Boys and Girls Clubs of Greater Houston, Inc.

Consolidated Financial Statements
and Independent Auditors' Report
for the year ended December 31, 2021

Boys and Girls Clubs of Greater Houston, Inc.

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Independent Auditors' Report

To the Board of Directors of
Boys and Girls Clubs of Greater Houston, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Boys and Girls Clubs of Greater Houston, Inc., which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Boys and Girls Clubs of Greater Houston, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Boys and Girls Clubs of Greater Houston, Inc. 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 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 Boys and Girls Clubs of Greater Houston, Inc.'s ability to continue as a going concern for 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 and *Government 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 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.

In performing an audit in accordance with generally accepted auditing standards and *Government 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 Boys and Girls Clubs of Greater Houston, Inc.'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 Boys and Girls Clubs of Greater Houston, Inc.'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 Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2022 on our consideration of Boys and Girls Clubs of Greater Houston, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boys and Girls Clubs of Greater Houston, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys and Girls Clubs of Greater Houston, Inc.'s internal control over financial reporting and compliance.

Blazek & Vetterling

July 13, 2022

Boys and Girls Clubs of Greater Houston, Inc.

Consolidated Statement of Financial Position as of December 31, 2021

ASSETS	
Cash and cash equivalents *(Notes 3 and 5)*	$ 4,091,455
Contributions receivable, net *(Note 4)*	3,558,331
Prepaid expenses and other assets	124,258
Investments *(Note 5)*	6,691,770
Property and equipment, net *(Note 6)*	10,300,805
TOTAL ASSETS	$ 24,766,619
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued expenses	$ 191,922
Accrued payroll expenses	390,343
Paycheck Protection Program refundable advance *(Note 2)*	901,277
Total liabilities	1,483,542
Commitments and contingencies *(Notes 7 and 9)*	
Net assets:	
Without donor restrictions *(Note 10)*	14,063,742
With donor restrictions *(Notes 11 and 12)*	9,219,335
Total net assets	23,283,077
TOTAL LIABILITIES AND NET ASSETS	$ 24,766,619

See accompanying notes to consolidated financial statements.

Boys and Girls Clubs of Greater Houston, Inc.

Consolidated Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government *(Note 7)*:			
In-kind		$ 550,905	$ 550,905
Financial		4,421,622	4,421,622
Other in-kind *(Note 8)*	$ 1,079,161	261,233	1,340,394
Other financial	3,249,524	3,057,737	6,307,261
Special events (net of donor benefits of $308,739)	743,388		743,388
Net investment return	(6,430)	752,771	746,341
Loss on disposal of assets	(62,458)		(62,458)
Other	48,565		48,565
Total revenue	5,051,750	9,044,268	14,096,018
Net assets released from restrictions:			
Expiration of time restrictions	342,024	(342,024)	
Program expenditures	7,406,754	(7,406,754)	
Total	12,800,528	1,295,490	14,096,018
EXPENSES:			
Program services	9,744,965		9,744,965
Management and general	1,498,653		1,498,653
Fundraising	1,082,590		1,082,590
Total expenses	12,326,208		12,326,208
CHANGES IN NET ASSETS	474,320	1,295,490	1,769,810
Net assets, beginning of year	13,589,422	7,923,845	21,513,267
Net assets, end of year	$ 14,063,742	$ 9,219,335	$ 23,283,077

See accompanying notes to consolidated financial statements.

Boys and Girls Clubs of Greater Houston, Inc.

Consolidated Statement of Functional Expenses for the year ended December 31, 2021

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and related expenses	$ 4,801,608	$ 1,097,253	$ 905,891	$ 6,804,752
Rent	1,109,379	23,149	23,149	1,155,677
Food and supplies	1,007,955	7,886	3,905	1,019,746
Depreciation	914,471	18,047		932,518
Janitorial and maintenance	613,597	18,017	2,782	634,396
Supplies	517,549	29,126	29,501	576,176
Insurance	233,281	19,937	20,062	273,280
Contract services	117,673	61,132	23,213	202,018
Utilities	168,700			168,700
Professional fees	28,352	58,744	33,969	121,065
Information technology	46,383	58,276	13,540	118,199
Telephone	57,491	15,083	5,497	78,071
Advertising	4,447	56,634	6,715	67,796
Vehicle and transportation	54,944	2,877	3,702	61,523
Staff training	13,638	17,336	2,381	33,355
Printing and postage	4,577	5,637	3,862	14,076
Other	50,920	9,519	4,421	64,860
Total expenses	$ 9,744,965	$ 1,498,653	$ 1,082,590	12,326,208
Direct donor benefits				308,739
Total				$ 12,634,947

See accompanying notes to consolidated financial statements.

Boys and Girls Clubs of Greater Houston, Inc.

Consolidated Statement of Cash Flows for the year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	$ 1,769,810
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Contributions restricted for endowment	10,000
Depreciation	932,518
Loss on disposal of assets	62,458
Net realized and unrealized gain on investments	(686,705)
Changes in operating assets and liabilities:	
Contributions receivable	233,398
Prepaid expenses and other assets	16,092
Accounts payable and accrued expenses	99,109
Paycheck Protection Program refundable advance	(259,080)
Net cash provided by operating activities	2,177,600
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(428,092)
Purchases of investments	(2,289,872)
Proceeds from sales of investments	1,496,888
Change in money market mutual funds held as investments	(37,473)
Net cash used by investing activities	(1,258,549)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from contributions restricted for endowment	(10,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	909,051
Cash and cash equivalents, beginning of year	3,182,404
Cash and cash equivalents, end of year	$ 4,091,455

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Boys and Girls Clubs of Greater Houston, Inc. (the Clubs) was incorporated in 1989 for the purpose of providing youth development activities in the greater Houston, Texas area. Serving youth from ages 6 to 17 predominantly from lower income families, approximately 22 clubs were in operation in 2021 providing many programs to achieve academic success, healthy lifestyles, and promote good character and citizenship.

Boys and Girls Clubs Foundation (the Foundation) was incorporated under the laws of the State of Texas in 1987 and is governed by a Board of Trustees elected by the Board of Directors of the Clubs.

Basis of consolidation – These financial statements include the assets, liabilities, net assets, and activities of the Clubs and the Foundation (collectively Boys and Girls Clubs). All balances and transactions between the consolidated entities have been eliminated.

Federal income tax status – The Clubs and the Foundation are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code (the Code). The Clubs is further classified as a public charity under §509(a)(1) and §170(b)(1)(A)(ii). The Foundation is classified as a Type I supporting organization under §509(a)(3).

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contributions revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property and equipment is reported at cost or, if contributed, at the estimated fair value at the date of gift. Boys and Girls Clubs capitalizes additions and improvements with a cost of $2,500 or more. Depreciation is provided using the straight-line method over estimated useful lives ranging from 3 to 39 years. Leasehold improvements are depreciated over the term of the lease.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Amounts received in advance are reported as refundable advances.

In-kind contributions – Donated food, services, facilities and materials are recognized as contributions at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the events occur. Amounts received for future events represent conditional contributions and are reported in the statement of financial position as deferred revenue until earned. Donor benefits represent the cost of goods and services provided to attendees of special events.

Advertising costs are expensed as incurred.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Occupancy costs are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Boys and Girls Clubs will adopt this ASU for fiscal year ending December 31, 2022. Upon adoption, management expects to recognize lease commitments as both a right of use asset and a lease liability in the statement of financial position for commitments that are currently only disclosed in the financial statements.

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for fiscal years beginning after June 15, 2021, and requires retrospective application. Boys and Girls Clubs will adopt this ASU in fiscal year ending December 31, 2022.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31, 2021 comprise the following:

Financial assets:	
Cash and cash equivalents	$ 4,091,455
Contributions receivable, net	3,558,331
Investments	6,691,770
Total financial assets	14,341,556
Less financial assets not available for general expenditure:	
Endowment investments, less estimated appropriation	(5,334,980)
Donor-restricted assets subject to satisfaction of restriction and the passage of time	(1,395,344)
Board-designated operating reserve	(1,523,073)
Total financial assets available for general expenditure	$ 6,088,159

Boys and Girls Clubs expect routine contributions to fund operations. In the event of a shortfall, Boys and Girls Clubs has a line of credit in the amount of $1,000,000.

Boys and Girls Clubs received financial relief of approximately $901,000 and $1,160,000, in fiscal years 2021 and 2020, respectively, from Paycheck Protection Program (PPP) loans through the Small Business Administration. PPP loan principal and interest may be forgiven, in whole or in part, if Boys and Girls Clubs meets eligibility requirements and uses the loans to fund qualified payroll and other eligible costs. In fiscal year 2021, Boys and Girls Clubs was notified that principal and interest had been forgiven for the first PPP loan and $1,160,357 was recognized as contribution revenue. The second PPP loan remains conditional at December 31, 2021 and is reflected as a refundable advance; Boys and Girls Clubs was notified in April 2022 that the principal and interest had been forgiven and will recognize contribution revenue in 2022.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2021 consist of the following:

Bank deposits	$ 3,447,009
Money market mutual funds	642,093
Petty cash	2,353
Total cash and cash equivalents	$ 4,091,455

Bank deposits exceed the federally insured limit per depositor per institution. Boys and Girls Clubs utilizes high credit quality financial institutions and evaluates the credit quality of the financial institutions on a periodic basis.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2021 are as follows:

Contributions receivable	$ 3,559,496
Discount to net present value at .13% to .73%	(1,165)
Contributions receivable, net	$ 3,558,331

Contributions receivable at December 31, 2021 are expected to be collected as follows:

2022	$ 2,932,932
2023	626,564
Total contributions receivable	$ 3,559,496

Concentration – Three donors represent 62% of the contributions receivable balance at December 31, 2021.

Conditional contributions from government agencies – At December 31, 2021, Boys and Girls Clubs has approximately $1,431,000 of conditional contributions from various government agencies. The contributions will be recognized as revenue when the conditions are met, which include performance of allowable activities and incurring allowable expenses.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at December 31, 2021 consist of the following:

Equity exchange-traded funds	$ 3,795,300
Fixed-income exchange-traded funds	2,818,026
Money market mutual funds	78,444
Total investments	6,691,770
Less: Investments without donor restrictions	(1,198,290)
Total investments restricted for endowment	$ 5,493,480

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2021 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Equity exchange-traded funds	$ 3,795,300			$ 3,795,300
Fixed-income exchange-traded funds	2,818,026			2,818,026
Money market mutual funds	78,444			78,444
Total investments	6,691,770			6,691,770
Money market mutual funds held as cash equivalents	642,093			642,093
Total assets measured at fair value	$ 7,333,863	$ 0	$ 0	$ 7,333,863

Valuation methods used for assets measured at fair value are as follows:

- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the reported net asset value.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Boys and Girls Clubs believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 consists of the following:

Building and improvements	$ 12,200,284
Contributed building and facility rights	3,800,000
Software	1,372,740
Land	867,060
Equipment and fixtures	594,773
Transportation equipment	530,428
Construction in progress	16,085
Total property and equipment, at cost	19,381,370
Accumulated depreciation	(9,080,565)
Property and equipment, net	$ 10,300,805

Depreciation expense of $932,518 was recognized in the year ended December 31, 2021.

Contributed building and facility rights – Boys and Girls Clubs received two long-term leases, which are being depreciated over the life of each lease. The Spring Branch facility is under a 30-year lease agreement, which expires in 2031. The Fort Bend facility is under a 20-year lease, which expires in 2022.

NOTE 7 – CONTRIBUTIONS FROM GOVERNMENT AGENCIES

Boys and Girls Clubs is a party to contracts with federal, state, and local agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of government grants recognized consist of the following at December 31, 2021:

U. S. Small Business Administration (Paycheck Protection Program)	$ 1,160,357
U. S. Department of Treasury	915,874
U. S. Department of Education	871,301
U. S. Department of Justice	663,021
U. S. Department of Agriculture (food commodities)	550,905
U. S. Department of Health and Human Services	68,170
U. S. Department of Labor	31,189
U. S. Department of Housing and Urban Development	3,963
State and local grants	707,747
Total government grants	$ 4,972,527

Grants from federal, state, and local funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable cost adjustments to final indirect cost rates. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Boys and Girls Clubs with the terms of the contracts or changes in the final indirect cost rates.

NOTE 8 – OTHER IN-KIND CONTRIBUTIONS

Boys and Girls Clubs receives contributed in-kind services, facilities, materials and food. The estimated fair value of these contributed services, facilities and materials is recognized in the financial statements as contribution revenue and program expenses. The majority of food distributed by Boys and Girls Clubs is received from contributions from donors and from discounted food provided by a local food bank. The estimated fair value of food donated is based on an average fair value per standard bag of food distributed. As reported in Note 7, Boys and Girls Clubs received approximately $551,000 in federally funded food commodities in 2021. Non-governmental sources of in-kind contributions recognized include the following at December 31, 2021:

Facilities	$ 961,804
Food commodities	261,233
Materials and supplies	117,357
Total in-kind contributions	$ 1,340,394

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and clerical support for which no amount has been recognized in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Boys and Girls Clubs leases office space under non-cancelable operating leases. The future minimum lease payments at December 31, 2021 are as follows:

2022	$ 141,036
2023	94,518
2024	60,000
2025	60,000
Thereafter	255,000
Total	$ 610,554

Lease expense was approximately $194,000 for the year ended December 31, 2021.

Boys and Girls Clubs has a $1,000,000 bank line of credit that expires on October 29, 2022 and bears interest at 3% at December 31, 2021. Advances under this agreement are due on demand, or the expiration date, if a demand has not been made. The line of credit is unsecured. There is no outstanding balance at December 31, 2021.

NOTE 10 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2021 consist of the following:

Undesignated	$ 12,540,669
Board-designated operating reserve	1,523,073
Total net assets without donor restrictions	$ 14,063,742

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 are restricted as follows:

Subject to expenditure for specified purpose:	
Social and Character Development (United Way)	$ 769,289
Capital improvements	698,781
Wharton Clubs	600,000
Scholarships	372,288
Galveston Clubs	100,000
COVID-19 outreach	84,425
Richmond-Rosenberg Club capital improvements	41,773
Morefield Club	35,000
Total subject to expenditure for specified purpose	2,701,556
Subject to passage of time:	
Undepreciated contributed building and facility rights	489,299
Contributions receivable that are not purpose-restricted by donors, but which are unavailable until future periods	535,000
Total subject to passage of time	1,024,299
General endowment subject to spending policy and appropriation	5,493,480
Total net assets with donor restrictions	$ 9,219,335

NOTE 12 – ENDOWMENT

Endowment net assets include a donor-restricted fund that Boys and Girls Clubs must hold in perpetuity, and whose earnings can be used for the general operations of Boys and Girls Clubs. The Foundation's Board of Trustees (the Board) is charged with preserving the corpus of the endowment, growing the total value of the endowment through investments and gifts, and financially supporting the mission and activities of Boys and Girls Clubs.

The Board has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) 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, Boys and Girls Clubs classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as *net assets with donor restrictions* until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, Boys and Girls Clubs considers the duration and preservation of the fund in making a determination to appropriate or accumulate donor-restricted endowment funds.

Changes in net assets of the endowment funds are as follows:

	With Donor Restrictions		
	Accumulated Net Investment Return	Required to be Maintained in Perpetuity	Total
Endowment net assets, December 31, 2020	$ 548,408	$ 4,334,700	$ 4,883,108
Contributions		10,000	10,000
Net investment return	752,771		752,771
Appropriation	(152,399)		(152,399)
Endowment net assets, December 31, 2021	$ 1,148,780	$ 4,344,700	$ 5,493,480

Investment and Spending Policies

The Board approves amounts to be withdrawn from the endowment each year. No distributions from the corpus or principal is allowed. The target spending rate for long-term investments is expected to range from 2.5% to 5.0%. The amount to be spent in each coming year will be calculated by multiplying the spending rate by the lesser of: 1) a rolling 60-month average of the total portfolio value, or 2) the total portfolio value at the time of distribution. The investment policy adopted by Boys and Girls Clubs was established to maximize returns without undue exposure to risk and with the following objectives: a) maintain the purchasing power of the assets and all future contributions, which requires establishing an equilibrium spending rate of up to 5%, b) applying a smoothing rule to mitigate the effects of short-term market volatility on spending using a moving average of the last five years of the portfolio's market value, or the previous year's market portfolio, whichever is less, c) to maximize return within reasonable and prudent levels of risk, and d) maintain an appropriate asset allocation based on a total return policy that is compatible with an established spending rate, while still having the potential to produce positive real returns.

NOTE 13 – RELATED PARTY TRANSACTIONS

Boys and Girls Clubs is voluntarily affiliated with Boys and Girls Clubs of America (BGCA) and pays dues to BGCA. In 2021, these dues totaled $29,677. Dues entitle Boys and Girls Clubs to staff training and program support and the opportunity to participate in grants arranged by BGCA. Boys and Girls Clubs recognized $264,783 in contributions directly from BGCA in 2021.

NOTE 14 – RETIREMENT PLAN

Boys and Girls Clubs sponsors a 401(k) Safe Harbor Master Plan (401(k) Plan). All Boys and Girls Clubs employees with at least one year of service and who accumulate 1,000 hours of service in a year are eligible to participate in the 401(k) Plan. Boys and Girls Clubs contributes 3% of the participant's compensation for the plan year and employees are 100% vested after three years. Boys and Girls Clubs also may make a discretionary matching contribution in any amount. Boys and Girls Clubs contributed, net of forfeitures, approximately $178,000 to the 401(k) Plan during the year ended December 31, 2021.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 13, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than forgiveness of the PPP loan disclosed in Note 2, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.