Marketing	225	343	568	7,208	-	7,208	7,775
Staff development	1,003	782	1,786	24,443	-	24,443	26,229
Food service	16,764	9,205	25,969	69,247	-	69,247	95,216
Program expenses	6,765	823	7,587	54,214	-	54,214	61,801
Depreciation	-	-	-	177,910	-	177,910	177,910
Repairs and maintenance	3,262	732	3,994	70,975	-	70,975	74,969
Vehicle	657	3,938	4,595	2,761	-	2,761	7,356
Board development	-	-	-	3,300	-	3,300	3,300
Resource development	-	-	-	-	60,519	60,519	60,519
Banking fees	-	-	-	1,940	-	1,940	1,940
BGCA dues	696	696	1,392	5,588	-	5,588	6,980
Miscellaneous	-	-	-	805	-	805	805
Scholarship Program	-	-	-	6,500	-	6,500	6,500
<b>Total Expenses</b>	<b>\$ 168,670</b>	<b>\$ 140,834</b>	<b>\$ 309,504</b>	<b>\$ 1,175,392</b>	<b>\$ 139,915</b>	<b>\$ 1,315,307</b>	<b>\$ 1,624,811</b>

See notes to the financial statements

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 34,064	\$ (34,852)
<b>Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:</b>		
Depreciation	178,128	177,910
Unrealized and realized (gain) loss /Investment Income/Fees	(97,214)	(87,177)
Investment banking fees		
Cash provided by (used for):		
Accounts receivable	(1,423)	(740)
Contributions receivable	358,543	422,542
Inventory	(3,436)	68
Prepaid insurance	(12,316)	(2,260)
Accounts payable	(4,189)	537
Accrued Vacation	9,063	(162)
Accrued Salaries	6,422	3,705
<b>Net Cash (used for) provided by Operating Activities</b>	<b>467,643</b>	<b>479,571</b>
<b>Cash Flow From Investing Activities:</b>		
Transfer of funds to endowment and money market	(250,000)	(150,000)
Purchase of property and equipment	(25,641)	-
<b>Net Cash (used for) provided by Investing Activities</b>	<b>(275,641)</b>	<b>(150,000)</b>
<b>Cash flows from financing activities</b>		
Cash inflows		
Payroll protection program loan	168,200	-
Cash outflows	-	
Principal paid on debt	-	(400,000)
<b>Net cash flows provided by financing activities</b>	<b>168,200</b>	<b>(400,000)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>360,202</b>	<b>(70,429)</b>
Cash and Cash Equivalents, Beginning of Year	450,707	521,136
Franklin Templeton Investment	85,401	76,617
Watertown Community Endowment	960,666	622,236
<b>Cash and Cash Equivalents and Investments, End of Year</b>	<b>\$ 1,856,976</b>	<b>\$ 1,149,560</b>

**Supplemental Disclosures of Cash Flow Information**

Cash payments for interest	\$ -	\$ 10,592
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See notes to the financial statements



**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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, 2020 AND 2019**

**1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

**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, 2020 AND 2019**

**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, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Board Designated:		
Money Market	\$0	\$62,086
Mutual Funds, equity securities	85,400	76,617
Assets held by the Watertown Community Foundation for long-term investment	<u>960,666</u>	<u>622,236</u>
	<u>\$1,046,066</u>	<u>\$760,939</u>

# BOYS AND GIRLS CLUB OF WATERTOWN, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 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, 2020 and 2019, the Club’s balances in investments accounts of \$85,401 and \$76,617, respectively, are considered level 2 assets.

# BOYS AND GIRLS CLUB OF WATERTOWN, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

December 31,	<u>2020</u>	<u>2019</u>
Less than one year	\$65,130	\$395,668
One to five years	<u>0</u>	<u>27,981</u>
	\$65,130	\$423,649
Less: allowance for uncollectible contributions	(12,000)	(12,000)
Less: present value discount of 5%	<u>(2,000)</u>	<u>(1,975)</u>
	<u>\$51,130</u>	<u>\$409,674</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, 2020 and 2019, was \$190,893 and \$193,667, 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, 2020 AND 2019**

**7. ACCUMULATED PAID TIME OFF(CONTINUED)**

**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, 2020 and 2019 the following liabilities existed for accumulated unpaid leave balances calculated at the employees' December 31, 2020 and 2019 pay rates:

	<u>2020</u>	<u>2019</u>
Vacation Pay	\$45,803	\$36,740

**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, 2020 and 2019, cash and temporary cash investment balances were deposited in various financial institutions and included interest earned where applicable, had market values at December 31, 2020 and 2019 that are substantially the same as the carrying value in the accompanying financial statements.

The cash and investment balances at December 31, 2020, 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	\$658,348	\$0	\$157,855	\$816,202	\$810,909

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 2020 and 2019; the Club has not experienced any losses in the above accounts during either of those years. As of December 31, 2020 there were \$468,579 of uninsured balances.

# BOYS AND GIRLS CLUB OF WATERTOWN, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 9. WATERTOWN COMMUNITY ENDOWMENT FUND

By resolution the Boys and Girls Club of Watertown dated February 19, 2004 resolved a \$75,000 initial transfer for the ongoing and perpetual support of Boys and Girls Club of Watertown Endowment Fund. The Watertown Community Fund is authorized to accept gifts, grants and bequests on behalf of The Fund. All donations shall be subject to all of the provisions relating to The Fund and be used for the stated purposes of the Boys and Girls Club of Watertown. The Community Fund agrees to distribute net income from the fund as requested. The principal of The Fund may be invaded or withdrawn at the direction of and subject to agreement with the Boys and Girls Club and the Watertown Community Fund Board. Distributions of earnings from the investment of The Fund shall be at the discretion of the Boys and Girls Club. Any fund balance above donor principal may be used for distribution.

Boys and Girls Club contribution /grants from inception:	\$ 709,590
Beginning Market Value	\$ 622,236
Contributions/Transfer from Checking Revenue	250,000
Earnings on investment	20,795
Unrealized Gain (Loss)	64,946
Realized Gain (Loss)	9,492
Admin Fees	<u>(6,803)</u>
Ending Market Value	<u>\$ 960,666</u>

### 10. 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, 2020 and 2019, was \$23,478 and \$23,652, respectively.

### 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, 2020 and 2019, 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.

# BOYS AND GIRLS CLUB OF WATERTOWN, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 12. NET ASSETS

Undesignated without donor restrictions net assets consist of the following:

December 31,	<u>2020</u>	<u>2019</u>
Property and equipment	\$3,824,796	\$3,948,839
Board designated	1,046,067	760,939
Undesignated net assets	<u>901,471</u>	<u>671,266</u>
	<u>\$5,772,333</u>	<u>\$5,381,044</u>

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

December 31,	<u>2020</u>	<u>2019</u>
Capital Campaign	\$65,131	\$423,674

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.

### 13. SIGNIFICANT RISKS AND UNCERTAINTIES

For the year ended December 31, 2020 the organization received approximately 63% of its revenue from state and federal agency grants. This concentration makes the Organization vulnerable to the risk of a near-term severe impact if state or federal funding were discontinued. The COVID 19 pandemic has created significant uncertainties due to the lack of contact with children. The organization does not know how this will affect next year's financial position and has no way of knowing how it will affect future fiscal years.

### 14. 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.

### 15. 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.



# BOYS AND GIRLS CLUB OF WATERTOWN, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### 15. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$810,909	\$450,707
Assets whose use is limited	1,046,067	760,939
Contribution Receivable	65,130	423,674
Accounts Receivable	<u>14,452</u>	<u>13,029</u>
Total financial assets	1,936,558	1,586,263
Contractual or donor-imposed restrictions:		
Purpose restricted	65,130	423,674
Board designated	<u>1,046,067</u>	<u>760,939</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$825,361</u>	<u>\$401,650</u>

### 16. NOTES PAYABLE

In April 2020, Boys and Girls Club of Watertown received a Paycheck Protection Program (PPP) loan due to COVID 19 pandemic. The loan is \$ 168,200 and is recorded as a current liability under the payable section of the Statement of Financial Position. Recent guidance suggests that it may be fully or partly forgiven in the next fiscal year.

### 17. NEW ACCOUNTING STANDARDS UPDATE

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended by subsequent ASUs (collectively, ASC 606) which amends the existing standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers based on expected consideration to be received in exchange for those goods and services. The Organization adopted ASU 2014-09 effective December 31, 2019 using the modified retrospective transition method. The adoption of ASU 2014-09 did not materially impact the timing and measurement of revenue recognition. As a result, the Organization did not recognize a cumulative effect adjustment to the opening balance of net assets.

In February 2016, The FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for the Organization's year ending June 30, 2021. The Organization is currently evaluating the impact of the adoption of this standard on its financials, currently the Organization does not have leases under the new guidance.

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**17. NEW ACCOUNTING STANDARDS UPDATE (CONTINUED)**

FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08

**18. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 9, 2021, the date the financial statements were available to be issued. Subsequent event occurring after March 9, 2021, have not been evaluated by management. No material events have occurred since December 31, 2020, that require recognition or disclosure in the financial statements.