

Grenville Baker  
Boys & Girls Club, Inc.  
Financial Statements  
December 31, 2021 and 2020

**mazars**

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# Grenville Baker Boys & Girls Club, Inc.

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## Independent Auditors' Report

To the Board of Directors of  
Grenville Baker Boys and Girls, Inc.

### Opinion

We have audited the accompanying financial statements of Grenville Baker Boys & Girls Club (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grenville Baker Boys & Girls Club as of December 31, 2021, and the changes in 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Grenville Baker Boys & Girls Club and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

The financial statements of Grenville Baker Boys & Girls Club as of December 31, 2020 were audited by other auditors whose report dated April 27, 2021 expressed an unmodified opinion on those statements.

### 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 Grenville Baker Boys & Girls Club's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's 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 auditor's 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.



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 Grenville Baker Boys & Girls Club'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 Grenville Baker Boys & Girls Club'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 Summarized Comparative Information**

The financial statements of Grenville Baker Boys & Girls Club as of December 31, 2020 were audited by other auditors whose report dated April 27, 2021 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mazars USA LLP*

May 16, 2022

# Grenville Baker Boys & Girls Club, Inc.

## Statements of Financial Position December 31, 2021 and 2020

	2021	2020
<b>Assets</b>		
Cash	\$ 381,646	\$ 247,744
Pledges receivable, net	1,746,156	1,737,024
Investments	15,750,481	16,530,423
Prepaid expenses	5,305	10,812
Other assets	894,158	894,158
Property and equipment, net	12,481,922	9,728,590
 Total assets	 <u>\$ 31,259,668</u>	 <u>\$ 29,148,751</u>
 <b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 175,185	\$ 19,550
Accrued expenses	99,745	47,920
Line of credit	3,145,606	4,556,807
Mortgage loan	3,748,847	1,577,534
Paycheck protection program loan	-	304,090
Deferred revenue	68,059	25,750
 Total liabilities	 <u>7,237,442</u>	 <u>6,531,651</u>
 Net assets		
Without donor restrictions	16,906,916	15,723,606
With donor restrictions	7,115,310	6,893,494
 Total net assets	 <u>24,022,226</u>	 <u>22,617,100</u>
 Total liabilities and net assets	 <u>\$ 31,259,668</u>	 <u>\$ 29,148,751</u>

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

# Grenville Baker Boys & Girls Club, Inc.

## Statements of Activities

Year Ended December 31, 2021

(With summarized comparative amounts for the year ended December 31, 2020)

	2021			2020
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Total
Revenue and support				
Donations	\$ 349,016	\$ 14,427	\$ 363,443	\$ 357,948
Grants	760,580	141,267	901,847	204,756
Special event revenue, net of direct expenses	399,201	-	399,201	249,953
Program fees	278,977	-	278,977	66,729
Net assets released from restrictions	944,591	(944,591)	-	-
Total revenue from operations	<u>2,732,365</u>	<u>(788,897)</u>	<u>1,943,468</u>	<u>879,386</u>
Expenses				
Program services	2,366,319	-	2,366,319	1,822,629
Management and general	166,626	-	166,626	137,793
Fundraising	377,277	-	377,277	393,095
Total expenses	<u>2,910,222</u>	<u>-</u>	<u>2,910,222</u>	<u>2,353,517</u>
Other income (loss)				
Capital campaign	-	524,358	524,358	594,316
Royalty income, net of related expenses	233,550	-	233,550	227,710
Dividends and interest	145,450	55,610	201,060	195,723
Realized gain (loss) on sale of investments, net of expenses of \$41,114 and \$20,879 in 2021 and 2020, respectively	179,483	118,590	298,073	(1,597,874)
Unrealized gain in market value of investments	802,684	312,155	1,114,839	1,175,322
Change in net assets	1,183,310	221,816	1,405,126	(878,934)
Net assets				
Beginning of year	<u>15,723,606</u>	<u>6,893,494</u>	<u>22,617,100</u>	<u>23,496,034</u>
End of year	<u>\$ 16,906,916</u>	<u>\$ 7,115,310</u>	<u>\$ 24,022,226</u>	<u>\$ 22,617,100</u>

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

## Grenville Baker Boys & Girls Club, Inc.

### Statement of Functional Expenses

Year Ended December 31, 2021

(With summarized comparative amounts for the year ended December 31, 2020)

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries	\$ 1,004,476	\$ 75,113	\$ 245,539	\$ 1,325,128	\$ 1,213,195
Payroll taxes & benefits	223,165	19,431	56,307	298,903	288,550
Program services & trips	30,071	-	-	30,071	-
Professional fees	50,438	9,651	1,409	61,498	120,671
Special events	-	-	193,351	193,351	43,030
Supplies	50,167	2,506	6,332	59,005	34,251
Telephone	2,759	1,283	573	4,615	6,081
Postage & shipping	1,288	59	3,760	5,107	4,655
Occupancy	156,114	21,439	4,146	181,699	96,275
Printing & publications	3,747	79	4,740	8,566	5,482
Travel & transportation	11,082	5,490	19	16,591	14,741
Marketing and advertising	62,669	2,674	8,953	74,296	76,446
Scholarships	21,209	-	-	21,209	16,116
Membership dues and trainings	16,209	755	9,224	26,188	26,223
Prizes & awards	8,854	4,264	1,128	14,246	15,554
Administrative fees	11,357	66	12,429	23,852	13,333
Insurance	104,093	4,392	3,294	111,779	100,594
Total operating expenses	<u>1,757,698</u>	<u>147,202</u>	<u>551,204</u>	<u>2,456,104</u>	<u>2,075,197</u>
Less direct costs of special events	-	-	(193,351)	(193,351)	(43,030)
Depreciation	503,499	16,069	16,069	535,637	147,423
Interest	105,122	3,355	3,355	111,832	42,396
Other building costs	-	-	-	-	131,531
Total expenses	<u>\$ 2,366,319</u>	<u>\$ 166,626</u>	<u>\$ 377,277</u>	<u>\$ 2,910,222</u>	<u>\$ 2,353,517</u>

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

# Grenville Baker Boys & Girls Club, Inc.

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

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 1,405,126	\$ (878,934)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	535,637	147,423
Net realized and unrealized (gain) loss on investments	(1,412,912)	422,552
Forgiveness of paycheck protection program loans	(608,180)	-
Increase (decrease) in cash resulting from changes in operating assets and liabilities		
Pledges receivable	(9,132)	(90,008)
Prepaid expenses	5,507	(2,228)
Accounts payable	155,635	(1,337)
Accrued expenses	51,825	40,472
Deferred revenue	42,309	(6,000)
Net cash provided by (used in) operating activities	<u>165,815</u>	<u>(368,060)</u>
Cash flows from investing activities		
Purchases of property and equipment	(3,288,969)	(6,292,625)
Purchases of investments	(21,284,978)	(2,895,604)
Proceeds from sale of investments	<u>23,477,832</u>	<u>3,836,494</u>
Net cash used in investing activities	<u>(1,096,115)</u>	<u>(5,351,735)</u>
Cash flows from financing activities		
Net borrowings from line of credit	(1,411,201)	3,508,167
Proceeds from mortgage loan	2,171,313	1,577,534
Proceeds from paycheck protection program loans	<u>304,090</u>	<u>304,090</u>
Net cash provided by financing activities	<u>1,064,202</u>	<u>5,389,791</u>
Net increase (decrease) in cash	133,902	(330,004)
Beginning of year	<u>247,744</u>	<u>577,748</u>
End of year	<u>\$ 381,646</u>	<u>\$ 247,744</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 66,122</u>	<u>\$ 2,235</u>

The accompanying notes are an integral part of these financial statements

# Grenville Baker Boys & Girls Club, Inc.

## Notes to Financial Statements

Year Ended December 31, 2021

(With comparative amounts for the year ended December 31, 2020)

### 1. Organization and Tax Status

Grenville Baker Boys & Girls Club, Inc. (the "Organization") is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has been serving children and their families in the greater Locust Valley, New York area since 1950.

The Organization's mission is to inspire and enable all young people to realize their potential as productive, responsible, and caring citizens and community leaders of tomorrow. As part of the Organization's mission, the Organization is dedicated to ensuring access to all those in need of their services. The Organization strives to maximize the number of participants and level of participation of the Organization's community youth by providing quality programs and services, thereby enhancing their lives and shaping their futures.

The Organization has an independent Board of Directors comprised of a cross-section of its local community leaders. The Organization is a member organization in good standing with Boys & Girls Clubs of America.

### 2. Summary of Significant Accounting Policies

#### Basis of Presentation

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

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and/or management for general operating purposes. The Board may designate a portion of these net assets for a specific purpose which makes them unavailable for use at management's discretion.

At December 31, 2021 and 2020, there were no net assets with Board designations.

*Net Assets With Donor Restrictions* – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

#### Measures of Operations

In its statement of activities, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, contributions to its capital campaign, interest expense, depreciation, and certain other building costs are recognized as nonoperating support, revenues, gains, and losses.

#### Estimates

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

#### Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Temporary cash equivalents held within long-term investment accounts are reported as investments in the statement of financial position.

# Grenville Baker Boys & Girls Club, Inc.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts held at one financial institution which, from time to time, exceed the federal depository insurance coverage limit. Cash and cash equivalents exceeding federally insured limits amounted to approximately \$132,000.

### Property and Equipment

Property and equipment are reported at cost or, if donated, at fair value on the date of the gift. Expenditure for maintenance and repairs are charged to expenses as incurred; significant renewals and betterments are capitalized.

Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets as follows:

<b>Asset Categories</b>	<b>Useful Lives</b>
Buildings and improvements	5 to 40 years
Furniture, equipment and fixtures	5 years

### Impairment

Property and equipment are reviewed for impairment if the use of the asset significantly changes, or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for the years ended December 31, 2021, and 2020.

### Contributions and Grants

Contributions are recorded as revenue upon the receipt of cash, gift, or unconditional pledge. Contributions are recorded as without donor restrictions or with donor restrictions support, depending on the existence and/or nature of any donor restrictions. Contributions received with specific donor restrictions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulation 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 and changes in net assets as net assets released from restrictions. Conditional promises to give are not included as support until the conditions are substantially met and are reflected as deferred revenue in the accompanying statement of financial position.

### Recognition of Program Fees Revenue

Revenue from the Organizations' program services is derived through membership and summer day camp fees.

### Special events

The Organization hosts dinner dances and golf tournaments. Revenue is generated from hosting such events. It is the policy of the Organization to recognize revenue net of direct expenses.

### Royalty Income

In January 2008, an individual donated tracts of income-producing land located in Texas that is used for oil and gas operations. The contribution was appraised at \$894,158 and was recorded in the Organization's financial statements after the fair market appraisal was completed in 2009. The Organization earns royalty income based on the quantity and sales price of resources extracted from the land. Net royalty income earned from this gift is included in net assets without donor restrictions and amounted to \$233,550 and \$227,710 for the years ended December 31, 2021, and 2020, respectively.

### Donated Services and In-Kind Contributions

The Organization records donated services at fair value at the date of donation if the services enhance non-financial assets or require specialized skills which the Organization would typically need to purchase if not provided by donation.

### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications have no effect on net assets or the operation results of the prior year.

## Grenville Baker Boys & Girls Club, Inc.

### Investments

The Organization manages its investment portfolio through a professional investment manager. Investments are stated at fair value, which is the prevailing market value. Investment earnings include dividends, interest, realized investment gains and losses, changes in unrealized investment gains and losses, less investment management fees, which are included in the statement of activities.

Donated investments are recorded at market value at the date of the donation. The unrealized increase (decrease) in market value represents the difference between the cost and market values of investments held on December 31<sup>st</sup>.

### Functional Allocation of Expenses

Expenses directly attributable to specific functional of the Organization are reported as expense of those functional areas. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include maintenance, depreciation and amortization, telephone, and office supplies, which are allocated on the basis of office space utilization estimates, as well as salaries, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.

### Fair Value Measurements

The Organization follows the accounting standards for fair value measurement and disclosures for financial assets and liabilities which clarify the definition of fair value, prescribe methods for measuring fair value, establish a fair value hierarchy into three levels based on the inputs used to measure fair value and expand disclosure about the use of fair value measurements.

Level 1 – Includes investments for which unadjusted quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and inputs that are observable for the assets and liabilities, either directly or indirectly, for substantially the full-term of the financial instrument.

Level 3 – Includes investments that are valued using unobservable inputs to the extent that relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions that a market participant would use in valuing the investment, and that would be based on the best information available.

Marketable securities consist of debt and equity securities and are recorded at fair value. The fair value of marketable equity securities is based on quoted market prices. The fair value of marketable debt securities is estimated by the custodian of these securities based on industry-standard models or other valuation methodologies.

The following is a description of the valuation methodologies used for assets measured at fair value:

Common stocks and index funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income and REITs: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. government treasuries (short term investments): Valued by observable inputs that are not reported on an active market.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Organization 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.

## Grenville Baker Boys & Girls Club, Inc.

### 3. Investments

The following tables present financial assets measured at fair value on a recurring basis, as of December 31, 2021 and 2020, categorized using the fair value hierarchy:

	Fair value measurements at December 31, 2020		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Money market funds	\$ 5,983,702	\$ -	\$ 5,983,702
US treasuries	-	144,636	144,636
Fixed Income funds	2,383,815	-	2,383,815
Common stocks and stock index funds	8,018,270	-	8,018,270
	<u>\$ 16,385,787</u>	<u>\$ 144,636</u>	<u>\$ 16,530,423</u>

	Fair value measurements at December 31, 2021		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Money market funds	\$ 502,361	\$ -	\$ 502,361
REITs	-	1,160,462	1,160,462
Fixed income	-	1,394,599	1,394,599
Equities	10,171,911	-	10,171,911
Fixed Income funds	1,762,156	-	1,762,156
Temporary cash equivalents	758,992	-	758,992
	<u>\$ 13,195,420</u>	<u>\$ 2,555,061</u>	<u>\$ 15,750,481</u>

Net investment income (loss) amounted to \$1,613,852 and \$(226,829) for the years ended December 31, 2021, and 2020, respectively. The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Funds were withdrawn from the investment accounts during the years ended December 31, 2021 and 2020 as follows:

	2021	2020
General Unrestricted Fund	\$ 349,000	\$ 728,000
General Unrestricted Fund - Capital Campaign	1,900,000	500,000
Scholarship Endowment	22,000	20,125
Resource Development Endowment	170,000	181,000
Education Endowment	-	13,000
Total withdrawals	<u>\$ 2,441,000</u>	<u>\$ 1,442,125</u>

## Grenville Baker Boys & Girls Club, Inc.

### 4. Property and Equipment

Property and equipment at December 31 consists of the following:

	2021	2020
Land	\$ 15,797	\$ 15,797
Land improvements	137,290	62,634
Building and improvements	15,423,619	3,935,955
Furniture and equipment	801,438	525,867
Vehicles	170,997	170,997
Computers	185,265	138,254
	<u>16,734,406</u>	<u>4,849,504</u>
Accumulated depreciation	<u>(4,252,484)</u>	<u>(3,716,848)</u>
Construction in progress	<u>-</u>	<u>8,595,934</u>
Total property and equipment, net of accumulated depreciation	<u>\$ 12,481,922</u>	<u>\$ 9,728,590</u>

Depreciation expense amounted to \$535,637 and \$147,423 for the years ended December 31, 2021, and 2020, respectively.

### 5. Pledges Receivable, net

Pledges receivable, net at December 31, 2021, and 2020 were due as follows:

	2021	2020
Less than one year	\$ 219,651	\$ 131,937
Capital campaign - one year	1,254,210	1,184,848
Pledges receivable, current	<u>1,473,861</u>	<u>1,316,785</u>
Capital campaign - two years to four years	286,267	480,599
Less: Unamortized discount, at rates between 2-5%	<u>(13,972)</u>	<u>(60,360)</u>
Pledges receivable, non-current	<u>272,295</u>	<u>420,239</u>
Total pledges receivable, net	<u>\$ 1,746,156</u>	<u>\$ 1,737,024</u>

At December 31, 2021 and 2020, pledges from one donor comprised 40% of pledges receivable. The Organization started a capital campaign in 2018 to fund the development of the site of the Grenville Baker Boys and Girls Club. The Organization expects additional pledges in 2022.

## Grenville Baker Boys & Girls Club, Inc.

### 6. Long Term Debt

#### Line of Credit

In 2019, the Organization entered into a Premier Credit Line agreement (the "Credit Line") with UBS Financial Services, Inc. ("UBS"). The Credit Line provides a revolving loan with a maximum facility totaling \$5,000,000. There is no maturity date as long as the Organization maintains an adequate balance of investments with UBS to secure the line. Interest is charged at the rate of 30-day Libor plus 1% (1.101% at December 31, 2021). The Credit Line is secured by a portion of the Organization's investment assets held at UBS. There is no required monthly payment due if there is availability for interest to capitalize. The outstanding balance under the Credit Line at December 31, 2021, and 2020 was \$3,145,606 and \$4,556,807, respectively. Interest expense for the years ended December 31, 2021 and 2020 amounted to \$45,710 and \$40,161, respectively.

#### Mortgage Loan

In 2020 the Organization entered into a First Mortgage Loan (the "Loan") with Dime Community Bank (the "Bank"). The Loan has a maximum facility totaling \$5,000,000. The Loan is funded pursuant to a building agreement for the purpose of renovating the existing building and constructing a two-story addition located on 135 Forest Avenue, Locust Valley, NY 11560. At December 31, 2021 and 2020, the loan balance amounted to \$3,748,847 and \$1,577,534, respectively. Interest expense for the years ended December 31, 2021 and 2020 amounted to \$66,122 and \$2,235, respectively.

The Loan will mature on May 27, 2022 and accrue interest at a rate of One Month Libor plus two hundred basis points. (2.101% at December 31, 2021). Funding of the Loan is subject to plan and cost review being accepted and approved by the Bank. Under the terms of the loan, a ten-percentage retainage will be held for each advance request by the construction manager and made under the Loan Agreement, until such time as the total retainage is equal to at least \$100,000. Thereafter, the retainage on the reimbursable costs is reduced to five percent once the Bank determines that the construction is seventy-five percent complete.

The Loan may be prepaid at any time without penalty. The Loan is secured by all current and future assets of the Organization (excluding investment securities) and certain properties located in Texas together with all related mineral and oil fracking rights. The Organization is required to maintain a monthly minimum balance of \$300,000 with the Bank and minimum investment securities of \$8,000,000 for the term of the Loan or any permanent loan.

On the maturity date of May 27, 2022, provided that the borrower is not then in default, the Loan will convert to a permanent loan. The permanent loan will mature in eight years from the maturity date, or any earlier date of acceleration pursuant to the terms of the loan documents. It is management's intention to convert the Loan to a permanent loan on the maturity date.

The interest rate for the permanent loan shall float at the One Month Libor Rate plus two hundred basis points. The Organization shall have the option to convert the interest rate for the Permanent Loan to a fixed interest rate (the weekly average yield for the five business days prior to the Fixed Date) on United States Treasury Securities adjusted to a constant maturity of five years using most recent figures made available by the Federal Reserve Board, plus 225 basis points per annum, but no less than 3.95% per annum.

## Grenville Baker Boys & Girls Club, Inc.

### 7. Special Event Revenue

Net special event revenue for the years ended December 31, 2021 and 2020, consisted of:

	2021			Net Special Event Income
	Donations	Revenue	Expenses	
Dinner dance	\$ 396,435	\$ -	\$ (149,601)	\$ 246,834
Golf tournament	114,350	77,150	(42,716)	148,784
Other	-	4,617	(1,034)	3,583
	<u>\$ 510,785</u>	<u>\$ 81,767</u>	<u>\$ (193,351)</u>	<u>\$ 399,201</u>
	2020			Net Special Event Income
	Donations	Revenue	Expenses	
Dinner dance	\$ 182,237	\$ -	\$ (7,948)	\$ 174,289
Golf tournament	71,150	33,450	(32,651)	71,949
Other	-	6,146	(2,431)	3,715
	<u>\$ 253,387</u>	<u>\$ 39,596</u>	<u>\$ (43,030)</u>	<u>\$ 249,953</u>

### 8. Endowment Funds

#### Interpretation of Relevant Law

The Board of Directors of the Organization have interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the purchasing power (real value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets subject to spending policy and appropriation (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) 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, and (4) the portion of investment return added to the permanent endowment to maintain its purchasing power.

If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' real value, that excess is available for appropriation and, therefore classified as net assets subject to appropriation until appropriated by the Board for expenditure. In accordance with the NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization, and the donor-restricted endowment fund
- (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 the Organization
- (7) Alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization

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From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor-restrictions. These deficiencies result from unfavorable market fluctuations that occur after the investment of net assets with donor restrictions contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. For the years ended December 31, 2021, and 2020, deficiencies of this nature that are reported in net assets with donor restrictions are \$0.

### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year 5 percent of its investment portfolios' fair value based on the three-year average. The Organization believes a spending policy is necessary to carry out the statutory prescribed standard of ordinary business care and prudence. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### Strategies Employed for Achieving Objectives

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

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, January 1, 2020	<u>\$ 5,564,171</u>
Investment return:	
Interest and dividends	49,909
Management fees	(5,639)
Realized loss	(562,673)
Unrealized gain	297,369
Total investments return	<u>(221,034)</u>
Appropriation of endowment assets for expenditure	<u>(159,100)</u>
Endowment net assets, December 31, 2020	<u>5,184,037</u>
Investment return:	
Interest and dividends	55,610
Management fees	(11,512)
Realized gain	130,102
Unrealized gain	312,155
Total investments return	<u>486,355</u>
Appropriation of endowment assets for expenditure	<u>(191,998)</u>
Endowment net assets, December 31, 2021	<u><u>\$ 5,478,394</u></u>

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### 9. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following uses at December 31:

	2021	2020
Resource development endowment	\$ 4,171,965	\$ 3,974,344
Education endowment	336,818	304,412
Scholarship endowment	969,611	905,281
Capital campaign	1,636,916	1,706,750
Capital assets	-	2,707
Total net assets with donor restrictions	<u>\$ 7,115,310</u>	<u>\$ 6,893,494</u>

Net assets released from restriction for the year ended December 31 were as follows:

	2021	2020
Capital campaign	\$ 596,899	\$ 865,327
Resource development endowment	170,000	181,000
Education endowment	-	13,000
Scholarship endowment	22,000	20,125
Youth programming and scholarships	155,692	150,121
	<u>\$ 944,591</u>	<u>\$ 1,229,573</u>

### 10. Pension Plan

Effective January 1, 2011, the Organization adopted the Grenville Baker Boys and Girls Club Pension Plan, a Profit-Sharing Plan administered by a third-party administrator at no cost to the Organization. The funds are all invested with Fidelity Investments. The Organization has its own Plan Document. Employees become eligible to participate in the plan upon completing two years of 1,000 hours of service per year to the Organization and reaching the age of 21. Employees become 100% vested upon entering the plan. The Organization has appointed two trustees to manage the plan, the two trustees are the Organization's Executive Director and its' Board Treasurer. Employer contributions to the Plan are discretionary. A tiered contribution schedule based on years of service has been established. Employees who have completed 10 or more years of service, 4 to 9 years of service, and less than 4 years receive employer contributions of 9%, 7% and 4% of gross wages, respectively. Enrolled employees who terminate employment will receive a profit-sharing contribution if they have completed at least one calendar quarter of the service. For the years ended December 31, 2021 and 2020, employer contributions to the Plan were \$62,706 and \$61,865, respectively.

### 11. Employee Retention Tax Credits

During the year ended December 31, 2021, the Organization received Employee Retention Tax Credits under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. These credits allow organizations to apply for relief against qualified wages and certain health insurance costs and are allowable to be combined with the Paycheck Protection Program. During the year ended December 31, 2021, the Organization applied for and received approximately \$117,000 in credits, which are recorded as grant revenue in the accompanying statement of activities, as all conditions associated with the program have been met. The Organization intends to apply for additional credits in 2022.

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### 12. Paycheck Protection Program

In May 2020, the Organization secured a loan from a bank of \$304,090 through the U.S. Small Business Administration's paycheck protection program. The loan had an interest rate of 1% per annum and matures in May 2022.

The Organization is following the provisions of ASC 405-20-1 which states that a debtor shall derecognize a liability only if it has been extinguished. A liability has been extinguished if either of the following conditions is met:

- The debtor pays the creditor and is relieved of its obligations for the liability.
- The debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor.

On April 9, 2021, the Organization was notified that their loan of \$304,090 had been forgiven by the U.S. Small Business Administration.

A second loan of \$304,090 was secured under the program in February 2021, which has an interest rate of 1% per annum and matures in November 2026. On December 21, 2021, the Organization was notified that the second loan of \$304,090 had been forgiven by the U.S. Small Business Administration. The loans forgiveness is reflected under grant revenues in the accompanying statement of activities.

### 13. Liquidity and Availability of Resources

The Organization's financial assets, available within one year of the statement of financial position date for general expenditure were as follows as of December 31, 2021:

Cash	\$ 381,646
Pledges receivable, net	1,746,156
Investments	<u>15,750,481</u>
Total financial assets available at year end	17,878,283
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors - time or purpose restrictions	1,636,916
Restricted by donors - endowments	<u>5,478,394</u>
Total amounts unavailable for general expenditures within one year	<u>7,115,310</u>
Financial assets available to management for general expenditures within one year	<u><u>\$ 10,762,973</u></u>

In accordance with proper fiscal practice, the financial assets are maintained to meet ninety days of normal operating expenses, which approximate \$600,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments including certificates of deposit and money market funds and has the unused portion of the line of credit available.

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### **14. Risks and Uncertainties**

The Organization may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near terms and such changes could materially affect the amounts reported in the accompanying statement of financial position.

### **15. COVID-19**

The COVID-19 pandemic developed rapidly in 2020 and its effects were far reaching. Measures taken by the United States government to contain the virus and assist impacted businesses have affected economic activity and the Organization's operations. During the year ended December 31, 2020, the organization experienced decreased program revenues due to a limited ability to provide in person services. During the year ended December 31, 2021, program revenues partially recovered, however due to uncertainties surrounding the pandemic as well as periodic surges in local cases, the Organization was not able to fully return to pre-pandemic operations. During the year ended December 31, 2021, the Organization took advantage of the employee retention credit program and received forgiveness for two separate paycheck protection program loans, as described in Notes 11 and 12, respectively.

### **16. Subsequent Events**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, May 16, 2022.

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