

**BOYS & GIRLS CLUBS
OF GREATER MILWAUKEE, INC.**
Milwaukee, Wisconsin

FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Boys & Girls Clubs of Greater Milwaukee, Inc.
Milwaukee, Wisconsin

Opinion

We have audited the accompanying financial statements of Boys & Girls Clubs of Greater Milwaukee, Inc. ("BGCGM"), which comprise of the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements

In our opinion, the financial statements present fairly, in all material respects, the financial position of BGCGM as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BGCGM and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BGCGM's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 BGCGM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BGCGM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statements of functional expenses – legacy clubs is presented for purposes of additional analysis and is not required to be part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

September 21, 2022
Milwaukee, Wisconsin

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.

Milwaukee, Wisconsin

Statements of Financial Position

December 31, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Cash and equivalents	\$ 10,007,962	\$ 7,496,685
Cash - restricted	137,648	151,650
Investments	39,482,682	35,866,897
Service contract fees receivable, net	2,824,954	3,180,575
Promises to give, net	7,412,148	8,757,974
Other receivables, net	69,821	71,172
Prepaid insurance and other assets	796,642	924,834
Land, buildings and equipment, net	7,115,504	7,355,119
Total assets	<u>\$ 67,847,361</u>	<u>\$ 63,804,906</u>

LIABILITIES AND NET ASSETS**Liabilities:**

Accounts payable	\$ 935,715	\$ 1,389,678
Accrued expenses	693,523	1,087,582
Deferred revenue	284,576	265,923
Capital lease liability	2,748	9,343
Total liabilities	<u>1,916,562</u>	<u>2,752,526</u>

Net Assets:

Without donor restriction	31,532,299	25,985,915
With donor restriction	34,398,500	35,066,465
Total net assets	<u>65,930,799</u>	<u>61,052,380</u>
Total liabilities and net assets	<u>\$ 67,847,361</u>	<u>\$ 63,804,906</u>

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

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Statement of Activities
Year Ended December 31, 2021

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Operating Revenues:			
Public Support:			
Contributions	\$ 4,256,282	\$ 7,964,316	\$ 12,220,598
Federal, state and other government awards	11,968,540	-	11,968,540
Other grants	927,167	-	927,167
Special events, net	379,266	-	379,266
Net public support	17,531,255	7,964,316	25,495,571
Other Operating Revenue:			
Investment distribution (see note 5)	1,221,504	555,313	1,776,817
Facility rental	317,456	-	317,456
Service charges, camp fees and membership	416,725	-	416,725
Loss on disposal of property and equipment	(2,258)	-	(2,258)
Total other operating revenue	1,953,427	555,313	2,508,740
Total operating revenues	19,484,682	8,519,629	28,004,311
Net Assets Released from Restrictions	10,355,855	(10,355,855)	-
Total operating revenue and net assets released from restriction	29,840,537	(1,836,226)	28,004,311
Operating Expenses:			
Program Services:			
Legacy Clubs	4,952,189	-	4,952,189
Camp Whitcomb/Mason	1,460,663	-	1,460,663
School Clubs	5,650,057	-	5,650,057
Special programs/other	9,476,800	-	9,476,800
Total program services	21,539,709	-	21,539,709
Support Services:			
Management and general	3,675,329	-	3,675,329
Resource development	1,415,601	-	1,415,601
Total support services	5,090,930	-	5,090,930
Total operating expenses	26,630,639	-	26,630,639
Excess (deficit) of operating revenue and net assets released from restriction over (under) operating expenses	3,209,898	(1,836,226)	1,373,672
Nonoperating Gains and Losses:			
Net realized and change in unrealized gains on investments (see note 5)	3,258,379	1,577,419	4,835,798
Excess investment distribution over dividend and interest income (see note 5)	(921,893)	(409,158)	(1,331,051)
Total nonoperating gains and losses	2,336,486	1,168,261	3,504,747
Change in net assets	5,546,384	(667,965)	4,878,419
Net assets, beginning of year	25,985,915	35,066,465	61,052,380
Net assets, end of year	\$ 31,532,299	\$ 34,398,500	\$ 65,930,799

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

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Operating Revenues:			
Public Support:			
Contributions	\$ 4,121,657	\$ 12,636,440	\$ 16,758,097
Federal, state and other government awards	12,253,794	-	12,253,794
Other grants	521,798	-	521,798
Special events, net	144,321	-	144,321
Net public support	<u>17,041,570</u>	<u>12,636,440</u>	<u>29,678,010</u>
Other Operating Revenue:			
Investment distribution (see note 5)	995,011	555,065	1,550,076
Facility rental	238,126	-	238,126
Service charges, camp fees and membership	135,575	-	135,575
Loss on disposal of property and equipment	(3,052)	-	(3,052)
Total other operating revenue	<u>1,365,660</u>	<u>555,065</u>	<u>1,920,725</u>
Total operating revenues	<u>18,407,230</u>	<u>13,191,505</u>	<u>31,598,735</u>
Net Assets Released from Restrictions	<u>9,100,806</u>	<u>(9,100,806)</u>	<u>-</u>
Total operating revenue and net assets released from restriction	<u>27,508,036</u>	<u>4,090,699</u>	<u>31,598,735</u>
Operating Expenses:			
Program Services:			
Legacy Clubs	4,974,601	-	4,974,601
Camp Whitcomb/Mason	1,368,213	-	1,368,213
School Clubs	5,117,424	-	5,117,424
Special programs/other	10,931,181	-	10,931,181
Total program services	<u>22,391,419</u>	<u>-</u>	<u>22,391,419</u>
Support Services:			
Management and general	3,545,777	-	3,545,777
Resource development	1,703,061	-	1,703,061
Total support services	<u>5,248,838</u>	<u>-</u>	<u>5,248,838</u>
Total operating expenses	<u>27,640,257</u>	<u>-</u>	<u>27,640,257</u>
Excess (deficit) of operating revenue and net assets released from restriction over (under) operating expenses	<u>(132,221)</u>	<u>4,090,699</u>	<u>3,958,478</u>
Nonoperating Gains and Losses:			
Net realized and change in unrealized gains on investments (see note 5)	3,037,497	1,502,193	4,539,690
Excess investment distribution over dividend and interest income (see note 5)	(822,903)	(480,180)	(1,303,083)
Total nonoperating gains and losses	<u>2,214,594</u>	<u>1,022,013</u>	<u>3,236,607</u>
Change in net assets	<u>2,082,373</u>	<u>5,112,712</u>	<u>7,195,085</u>
Net assets, beginning of year	<u>23,903,542</u>	<u>29,953,753</u>	<u>53,857,295</u>
Net assets, end of year	<u>\$ 25,985,915</u>	<u>\$ 35,066,465</u>	<u>\$ 61,052,380</u>

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

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

Year Ended December 31, 2021	PROGRAM SERVICES BY LOCATION					SUPPORTING SERVICES		Cost of Direct Benefits to Donors	Total 2021
	Legacy Clubs	Camp Whitcomb/Mason	School Clubs	Special Programs/Other	Total	Management & General	Resource Development		
Salaries and wages	\$ 1,759,118	\$ 551,278	\$ 4,136,812	\$ 4,312,725	\$ 10,759,933	\$ 1,872,517	\$ 925,231	\$ -	\$ 13,557,681
Employee benefits	269,092	101,999	408,516	718,927	1,498,534	400,710	141,879	-	2,041,123
Payroll taxes	147,132	63,517	363,743	384,049	958,441	191,682	82,531	-	1,232,654
Total salaries and related expenses	2,175,342	716,794	4,909,071	5,415,701	13,216,908	2,464,909	1,149,641	-	16,831,458
Professional fees and contracted services	11,662	10,689	11,879	2,175,475	2,209,705	441,862	98,926	-	2,750,493
Supplies	184,194	221,776	523,041	1,078,279	2,007,290	231,419	101,995	15,186	2,355,890
Telephone	42,002	6,799	18,503	15,564	82,868	85,365	1,071	-	169,304
Postage	167	2,019	110	912	3,208	3,404	6,563	-	13,175
Utility and occupancy	2,123,837	180,746	25,298	61,385	2,391,266	128,098	468	-	2,519,832
Printing and subscriptions	2,731	3,072	415	16,089	22,307	1,626	9,834	-	33,767
Transportation	56,247	12,317	95,725	12,579	176,868	2,364	579	-	179,811
Conferences, conventions and meetings	540	295	1,663	16,081	18,579	16,406	1,049	-	36,034
Scholarships and client assistance	100	-	-	636,911	637,011	-	-	-	637,011
Dues and memberships	14,421	7,059	14,547	33,003	69,030	73,609	4,834	-	147,473
Insurance	104,958	84,254	38,403	6,470	234,085	63,713	1,744	-	299,542
Other, net	1,434	4,595	-	-	6,029	-	-	-	6,029
Provision for uncollectible accounts	-	-	-	-	-	-	(44,223)	-	(44,223)
Total noncompensation expenses	2,542,293	533,621	729,584	4,052,748	7,858,246	1,047,866	182,840	15,186	9,104,138
Total expenses before depreciation	4,717,635	1,250,415	5,638,655	9,468,449	21,075,154	3,512,775	1,332,481	15,186	25,935,596
Depreciation and amortization	234,554	210,248	11,402	8,351	464,555	162,554	83,120	-	710,229
Total expenses by function	4,952,189	1,460,663	5,650,057	9,476,800	21,539,709	3,675,329	1,415,601	15,186	26,645,825
Less expenses included with revenues on the statement of activities	-	-	-	-	-	-	-	(15,186)	(15,186)
Total expenses included in the expenses section of the statement of activities	\$ 4,952,189	\$ 1,460,663	\$ 5,650,057	\$ 9,476,800	\$ 21,539,709	\$ 3,675,329	\$ 1,415,601	\$ -	\$ 26,630,639

Year Ended December 31, 2020	PROGRAM SERVICES BY LOCATION					SUPPORTING SERVICES		Cost of Direct Benefits to Donors	Total 2020
	Legacy Clubs	Camp Whitcomb/Mason	School Clubs	Special Programs/Other	Total	Management & General	Resource Development		
Salaries and wages	\$ 1,862,130	\$ 554,773	\$ 3,796,952	\$ 4,413,840	\$ 10,627,695	\$ 1,779,769	\$ 964,465	\$ -	\$ 13,371,929
Employee benefits	336,274	93,937	374,970	685,517	1,490,698	468,260	159,245	-	2,118,203
Payroll taxes	179,730	66,266	362,027	398,485	1,006,508	68,403	85,070	-	1,159,981
Total salaries and related expenses	2,378,134	714,976	4,533,949	5,497,842	13,124,901	2,316,432	1,208,780	-	16,650,113
Professional fees and contracted services	3,025	21,093	5,333	2,906,297	2,935,748	553,023	64,929	-	3,553,700
Supplies	232,875	153,833	365,717	1,663,011	2,415,436	192,832	123,002	-	2,731,270
Telephone	48,537	5,278	16,267	16,632	86,714	66,000	1,204	-	153,918
Postage	250	1,092	-	6,407	7,749	4,518	3,039	-	15,306
Utility and occupancy	1,935,190	142,485	20,862	52,896	2,151,433	135,590	1,499	-	2,288,522
Printing and subscriptions	1,654	3,727	3,148	8,033	16,562	805	9,315	-	26,682
Transportation	13,451	13,828	98,777	8,668	134,724	5,764	957	-	141,445
Conferences, conventions and meetings	257	3,236	6,158	25,288	34,939	8,340	2,086	-	45,365
Scholarships and client assistance	-	-	-	702,151	702,151	-	890	-	703,041
Dues and memberships	13,710	7,144	17,499	31,183	69,536	52,225	4,938	-	126,699
Insurance	100,735	77,762	43,081	3,760	225,338	43,147	2,665	-	271,150
Other, net	2	4,104	-	-	4,106	-	-	-	4,106
Provision for uncollectible accounts	-	-	-	-	-	-	196,637	-	196,637
Total noncompensation expenses	2,349,686	433,582	576,842	5,424,326	8,784,436	1,062,244	411,161	-	10,257,841
Total expenses before depreciation	4,727,820	1,148,558	5,110,791	10,922,168	21,909,337	3,378,676	1,619,941	-	26,907,954
Depreciation and amortization	246,781	219,655	6,633	9,013	482,082	167,101	83,120	-	732,303
Total expenses included in the expenses section of the statement of activities	\$ 4,974,601	\$ 1,368,213	\$ 5,117,424	\$ 10,931,181	\$ 22,391,419	\$ 3,545,777	\$ 1,703,061	\$ -	\$ 27,640,257

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

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 4,878,419	\$ 7,195,085
Adjustments to reconcile change in net assets to net cash, restricted cash and cash equivalents (used) by operating activities:		
Depreciation and amortization	710,229	732,303
Loss on disposal of property and equipment	2,258	3,052
In-kind contributions of property and equipment	-	(3,900)
Realized and unrealized gains on investments	(4,835,798)	(4,539,690)
Change in assets and liabilities:		
Service contract fees receivable	355,621	23,295
Promises to give	1,345,826	(3,471,404)
Other receivables	1,351	24,118
Prepaid insurance and other assets	128,192	(317,994)
Accounts payable	(496,232)	150,482
Accrued expenses	(394,059)	84,386
Deferred revenue	18,653	80,278
Total adjustments	<u>(3,163,959)</u>	<u>(7,235,074)</u>
Net cash, restricted cash and cash equivalents provided (used) by operating activities	1,714,460	(39,989)
Cash Flows Provided by Investing Activities:		
Purchase of investments	(4,885,788)	(8,803,538)
Proceeds from sale or maturity of investments	6,105,801	10,058,739
Purchases of property and equipment	(430,603)	(469,856)
Net cash, restricted cash and cash equivalents provided by investing activities	789,410	785,345
Cash Flows Used by Financing Activities:		
Payments on capital lease obligations	(6,595)	(6,046)
Net increase in cash, restricted cash and cash equivalents	2,497,275	739,310
Cash, restricted cash and cash equivalents, beginning of year	<u>7,648,335</u>	<u>6,909,025</u>
Cash, restricted cash and cash equivalents, end of year	<u>\$ 10,145,610</u>	<u>\$ 7,648,335</u>
Supplemental Disclosure:		
Interest paid on capital lease	<u>\$ 485</u>	<u>\$ 444</u>
Property and equipment purchases included in accounts payable	<u>\$ 56,355</u>	<u>\$ 14,086</u>
Noncash donated fixed assets	<u>\$ -</u>	<u>\$ 3,900</u>
Donated securities	<u>\$ 681,438</u>	<u>\$ 578,311</u>

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

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2021 and 2020

1. Organization

Boys & Girls Clubs of Greater Milwaukee ("BGCGM"), one of the largest and longest youth-serving agencies in Milwaukee, offers structured after-school and summer programming to nearly 5,000 children and teens each day. Within the safety of 45 locations and a camp, youth have access to free meals, academic support, role models, and opportunities to build character and explore new interests. BGCGM achieves these goals through the financial support of public and private donations.

BGCGM locations provide programming across 5 core areas:

Leadership and Service - Leadership and Service programs build leadership with self, leadership with others, and leadership within the community. They give youth the confidence and abilities to create meaningful change in their world.

Academics - Academic programs complement and reinforce what youth learn during the school day, while creating experiences that invite them to fall in love with learning. Rooted in social-emotional development practices, programs in this area enable all youth to be effective, engaged learners who are on track to graduate with a plan for the future.

The Arts - The Arts programs encourage imagination and self-expression. They also help youth develop knowledge and understanding of specific art forms. Art programs build social-emotional and 21st century skills, such as communication, critical thinking and creativity.

Health and Wellness - Health and Wellness programs focus on building the physical, social and emotional wellness of youth. These programs provide opportunities to build the foundational skills of developing relationships, regulating emotions and solving problems.

Sports and Recreation - Sports and Recreation programs promote physical health by providing low-risk settings for members to explore moving their bodies and eating healthy foods. These playful experiences build movement skills, such as running and throwing, and nutrition skills, such as choosing healthy foods.

2. Significant Accounting Policies

Tax Status

BGCGM is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

BGCGM has implemented accounting for uncertainty in income taxes in accordance with accounting principles generally accepted in the United States of America. This standard describes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosure required. Management of BGCGM evaluates the uncertain tax positions taken regarding unrelated business income taxes, if any, and consults with outside counsel as deemed necessary. BGCGM recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense.

Functional Expenses

BGCGM classifies expenses into two functions: Program Services and Support Services. The Program Services function includes all expenses directly related to BGCGM's activities and programs for boys and girls and their families. These expenses have been directly charged to the specific activities and programs based on employee hours incurred and hours of services provided to boys and girls and their families. The Support Services includes management and general expenses and resource development expenses not directly associated with activities and programs.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

2. Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements.

Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time that the estimates are made, actual results could differ.

Cash, Restricted Cash and Cash and Equivalents

For purposes of the statements of cash flows, BGCGM considers all highly liquid investments and money markets with an initial maturity of three months or less to be cash and equivalents. BGCGM has restricted cash for the following purposes:

Endowment – BGCGM maintains cash in an endowment restricted by donors for long-term purposes.

Cash and restricted cash consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Cash	\$ 10,007,962	\$ 7,496,685
Cash restricted for endowment	137,648	151,650
Cash and restricted cash as shown in the statements of cash flows	<u>\$ 10,145,610</u>	<u>\$ 7,648,335</u>

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of BGCGM and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a quasi-endowment.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resource be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See footnote 9 for a breakout of net assets with donor restrictions.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

2. Significant Accounting Policies (Continued)

Revenue Recognition

BGCGM recognizes revenue based on the existence or absence of an exchange transaction. BGCGM recognizes revenue from exchange transactions when it satisfies a performance obligation by providing a service to a customer or member or by transferring control over a product to a customer or member. Revenue from performance obligations satisfied at a point in time consists of the following:

- **Service charges, camp fees and membership** – recognized as performance obligations (programming) are met.
- **Facility rental income** – recognized when BGCGM provides the rented space.

Revenue from non-exchange transactions consist of the following:

- **Contributions of cash, contributions from United Way, and promises to give** - received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, 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. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized at prime interest rate and is reported as contribution revenue. Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.
- **Contributions of goods and services** – BGCGM receives various types of contributed goods and services support, including rent, supplies, professional services and equipment. Donated supplies and equipment are recognized at their estimated values on the date received. Donated services are reported in the financial statements for voluntary donations of professional services when those services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically would be purchased if not provided by donation. Such contributed goods and services totaled \$1,357,944 and \$1,565,409 for 2021 and 2020, respectively. The amounts reflected in the financial statements as contributed goods and services are offset by like amounts included in expenses or capitalized as equipment and depreciated over their useful lives. BGCGM recorded rent expenses of \$1,335,191 and \$1,340,415 in 2021 and 2020, respectively, services of \$22,128 and \$218,594 in 2021 and 2020, respectively and other items of \$625 and \$2,500 in 2021 and 2020, respectively. BGCGM also received contributed services for its various programs from volunteers which does not meet the recognition criteria described above. No amounts have been reflected in the financial statements for these contributed services.
- **Federal, state, governmental awards and other grants** – Grants are conditional upon the incurrence of allowable qualifying expenses. Revenue is recorded as allowable qualifying expenses are incurred.

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Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

2. Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Revenue that has characteristics of both exchange and non-exchange transactions consist of the following:

- **Special event revenue** – Gross special events revenue includes contributions for the events and fees charged to participants. The cost of direct benefits to donors are subtracted from this amount to arrive at net special event revenue.

Valuation of Investments

Investments are reported at fair value. Investments in marketable securities with readily determinable fair value and all investments in debt securities are valued at their fair value in the statements of financial position. Unrealized gains and losses are included in the change of net assets. GAAP establishes a hierarchy that prioritizes the inputs for measuring fair value. Those inputs are summarized as follows:

Level 1 – Quoted prices in active markets, e.g. NYSE, NASDAQ, etc. for assets identical to the securities to be valued. If a Level 1 input is available, it must be used.

Level 2 – Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from observable market data by correlation or other means.

Level 3 – Unobservable inputs, which contain assumptions by the party valuing those assets. For level 3 inputs, there is no market data or correlations with market assumptions. Examples would include limited partnership interests, closely held stock, etc.

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. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Domestic Fixed Income, Domestic and International Equities, and Other Investments: Valued at the closing price reported on the active market on which the individual securities are traded.

Diversified Investment Pool: Valued at the present value of the proportionate share of allocated assets.

Accrued Income: Estimated value of earned interest based on year-ending balances.

Purchases and sales of investments are recorded on a trade-date basis. Realized gains and losses and unrealized appreciation and depreciation of BGCGM's assets are reported in the statements of activities.

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

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

2. Significant Accounting Policies (Continued)

Land, Building and Equipment

Property and equipment contributed to BGCGM are recorded at estimated fair value on the date of the gift. Purchased property and equipment are recorded at cost. BGCGM records amounts incurred related to ongoing construction projects as construction in progress. When construction projects are completed, the amount incurred is transferred to the appropriate fixed asset category and depreciated or amortized. Depreciation is recorded on the straight-line method. Estimated useful lives used in the calculation of depreciation are:

Buildings	10 - 50 years
Leasehold improvements	10 - 20 years
Equipment	3 - 10 years
Vehicles	5 years

Service Contract Fee Receivables

Service contract fee receivables represent consideration from state and local government agencies, of which BGCGM has an unconditional right to receive. Receivables are recorded at contract value, less management's estimate for uncollectible amounts based on their experience relative to the total population of receivables. Management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Deferred Revenue

Deferred revenue consists primarily of advances on contracts with state and federal governments for program assistance in excess of program expenditures. These amounts are recognized as revenue as expenditures are incurred.

Subsequent Events

Management has evaluated all subsequent events through the date the financial statements were available for distribution, September 21, 2022, for possible inclusion as a disclosure in the financial statements. Subsequent to year end, BGCGM received a \$17,000,000 unrestricted donation.

3. Liquidity and Availability

BGCGM receives significant contributions and pledges receivable restricted by donors and considers contributions restricted for programs which are ongoing, major and central to BGCGM annual operations to be available to meet cash needs for general expenditures. BGCGM manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. BGCGM has a liquidity practice to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. BGCGM has a practice to target a year-end balance that serves net assets without donor restriction to meet 15 to 30 days of expected expenditures. To achieve these targets, BGCGM forecasts its future cash flows, monitors its liquidity quarterly, and monitors its reserves annually.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.

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Notes to Financial Statements

December 31, 2021 and 2020

(Continued)

3. Liquidity and Availability (Continued)

Financial assets available for general expenditure and other contractual obligations, that is, without donor or other restrictions limiting their use, within one year of balance sheet date, comprise of the following at December 31:

	<u>2021</u>	<u>2020</u>
Cash, restricted cash and cash equivalents	\$ 10,145,610	\$ 7,648,335
Investments	39,482,682	35,866,897
Service contract fee receivables, net	2,824,954	3,180,575
Promises to give, net	7,412,148	8,757,974
Other receivables, net	69,821	71,172
Total financial assets	<u>59,935,215</u>	<u>55,524,953</u>
Less amounts not available to be used within one year for general expenditures:		
Endowment investments held in perpetuity	(2,953,707)	(2,950,273)
Endowment cash held in perpetuity	(30,798)	(34,232)
Donor restricted endowment investments	(11,308,532)	(10,119,635)
Donor restricted endowment cash	(106,850)	(117,418)
Board designated endowment investments	(24,854,705)	(22,429,705)
Board designated endowment cash	(339,799)	(260,252)
Add back: Subsequent year endowment distribution*	1,761,379	1,580,949
Total endowments not available	<u>(37,833,012)</u>	<u>(34,330,566)</u>
Cash surrender value held in perpetuity	(191,528)	(191,528)
Promises to give, net	(7,412,148)	(8,757,974)
Other donor restricted net assets	(12,394,936)	(12,895,404)
Add back: Board appropriated for subsequent year**	5,650,645	4,799,807
Add back: Board designated funds approved for expenditure in one year	-	2,511,881
Not available to meet general expenditures within one year	<u>(14,347,967)</u>	<u>(14,533,218)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 7,754,236</u>	<u>\$ 6,661,169</u>

*See Note 6 for information regarding BGCGM's distribution policy.

**Included in this amount is current promises to give which are not program restricted by donor.

While BGCGM does not intend to spend from the board designated endowment (other than those allowable under the distribution policy above), these amounts could be made available, if necessary, by obtaining a super-majority vote as discussed in Note 6.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
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Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

4. Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the 10-year average of the risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give, such as planned giving and bequests, that are subject to modification or revocation of any time by the donor, are not able to be estimated and thus are not included as support until the condition is substantially met.

Included in the promises to give are the following unconditional promises to give at December 31:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give before allowance and unamortized discount	\$ 8,009,488	\$ 9,483,573
Less: Allowance for doubtful promises to give	(224,751)	(268,973)
Less: Unamortized discount (discount rate of 1.68% and 1.70% - 2021 and 2020, respectively)	(372,589)	(456,626)
Net unconditional promises to give	<u>\$ 7,412,148</u>	<u>\$ 8,757,974</u>

Payments on promises to give at December 31, 2021 are expected to be received as follows for the years ending December 31:

2022	\$	2,525,438
2023		1,288,600
2024		770,000
2025		517,500
2026		512,500
2027 - 2030		2,395,450
Total	<u>\$</u>	<u>8,009,488</u>

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

5. Investments

For investment purposes, marketable securities are pooled with the exception of the Pieper Challenge Fund, which is maintained in a separate investment portfolio. Realized and unrealized gains and losses and investment income are allocated monthly to the individual portfolios based on the total fair value of pooled investments applicable to each of the respective portfolios.

Investments consist of the following at December 31:

	2021		2020	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Pooled investments	\$ 36,798,718	\$ 28,434,289	\$ 33,301,769	\$ 26,466,913
Corporate bonds – short term	365,726	363,006	367,285	357,842
Pieper portfolio	2,117,050	1,688,705	2,028,348	1,665,057
Other	194,280	43,973	163,559	44,942
Accrued income	6,908	6,908	5,936	5,936
Total	<u>\$ 39,482,682</u>	<u>\$ 30,536,881</u>	<u>\$ 35,866,897</u>	<u>\$ 28,540,690</u>

Income (loss) derived from investments consists of the following for the year ended December 31, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Investment distribution	\$ 1,221,504	\$ 555,313	\$ 1,776,817
Excess investment distribution over dividend and interest income and fees	(921,893)	(409,158)	(1,331,051)
Total dividend and interest income	299,611	146,155	445,766
Realized and change in unrealized gains on investments	3,258,379	1,577,419	4,835,798
Total	<u>\$ 3,557,990</u>	<u>\$ 1,723,571</u>	<u>\$ 5,281,564</u>

Income (loss) derived from investments consists of the following for the year ended December 31, 2020:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Investment distribution	\$ 995,011	\$ 555,065	\$ 1,550,076
Excess investment distribution over dividend and interest income and fees	(822,903)	(480,180)	(1,303,083)
Total dividend and interest income	172,108	74,885	246,993
Realized and change in unrealized gains on investments	3,037,497	1,502,193	4,539,690
Total	<u>\$ 3,209,605</u>	<u>\$ 1,577,078</u>	<u>\$ 4,786,683</u>

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020
(Continued)

5. Investments (Continued)

The following summarized the classification of investments by classification and method of valuation in accordance with the requirements of generally accepted accounting principles for year ending December 31, 2021:

<u>Description</u>	<u>Total</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Accrued Interest	\$ 6,908	\$ 6,908	\$ -	\$ -
Domestic Fixed Income:				
Treasury and federal agencies - intermediate term	7,278,349	7,278,349	-	-
Corporate bonds - short term	365,726	365,726	-	-
Charitable trust - short term	1,429	1,429	-	-
Total domestic fixed income	<u>7,645,504</u>	<u>7,645,504</u>	-	-
Domestic Equities:				
Mutual Funds:				
Equity funds - small cap	1,555,740	1,555,740	-	-
Equity funds - large cap	4,948,755	4,948,755	-	-
Diversified investment pool	147,187	-	147,187	-
Charitable trust	45,665	45,665	-	-
Total mutual funds	<u>6,697,347</u>	<u>6,550,160</u>	147,187	-
Stocks:				
Basic materials	225,965	225,965	-	-
Communication	809,345	809,345	-	-
Consumer cyclical	1,497,098	1,497,098	-	-
Consumer defensive	624,109	624,109	-	-
Energy	28,219	28,219	-	-
Financial services	1,521,649	1,521,649	-	-
Healthcare	1,557,229	1,557,229	-	-
Industrials	1,853,153	1,853,153	-	-
Real estate	85,555	85,555	-	-
Technology	2,475,383	2,475,383	-	-
Total stocks	<u>10,677,705</u>	<u>10,677,705</u>	-	-
Total domestic equities	<u>17,375,052</u>	<u>17,227,865</u>	147,187	-
International Equities:				
Mutual Funds:				
Diversified emerging markets	1,774,539	1,774,539	-	-
Equity funds - large cap	11,012,254	11,012,254	-	-
Total mutual funds	<u>12,786,793</u>	<u>12,786,793</u>	-	-
Stocks:				
Consumer defensive	179,296	179,296	-	-
Financial services	424,350	424,350	-	-
Healthcare	429,768	429,768	-	-
Industrials	169,899	169,899	-	-
Real estate	76,972	76,972	-	-
Technology	374,308	374,308	-	-
Total stocks	<u>1,654,593</u>	<u>1,654,593</u>	-	-
Total international equities	<u>14,441,386</u>	<u>14,441,386</u>	-	-
Other Investments:				
Real estate	13,832	13,832	-	-
Total	<u>\$ 39,482,682</u>	<u>\$ 39,335,495</u>	\$ 147,187	\$ -

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
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Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020
(Continued)

5. Investments (Continued)

The following summarized the classification of investments by classification and method of valuation in accordance with the requirements of generally accepted accounting principles for year ending December 31, 2020:

<u>Description</u>	<u>Total</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Accrued Interest	\$ 5,936	\$ 5,936	\$ -	\$ -
Domestic Fixed Income:				
Treasury and federal agencies - intermediate term	6,443,332	6,443,332	-	-
Corporate bonds - short term	367,285	367,285	-	-
Charitable trust - short term	1,453	1,453	-	-
Total domestic fixed income	<u>6,812,070</u>	<u>6,812,070</u>	-	-
Domestic Equities:				
Mutual Funds:				
Equity funds - small cap	1,464,269	1,464,269	-	-
Equity funds - large cap	4,472,294	4,472,294	-	-
Diversified investment pool	126,533	-	126,533	-
Charitable trust	35,573	35,573	-	-
Total mutual funds	<u>6,098,669</u>	<u>5,972,136</u>	<u>126,533</u>	-
Stocks:				
Basic materials	136,068	136,068	-	-
Communication	592,390	592,390	-	-
Consumer cyclicals	1,487,691	1,487,691	-	-
Consumer defensive	774,847	774,847	-	-
Energy	25,173	25,173	-	-
Financial services	1,312,115	1,312,115	-	-
Healthcare	1,535,085	1,535,085	-	-
Industrials	1,491,776	1,491,776	-	-
Real estate	112,713	112,713	-	-
Technology	2,064,901	2,064,901	-	-
Total stocks	<u>9,532,759</u>	<u>9,532,759</u>	-	-
Total domestic equities	<u>15,631,428</u>	<u>15,504,895</u>	<u>126,533</u>	-
International Equities:				
Mutual Funds:				
Diversified emerging markets	1,893,614	1,893,614	-	-
Equity funds - large cap	9,954,702	9,954,702	-	-
Total mutual funds	<u>11,848,316</u>	<u>11,848,316</u>	-	-
Stocks:				
Consumer defensive	249,066	249,066	-	-
Financial services	363,298	363,298	-	-
Healthcare	343,719	343,719	-	-
Industrials	179,415	179,415	-	-
Real estate	56,867	56,867	-	-
Technology	348,614	348,614	-	-
Total stocks	<u>1,540,979</u>	<u>1,540,979</u>	-	-
Total international equities	<u>13,389,295</u>	<u>13,389,295</u>	-	-
Other Investments:				
Real estate	28,168	28,168	-	-
Total	<u>\$ 35,866,897</u>	<u>\$ 35,740,364</u>	<u>\$ 126,533</u>	<u>\$ -</u>

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

6. Endowment

BGCGM's endowment consists of approximately 40 individual funds established for the sustainability of operational needs. For investment purposes, marketable securities are pooled with the exception of the Pieper Challenge Fund, which is maintained in a separate investment portfolio and consists of donor-restricted funds and funds designated by the Board of Trustees to function as endowments.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

BGCGM has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, BGCGM classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by BGCGM in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the BGCGM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of BGCGM, and (7) BGCGM'S investment policies.

Investment Return Objectives, Risk Parameters and Strategies. BGCGM has adopted investment and spending policies, approved by the Board of Trustees, for the endowment assets. The objectives of the Endowment have been established in conjunction with a comprehensive review of long-term financial requirements. The objectives are to maximize return within reasonable and prudent levels of risk and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy, while still having the potential to produce positive real returns. The investment guidelines for the portfolio are based upon an investment horizon of greater than five years. Therefore, interim fluctuations should be viewed with appropriate perspective. The Committee recognizes and acknowledges some risk must be assumed in order to achieve the long-term investment objectives of the portfolio, and there are uncertainties and complexities associated with contemporary investment markets. In establishing the risk tolerances, the Endowment's ability to withstand short-and intermediate-term variability were considered. The Endowment's current financial condition, as well as prospects for the future, suggest some interim fluctuations in market value and rates of return may be tolerated in order to achieve longer-term objectives.

Spending Policy - BGCGM has a policy which utilizes a 5.5% quarterly distribution rate based on a twelve-quarter moving average ending September 30th of the prior fiscal year in which the distribution is planned, excluding the Pieper Challenge Fund. In establishing this policy, BGCGM considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The quarterly distribution, as governed by the spending policy above, is included as part of the annual budget. Any proposed distribution in excess of the spending policy must be approved at a regularly scheduled board meeting by a super-majority (2/3 minimum) of board members present.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
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Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

6. Endowment (Continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). BGCGM has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

The Pieper Challenge Fund utilizes an annual distribution based on comparing the September 30th balance of the prior fiscal year in which the distribution is planned to the high-water mark. The calculation resulted in a distribution of \$255,869 and \$87,364 at December 31, 2021 and 2020, respectively.

Endowment Net Asset Composition by Type of Fund as of December 31, 2021 is as follows:

	Without Donor Restriction	With Donor Restriction	Total Endowment Funds
Donor-restricted gifts in perpetuity	\$ -	\$ 2,984,505	\$ 2,984,505
Donor-restricted gifts	-	11,415,382	11,415,382
Board-designated	25,194,504	-	25,194,504
Total funds	\$ 25,194,504	\$ 14,399,887	\$ 39,594,391

Changes in endowment net assets as of December 31, 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 22,689,957	\$ 13,221,558	\$ 35,911,515
Contributions	197,270	-	197,270
Investment income	294,692	146,155	440,847
Net appreciation	3,265,089	1,587,487	4,852,576
Transfer	(30,999)	-	(30,999)
Amounts appropriated for expenditure	(1,221,504)	(555,313)	(1,776,817)
Endowment net assets, end of year	\$ 25,194,504	\$ 14,399,887	\$ 39,594,391

In addition to the endowment investments, BGCGM has board designated investments composed of corporate bonds and cash – short term with a fair value of \$365,738 and a cost of \$363,006 as of December 31, 2021. Those bonds had interest income of \$5,152 and unrealized (loss) of \$(6,710) as of December 31, 2021.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
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Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

6. Endowment (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2020 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total Endowment Funds</u>
Donor-restricted gifts in perpetuity	\$ -	\$ 2,984,505	\$ 2,984,505
Donor-restricted gifts	-	10,237,053	10,237,053
Board-designated	22,689,957	-	22,689,957
Total funds	<u>\$ 22,689,957</u>	<u>\$ 13,221,558</u>	<u>\$ 35,911,515</u>

Changes in endowment net assets as of December 31, 2020 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 20,349,369	\$ 12,194,145	\$ 32,543,514
Contributions	277,995	-	277,995
Investment income	153,480	74,885	228,365
Net appreciation	3,042,372	1,507,593	4,549,965
Transfer	(138,248)	-	(138,248)
Amounts appropriated for expenditure	(995,011)	(555,065)	(1,550,076)
Endowment net assets, end of year	<u>\$ 22,689,957</u>	<u>\$ 13,221,558</u>	<u>\$ 35,911,515</u>

In addition to the endowment investments, BGCGM has board designated investments composed of corporate bonds and cash – short term with a fair value of \$367,296 and a cost of \$357,853 as of December 31, 2020. Those bonds had interest income of \$18,279 and unrealized gain of \$9,454 as of December 31, 2020.

7. Land, Building and Equipment

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 3,455,168	\$ 3,422,035
Buildings	10,300,064	10,270,066
Leasehold improvements	2,820,298	2,823,448
Furniture and equipment	3,182,221	3,128,975
Work in progress	832,500	503,801
Total	<u>20,590,251</u>	<u>20,148,325</u>
Less: Accumulated depreciation	(13,474,747)	(12,793,206)
Net	<u>\$ 7,115,504</u>	<u>\$ 7,355,119</u>

During 1990, BGCGM entered into an agreement with Milwaukee County for the construction of the Mary Ryan facility. BGCGM leases the building from the County. For 2021 and 2020, BGCGM includes \$2,500,000 of leasehold improvements, representing its commitment to provide 50% of the construction costs of the building up to \$2,500,000.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

7. Land, Building and Equipment (Continued)

Milwaukee County has responsibility for all major repair costs to the Mary Ryan facility as well as utility costs up to a maximum of \$50,000 per year under the terms of the lease. The initial lease term is twenty years at an annual rent of \$1. The lease provides for three additional ten-year renewal periods at the option of BGCGM, at a rent to be negotiated. BGCGM recognized contribution revenue and rent expense of \$550,000 during 2021 and 2020, related to the lease, which approximates the estimated fair market value of the lease.

Mary Ryan renovations for the years ending December 31, 2021 and 2020 totaled \$-0- for the Teen Center and general facilities. Total BGCGM renovation costs to date are \$1,570,122.

During 2000, BGCGM entered into a leasing agreement with the City of Milwaukee for the Fitzsimonds facility. The lease commenced on January 1, 2000 and will terminate on June 30, 2029, with a rental fee of \$1 annually. The lease provides for two additional ten-year periods under the same terms and conditions as that of the original term. BGCGM is responsible for the installation, maintenance and service of telephone lines, together with costs of maintaining and replacing this equipment. The City of Milwaukee Board of School Directors will bear the cost of electricity, gas, water and sewer. BGCGM recognized both contribution revenue and rent expense of \$334,580 during 2021 and 2020, related to the lease, which approximates the estimated fair value of the lease.

During 2003, BGCGM entered into a ground lease agreement with the Academy of Learning & Leadership, which allowed the Academy to construct a school on the Boys & Girls Club property and share certain space in the LaVarnway Club during the school day. The term of the agreement is for 99 years with base rent of \$10 per year. In 2014, Milwaukee Rescue Mission, a not for profit organization that operates a choice school replaced the Academy of Learning & Leadership in all material aspects of the ground lease.

During 2017, BGCGM sold the LaVarnway Club to the Milwaukee Rescue Mission and entered a lease agreement for the space occupied by BGCGM. In October 2021, BGCGM exercised the option to terminate the lease as of December 31, 2021. Annual rent is \$78,000 and includes utilities, as well as repairs and maintenance costs. During 2021 and 2020, BGCGM recognized contribution revenue for the estimated excess of fair market value over the lease payment of \$175,670 and total rent expense of \$253,670.

During 2005, BGCGM entered into leasing agreements with the City of Milwaukee for the Hillside facility. The lease runs on a yearly basis. BGCGM is responsible for the daily maintenance of the facilities; however, the City of Milwaukee shall provide all utilities. BGCGM recognized total contribution revenue based on the excess of the fair market value of the lease over the lease payments of \$153,180 during 2021 and 2020. Rent expense was \$181,500 during 2021 and 2020. Hillside facility renovations for the years ending December 31, 2021 and 2020 totaled \$-0- and \$20,052, respectively. Total BGCGM renovation costs to date are \$75,836.

During 2005, BGCGM entered into a lease agreement with HR Academy, Inc. for the Daniels Mardak Club. The term of the lease is 20 years with a base rent of \$1 per year paid in full on the commencement date. The landlord is responsible for repairs, maintenance, and utilities, excluding telecommunications. BGCGM will contribute a minimum of \$50,000 per year for rent during years 8-20 of the lease to assist with landlords' maintenance. BGCGM recognized total contribution revenue based on the excess of the fair market value of the lease over lease payments of \$121,762 and \$126,986 during 2021 and 2020, respectively. Rent expense of \$300,590 during 2021 and 2020. There were no renovation costs incurred in 2021 and 2020. Total BGCGM renovation costs to date are \$110,884.

During 2017, BGCGM and HR Academy, Inc. signed a re-stated 7-year lease with an escalating rent schedule. Rent begins at \$13,500 in year 1 and ends at \$16,117 in year 7. The lease expires in August 2024.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

7. Land, Building and Equipment (Continued)

Equipment under capital leases consists of two copiers with a combined capitalized cost of \$25,993. Accumulated depreciation and amortization in the statements of financial position included \$24,265 and \$17,694 relating to these leased copiers in 2021 and 2020, respectively. Depreciation and amortization expense reported in the statements of activities includes \$6,571 and \$6,595 for the equipment under capital lease in 2021 and 2020, respectively. The leases include \$1 purchase options at the end of the lease period. Future minimum lease payments for the year ending December 31, 2022 is \$2,748.

The imputed interest necessary to reduce the net minimum lease payments to present value is considered immaterial.

8. Line of Credit

In 2019, BGCGM entered into a new demand line of credit agreement with BMO Harris Bank. The facility is an unsecured \$5,000,000 demand line of credit with an interest rate of LIBOR +0.90%. Covenants are limited to providing financial reporting along with maintaining operating deposit accounts at BMO. Borrowings outstanding at December 31, 2021 and 2020 were \$-0-. There was no interest paid in 2021 and 2020.

9. Net Assets

Net assets without donor restriction balances consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Board Designated Endowment Cash and Investments	\$ 25,194,504	\$ 22,689,957
Board Designated Investments	365,738	367,296
Undesignated	5,972,057	2,928,662
Total	<u>\$ 31,532,299</u>	<u>\$ 25,985,915</u>

Net assets with donor restriction consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
General operating programs	\$ 19,916,541	\$ 19,667,930
General camp programs	2,804,318	2,500,187
Scholarships and education funds	1,042,366	927,315
Total	<u>23,763,225</u>	<u>23,095,432</u>
Subject to the passage of time:		
Time restricted to use in future periods	7,412,148	8,757,974
Charitable remainder annuity trust	47,094	37,026
Total	<u>7,459,242</u>	<u>8,795,000</u>
Held in perpetuity:		
Endowment Fund	2,984,505	2,984,505
Cash surrender value – life insurance	191,528	191,528
Total	<u>3,176,033</u>	<u>3,176,033</u>
Total net assets with donor restriction	<u>\$ 34,398,500</u>	<u>\$ 35,066,465</u>

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

9. Net Assets (Continued)

Net assets released from donor restriction consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restriction	\$ 7,068,747	\$ 5,774,378
Satisfaction of time restriction	3,287,108	3,326,428
Total net assets released from restriction	<u>\$ 10,355,855</u>	<u>\$ 9,100,806</u>

10. 401k Plan

The 401k plan covers substantially all full-time employees and continues to be administered by the BGCGM. BGCGM contributes 3% of the participant's salary based on participation level which is vested immediately. In addition, BGCGM matches up to 4% of the participant's salary based on participation level. Total 401k expense for the years ending December 31, 2021 and 2020 was \$515,022 and \$446,125, respectively.

11. Special Events

Special event activities are netted on the statements of activities. Gross special event revenues and expenses for the years ended December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Special events revenue, gross	\$ 394,452	\$ 144,321
Less cost of direct benefit to donors	(15,186)	-
Special event revenue, net	379,266	144,321
Less other non-direct expenses	(75,601)	(3,226)
Special events, net	<u>\$ 303,665</u>	<u>\$ 141,095</u>

12. Operating Leases

BGCGM leased multiple vehicles for general operational purposes. The expense for 2021 and 2020 was \$39,302 and \$43,024, respectively. The leases are of various lengths and terms and require payments in the subsequent years as follows for the years ending December 31:

2022	\$	32,803
2023		3,615
Total	<u>\$</u>	<u>36,418</u>

13. Related-Party Transactions

BGCGM paid liability insurance premiums of \$120,140 and \$118,740; investment costs, including fees paid to the investment advisor as well as pass through fees paid to the investments managers of \$110,227 and \$88,850; and construction project costs of \$-0- and \$1,296; and advertising and marketing costs of \$61,084 and \$24,639 during 2021 and 2020, respectively, to companies in which an executive is also a member of BGCGM's Board of Trustees. BGCGM also receives grant money from a pass-through entity in which the BGCGM's president is on the board of directors of the pass-through entity. In addition, certain members of BGCGM's Board of Trustees are employed by or serve on boards of directors of various organizations or service companies with which BGCGM does business. In general, the services provided are valued below market and include banking, insurance coverage and vehicle leases. BGCGM obtains conflict of interest statements from all trustees which disclose such relationships. All such relationships have been reviewed by the Board of Trustees.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2021 and 2020
(Continued)

14. Major Grantors or Contributors

BGCGM received approximately 43% and 39% of its annual revenue from federal, state and over government awards for the years ended December 31, 2021 and 2020, respectively.

15. Concentration of Credit Risk Regarding Cash

BGCGM financial instruments are exposed to concentrations of credit risk consisting of cash. BGCGM maintains its cash with three financial institutions. The total cash balances of BGCGM are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per bank. BGCGM held cash throughout the year which, at times, exceeded the balance insured by the FDIC. BGCGM monitors such credit risk and has not experienced any losses related to such risks.

16. Risks and Uncertainties

BGCGM has investments in various equities. These investment securities are exposed to various risks of loss such as market and credit risks. Due to the level of risk associated with these investment securities, it is at least reasonably possible that changes in value of these investment securities will occur in the near term and those changes could materially affect the amounts reported on the statements of financial position.

17. Commitments and Contingencies

BGCGM is occasionally involved in various legal proceedings, claims and administrative actions arising in the normal course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on BGCGM's financial position, activities or cash flows.

18. Financial Awards from Grantors

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against BGCGM for disallowed costs or noncompliance with grantor restrictions.

19. Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

BOYS & GIRLS CLUBS OF GREATER MILWAUKEE, INC.
Milwaukee, Wisconsin

Statements of Functional Expenses for Legacy Clubs
Years Ended December 31, 2021 and 2020

Year Ended December 31, 2021	PROGRAM SERVICES							Total
	La Varnway Club	Davis Club	Mary Ryan Club	Pieper - Hillside Club	Fitzsimonds Club	Daniels-Mardak Club	Ready Center Club	
Salaries and wages	\$ 314,021	\$ 346,881	\$ 399,226	\$ 201,184	\$ 252,523	\$ 229,003	\$ 16,280	\$ 1,759,118
Employee benefits	66,058	51,818	42,576	44,011	26,967	34,555	3,107	269,092
Payroll taxes	26,494	29,215	32,413	16,432	21,615	19,638	1,325	147,132
Total salaries and related expenses	406,573	427,914	474,215	261,627	301,105	283,196	20,712	2,175,342
Professional fees and contracted services	90	11,432	-	-	140	-	-	11,662
Supplies	34,803	39,102	27,477	27,144	15,055	30,609	10,004	184,194
Telephone	8,535	15,752	2,373	5,923	664	7,626	1,129	42,002
Postage	-	167	-	-	-	-	-	167
Utility and occupancy	309,490	167,371	700,812	207,990	337,585	354,512	46,077	2,123,837
Printing and subscriptions	233	233	233	123	228	233	1,448	2,731
Transportation	19,737	10,247	3,217	5,652	4,084	12,047	1,263	56,247
Conferences, conventions and meetings	20	240	120	-	40	120	-	540
Scholarships and client assistance	-	-	100	-	-	-	-	100
Dues and memberships	2,200	2,604	3,812	1,428	2,065	2,289	23	14,421
Insurance	9,435	55,648	16,756	8,973	9,137	4,909	100	104,958
Other, net	-	-	11	-	5	-	1,418	1,434
Total noncompensation expenses	384,543	302,796	754,911	257,233	369,003	412,345	61,462	2,542,293
Total expenses before depreciation	791,116	730,710	1,229,126	518,860	670,108	695,541	82,174	4,717,635
Depreciation and amortization	6,505	65,937	101,309	19,128	24,432	16,590	653	234,554
Total expenses	\$ 797,621	\$ 796,647	\$ 1,330,435	\$ 537,988	\$ 694,540	\$ 712,131	\$ 82,827	\$ 4,952,189

Year Ended December 31, 2020	PROGRAM SERVICES							Total
	La Varnway Club	Davis Club	Mary Ryan Club	Pieper - Hillside Club	Fitzsimonds Club	Daniels-Mardak Club	Ready Center Club	
Salaries and wages	\$ 283,012	\$ 447,159	\$ 386,833	\$ 176,737	\$ 262,202	\$ 306,187	\$ -	\$ 1,862,130
Employee benefits	64,038	68,560	80,485	35,794	30,935	56,462	-	336,274
Payroll taxes	25,884	41,637	34,579	17,998	26,222	33,410	-	179,730
Total salaries and related expenses	372,934	557,356	501,897	230,529	319,359	396,059	-	2,378,134
Professional fees and contracted services	-	777	-	1,920	148	180	-	3,025
Supplies	35,269	52,242	34,418	36,792	31,718	42,436	-	232,875
Telephone	11,426	15,622	6,687	3,069	2,577	9,156	-	48,537
Postage	-	250	-	-	-	-	-	250
Utility and occupancy	285,795	127,022	652,819	200,926	337,320	331,308	-	1,935,190
Printing and subscriptions	300	300	284	185	285	300	-	1,654
Transportation	4,742	5,010	504	190	503	2,502	-	13,451
Conferences, conventions and meetings	-	257	-	-	-	-	-	257
Dues and memberships	2,112	2,733	3,345	1,650	1,698	2,172	-	13,710
Insurance	10,110	44,182	25,751	7,063	8,216	5,413	-	100,735
Other, net	-	1	-	-	1	-	-	2
Total noncompensation expenses	349,754	248,396	723,808	251,795	382,466	393,467	-	2,349,686
Total expenses before depreciation	722,688	805,752	1,225,705	482,324	701,825	789,526	-	4,727,820
Depreciation and amortization	6,505	67,658	109,155	20,876	25,678	16,909	-	246,781
Total expenses by function	\$ 729,193	\$ 873,410	\$ 1,334,860	\$ 503,200	\$ 727,503	\$ 806,435	\$ -	\$ 4,974,601