

**BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND
BOYS AND GIRLS CLUB OF
KENOSHA FOUNDATION, INC.**

COMBINED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Boys & Girls Club of Kenosha, Inc. and
Boys & Girls Club of Kenosha Foundation, Inc.
Kenosha, Wisconsin

Report on the Financial Statements

We have audited the accompanying combined financial statements of Boys & Girls Club of Kenosha, Inc. (a nonprofit organization) and its affiliate, Boys & Girls Club of Kenosha Foundation, Inc. (a nonprofit organization), which comprise the combining statement of financial position as of December 31, 2020, and the related combining statement of activities, combined statement of functional expenses, and combining statement of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial positions of Boys & Girls Club of Kenosha, Inc. and its affiliate, Boys & Girls Club of Kenosha Foundation, Inc. as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Boys & Girls Club of Kenosha, Inc. and its affiliate, Boys & Girls Club of Kenosha Foundation, Inc. 2019 combined financial statements and our report dated June 23, 2020, expressed an unmodified opinion on those combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal, state and local awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2021, on our consideration of Boys & Girls Club of Kenosha, 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 the Boys & Girls Club of Kenosha, 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 & Girls Club of Kenosha, Inc.'s internal control over financial reporting and compliance.



SCL CPA PC
Certified Public Accountants

June 23, 2021
Kenosha, Wisconsin

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2020
With Comparative Totals for 2019

	Boys and Girls Club of Kenosha	Boys and Girls Club of Kenosha Foundation	2020 Combined	2019 Combined
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,262,828	\$ 81,778	\$ 1,344,606	\$ 624,284
Investments	-	1,952,455	1,952,455	1,789,676
Prepaid surrender charge	-	9,730	9,730	14,292
Accounts receivable	35,682	-	35,682	30,594
Due from related party	(150,000)	150,000	-	29,457
Grants receivable	93,447	-	93,447	89,756
Pledge receivable	14,191	-	14,191	19,518
Prepaid expenses	35,106	-	35,106	16,607
Total Current Assets	1,291,254	2,193,963	3,485,217	2,614,184
Property and Equipment				
Land	331,951	284,000	615,951	351,951
Buildings and improvements	50,982	10,004,337	10,055,319	8,719,319
Furniture and equipment	897,444	-	897,444	537,839
Vehicles	129,554	-	129,554	129,554
Land improvements	271,276	-	271,276	240,936
Total, at cost	1,681,207	10,288,337	11,969,544	9,979,599
Accumulated depreciation	(830,526)	(1,932,133)	(2,762,659)	(2,471,046)
Total Property and Equipment	850,681	8,356,204	9,206,885	7,508,553
Other Assets				
Land - held for resale	-	30,000	30,000	30,000
Total Other Assets	-	30,000	30,000	30,000
TOTAL ASSETS	\$ 2,141,935	\$ 10,580,167	\$ 12,722,102	\$ 10,152,737

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

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2020
With Comparative Totals for 2019

	Boys and Girls Club of Kenosha	Boys and Girls Club of Kenosha Foundation	2020 Combined	2019 Combined
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 58,869	\$ -	\$ 58,869	\$ 26,843
Accrued expenses	17,267	-	17,267	56,323
Paycheck Protection Program loan	357,700	-	357,700	-
Unearned income	172,224	-	172,224	56,603
	<u>606,060</u>	<u>-</u>	<u>606,060</u>	<u>139,769</u>
Total Current Liabilities	<u>606,060</u>	<u>-</u>	<u>606,060</u>	<u>139,769</u>
Total Liabilities	<u>606,060</u>	<u>-</u>	<u>606,060</u>	<u>139,769</u>
Net Assets				
Without donor restrictions				
Invested in property and equipment, net of debt	850,681	8,356,204	9,206,885	7,508,553
Undesignated	649,085	1,039,594	1,688,679	1,292,954
Total without donor restrictions	<u>1,499,766</u>	<u>9,395,798</u>	<u>10,895,564</u>	<u>8,801,507</u>
With donor restrictions				
Temporary	36,109	543,199	579,308	570,291
Permanent	-	641,170	641,170	641,170
Total with donor restrictions	<u>36,109</u>	<u>1,184,369</u>	<u>1,220,478</u>	<u>1,211,461</u>
Total Net Assets	<u>1,535,875</u>	<u>10,580,167</u>	<u>12,116,042</u>	<u>10,012,968</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,141,935</u></u>	<u><u>\$ 10,580,167</u></u>	<u><u>\$ 12,722,102</u></u>	<u><u>\$ 10,152,737</u></u>

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

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020
With Comparative Totals for 2019

	Boys and Girls Club of Kenosha	Boys and Girls Club of Kenosha Foundation	Eliminations	2020 Combined	2019 Combined
NET ASSETS WITHOUT RESTRICTIONS					
Revenues and Support					
Grants and Contracts	\$ 1,103,023	\$ -	\$ -	\$ 1,103,023	\$ 1,040,637
Contributions	820,233	151,000	-	971,233	716,933
United Way	6,962	-	-	6,962	4,152
Program Fees	247,397	-	-	247,397	415,002
Special Events and Fundraising	164,590	-	-	164,590	359,003
Concessions Sales	59,937	-	-	59,937	106,871
Cost of Concession Sales	(47,594)	-	-	(47,594)	(73,352)
Rental income	248,976	-	-	248,976	220,062
Investment income (loss)	-	109,517	-	109,517	151,660
Donated rental value of building	395,000	-	(395,000)	-	-
In-kind contributions	260,393	1,600,000	-	1,860,393	-
Other	16,236	100	-	16,336	9,954
Net assets released from restriction					
Programs	130,231	13,500	-	143,731	14,021
Total Unrestricted Revenues and Support	<u>3,405,384</u>	<u>1,874,117</u>	<u>(395,000)</u>	<u>4,884,501</u>	<u>2,964,943</u>
Operating Expenses:					
Program Services:	2,019,724	234,331	-	2,254,055	2,494,156
Support Services:					
Management and General	486,209	10,306	-	496,515	430,516
Fundraising	39,874	-	-	39,874	111,201
Donated rental value of building	395,000	-	(395,000)	-	-
Total Support Services	<u>921,083</u>	<u>10,306</u>	<u>(395,000)</u>	<u>536,389</u>	<u>541,717</u>
Total Operating Expenses	<u>2,940,807</u>	<u>244,637</u>	<u>(395,000)</u>	<u>2,790,444</u>	<u>3,035,873</u>
Change in Net Assets without Restrictions	<u>464,577</u>	<u>1,629,480</u>	<u>-</u>	<u>2,094,057</u>	<u>(70,930)</u>
NET ASSETS WITH RESTRICTIONS					
Temporarily Restricted Net Assets					
Net assets temporarily restricted					
Contributions	32,840	74,095	-	106,935	258,184
Grants	8,500	-	-	8,500	-
Investment income (loss)	-	37,335	-	37,335	84,501
Net assets released from restriction					
Scholarships	-	(13,500)	-	(13,500)	(14,021)
Playground	(125,000)	-	-	(125,000)	-
Outreach	(3,000)	-	-	(3,000)	-
Meals	(909)	-	-	(909)	-
Other	(1,322)	(22)	-	(1,344)	-
Change in Temporarily Restricted Net Assets	<u>(88,891)</u>	<u>97,908</u>	<u>-</u>	<u>9,017</u>	<u>328,664</u>
Change in Net Assets	375,686	1,727,388	-	2,103,074	257,734
Net Assets, Beginning of Year	<u>1,160,189</u>	<u>8,852,779</u>	<u>-</u>	<u>10,012,968</u>	<u>9,755,234</u>
Net Assets, End of Year	<u>\$ 1,535,875</u>	<u>\$ 10,580,167</u>	<u>\$ -</u>	<u>\$ 12,116,042</u>	<u>\$ 10,012,968</u>

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

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020
With Comparative Totals for 2019

	Program Services	Supporting Services		Total Supporting Services	2020 Total	2019 Total
		Management and General	Fundraising			
Salaries	\$ 1,270,342	\$ 224,957	\$ -	\$ 224,957	\$ 1,495,299	\$ 1,562,746
Pension Plan Contributions	17,064	4,266	-	4,266	21,330	21,600
Employee Benefits	158,715	11,259	-	11,259	169,974	150,304
Payroll Taxes	98,308	29,500	-	29,500	127,808	116,204
Worker's Compensation	19,954	3,508	-	3,508	23,462	22,560
Professional Fees	17,975	9,700	-	9,700	27,675	23,249
Programs and Activities	32,073	400	-	400	32,473	56,334
Scholarships	13,500	-	-	-	13,500	14,000
Supplies and Uniforms	90,732	1,978	-	1,978	92,710	207,137
Staff Cell Phones	5,310	-	-	-	5,310	6,335
Bad debt expense	-	20,627	-	20,627	20,627	-
Insurance	2,253	1,421	-	1,421	3,674	3,660
Occupancy	147,849	95,122	-	95,122	242,971	245,742
Office Supplies/postage	10,052	3,443	-	3,443	13,495	14,178
Technology	36,261	10,025	-	10,025	46,286	48,983
Mileage	538	585	114	699	1,237	2,794
Conferences and Meetings	1,945	315	-	315	2,260	19,130
Special Events	-	-	39,533	39,533	39,533	108,147
Membership Dues	9,073	22,352	10	22,362	31,435	27,129
Miscellaneous	6,300	32,887	-	32,887	39,187	33,745
Staffing Agency Costs	-	-	-	-	-	17,226
Transportation	19,830	45	-	45	19,875	18,904
Public/Employee Relations	877	1,801	130	1,931	2,808	6,672
Drug Testing	3,991	214	-	214	4,205	4,187
Interest and Bank Charges	5,181	16,430	87	16,517	21,698	17,537
Expenses	1,968,123	490,835	39,874	530,709	2,498,832	2,748,503
Depreciation	285,932	5,680	-	5,680	291,612	287,370
Total expenses	<u>\$ 2,254,055</u>	<u>\$ 496,515</u>	<u>\$ 39,874</u>	<u>\$ 536,389</u>	<u>\$ 2,790,444</u>	<u>\$ 3,035,873</u>

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

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020
With Comparative Totals for 2019

	Boys and Girls Club of Kenosha	Boys and Girls Club of Kenosha Foundation	2020 Combined	2019 Combined
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ 375,686	\$ 1,727,388	\$ 2,103,074	\$ 257,734
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:				
Depreciation	66,274	225,338	291,612	287,370
Realized and unrealized (gain) loss on investments	-	(94,865)	(94,865)	(235,470)
In-kind contributions	(260,393)	(1,600,000)	(1,860,393)	-
(Increase) Decrease in:				
Accounts Receivable	(5,088)	-	(5,088)	(10,355)
Due from related party	179,457	(150,000)	29,457	(29,457)
Grants Receivable	(3,690)	-	(3,690)	(17,207)
Pledges Receivable	5,327	-	5,327	(3,075)
Prepaid Surrender Charge	-	4,562	4,562	4,441
Prepaid Expenses	(18,499)	-	(18,499)	12,355
Increase (Decrease) in:				
Accounts Payable and Accrued Expenses	(7,030)	-	(7,030)	(109,739)
Unearned Revenue	115,621	-	115,621	(720)
Net Cash Provided (Used) By Operating Activities	<u>447,665</u>	<u>112,423</u>	<u>560,088</u>	<u>155,877</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends Reinvested	-	(67,914)	(67,914)	(23,981)
Restricted Contributions Made to Investments	-	-	-	(133,184)
Proceeds from the Sale of Investments	-	-	-	14,021
Purchase of Property and Equipment	(129,552)	-	(129,552)	(12,607)
Net Cash Provided (Used) By Investing Activities	<u>(129,552)</u>	<u>(67,914)</u>	<u>(197,466)</u>	<u>(155,751)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the Paycheck Protection Program loan	357,700	-	357,700	-
Net Cash Provided (Used) By Financing Activities	<u>357,700</u>	<u>-</u>	<u>357,700</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	675,813	44,509	720,322	126
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>587,015</u>	<u>37,269</u>	<u>624,284</u>	<u>624,158</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,262,828</u>	<u>\$ 81,778</u>	<u>\$ 1,344,606</u>	<u>\$ 624,284</u>

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

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Boys & Girls Club of Kenosha, Inc. (the Club) is a nonprofit corporation organized under the laws of the state of Wisconsin. The Club is a youth guidance organization dedicated to promoting health, social, educational, vocational, cultural, character and leadership development. The Club helps youth improve their lives by building skills, values, and self-esteem in order to prevent potential gang involvement and alcohol and other drug abuse. In collaboration with the Kenosha Unified School District #1, the Organization offers 21st Century Community Learning Centers. School based learning centers provide safe, supervised sites for academic and enrichment programs for children.

Boys & Girls Club of Kenosha Foundation, Inc. (the Foundation) is a nonprofit organization that was formed with the purpose of raising capital for the Boys & Girls Club of Kenosha.

Principles of Consolidation

The combined financial statements include the accounts of Boys & Girls Club Kenosha, Inc. and Boys & Girls Club Kenosha Foundation, Inc. because Boys & Girls Club Kenosha, Inc. has both control and an economic interest in the Foundation.

Comparative Financial Information

The accompanying combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Basis of Accounting

The combined financial statements have been prepared on the accrual basis. The fiscal years of the Club and the Foundation end on December 31.

Use of Estimates in Preparing Financial Statements

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

Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the combining statement of financial position. Net investment return/(loss) is reported in the combining statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Grants Receivable

Grants receivable are uncollateralized customer obligations which generally require payment within thirty days from the invoice date. Grants receivable are stated at the invoice amount.

The carrying amount of grants receivable is recorded net of uncollectible accounts based on management's best estimate of amounts that will not be collected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off at year end.

Intentions to Give

The Boys and Girls Club of Kenosha and Boys and Girls Club of Kenosha Foundation consider all donor communications of future gifts to not be legally enforceable and therefore are considered intentions to give and recorded as contributions when received. As of December 31, 2020 and 2019, the Boys and Girls Club of Kenosha Foundation had received future intentions to give for their capital campaign of \$2,000 and \$4,000, respectively.

Property and Equipment

The Club and the Foundation record property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is include in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Club and the Foundation review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from is use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2020 and 2019.

Net Assets

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

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (continued)

Net Assets Without Donor Restrictions - net assets available for use in general operations and not subject to donor or grantor imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – net assets subject to donor or 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 the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a 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 combined statement of activities as net assets released from restrictions. 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.

Revenue and Revenue Recognition

Concession sales are recognized at the time of purchase.

We recognize contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of our revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the combining statement of financial position. No amounts have been received in advance under our federal and state contracts and grants.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the combined financial statements do not reflect the values of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year ended December 31, 2019.

On December 30, 2020, the Club and Foundation received an in-kind gift of land, building, equipment and a going concern nonprofit operation that offers gymnastic instruction to youth. The Club received gym equipment and mats and furniture & equipment with a fair market value of \$260,393. The Foundation received land and a building with a combined fair market value of \$1,600,000. The Club intends to continue to operate all the programs.

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Club and the Foundation are exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the combining statement of activities. The combined statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the finance committees of the Club and the Foundation. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the finance committees believe that the investment policies and guidelines are prudent for the long-term welfare of the Organizations.

Reclassifications

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

Recent Accounting Guidance

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the combining statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the combining statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2020.

NOTE B – WISCONSIN UNEMPLOYMENT RESERVE FUND

Under provision of the Wisconsin Unemployment Compensation law, the Club has elected to reimburse the State of Wisconsin for the actual unemployment benefit claims paid to former employees. A letter of credit totaling \$39,184 has been deposited with the Wisconsin Department of Industry, Labor and Human Relations as collateral for future unemployment compensation requirements of the Organization.

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE C – REVENUE AND SUPPORT

Both the Club and the Foundation receive revenues and support from various funding sources. The loss of some or all of these funding source revenues and support could have a material effect on the Club's or the Foundation's financial position.

NOTE D – OPERATING LEASE

The Club began leasing in a copier January 2018 for \$514 per month for five years. The future minimum lease payments are \$6,174 per year for 2021 and 2022.

NOTE E – BANK SWEEP ACCOUNT

The Club has a line-of-credit sweep arrangement with its bank. Under this arrangement, if the checking account has funds in excess of the target balance, and an outstanding balance on the line-of-credit, the system automatically debits the checking account and pays on the line. If the account balance falls below the target balance and the line-of-credit is not fully borrowed against than the system will advance funds from the line and credits the checking account. Accordingly, if there are checks outstanding at any given time to be cleared against the account, they are shown on the balance sheet as a line-of-credit.

NOTE F – FREE USE OF FACILITIES

The Foundation was the recipient of an award from the Community Development Financial Institutions Fund that benefited the Club by providing funding for the construction of the new facility. The Club leases from the Foundation for \$1 the building at 1330-52nd Street, Kenosha, Wisconsin. The estimated fair market value of the use of the building is \$395,000 or \$5 per square foot. On April 25, 2017, a new lease agreement went into effect, changing the base rent to \$100 per year.

NOTE G – PENSION PLAN

The Club maintains a SIMPLE pension plan for eligible employees. Employees can defer up to \$13,000 of wages per year (for employees 50 or older, there is a catch-up contributions of \$3,000). The Club contributes 3% of participating employee wages. Matching contributions were \$21,330 and \$21,600 for 2020 and 2019, respectively.

NOTE H – ENDOWMENTS

The Foundation endowments consist of funds established for Club operations. The endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Foundation 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, the Foundation 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.

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE H – ENDOWMENTS (CONTINUED)

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 the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation 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 purpose of the Foundation 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 Foundation
- (7) The investment policies of the Foundation.

Endowment Net Asset Composition by Type of Fund as of December 31, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions - Temporarily	With Donor Restrictions - Permanent	2020 Total
Donor-restricted endowment funds	731,977	\$ 579,308	\$ 641,170	\$ 1,952,455
Total funds	<u>731,977</u>	<u>\$ 579,308</u>	<u>\$ 641,170</u>	<u>\$ 1,952,455</u>
	Without Donor Restrictions	With Donor Restrictions - Temporarily	With Donor Restrictions - Permanent	2019 Total
Donor-restricted endowment funds	578,215	570,291	\$ 641,170	\$ 1,789,676
Total funds	<u>578,215</u>	<u>570,291</u>	<u>\$ 641,170</u>	<u>\$ 1,789,676</u>

Net assets with donor restrictions - permanent, are to be retained permanently by donor stipulation.

Net assets with donor restrictions - temporarily, consist of any unused accumulated earnings which may be used for Boys & Girls Club of Kenosha, Inc. operations.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those

BOYS AND GIRLS CLUB OF KENOSHA, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE H – ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters (Continued)

assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6.5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE I – FAIR VALUE MEASUREMENTS

The Foundation's investments are reported at fair value in the accompanying statement of financial position. The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2020</u>				
Mutual Funds	\$ 1,479,918	\$ 1,479,918	\$ -	\$ -
Guaranteed Investment Contract	472,537	-	-	472,537
	<u>\$ 1,952,455</u>	<u>\$ 1,479,918</u>	<u>\$ -</u>	<u>\$ 472,537</u>
<u>December 31, 2019</u>				
Mutual Funds	\$ 1,330,925	\$ 1,330,925	\$ -	\$ -
Guaranteed Investment Contract	458,751	-	-	458,751
	<u>\$ 1,789,676</u>	<u>\$ 1,330,925</u>	<u>\$ -</u>	<u>\$ 458,751</u>

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE I – FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended December 31, 2020.

Balance, January 1, 2020	\$	458,751
Withdrawals		-
Reinvested Dividends		9,224
Change in Cash Surrender Charge		<u>4,562</u>
Balance, December 31, 2020	<u>\$</u>	<u>472,537</u>

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions – Temporarily available for the following purposes as of December 31, 2020 and 2019:

	<u>Club</u>	<u>Foundation</u>	<u>2020 Total</u>
Programs	<u>\$ 36,109</u>	<u>\$ 543,199</u>	<u>\$ 579,308</u>
Total	<u>\$ 36,109</u>	<u>\$ 543,199</u>	<u>\$ 579,308</u>
			<u>2019 Total</u>
Playground	\$ 125,000	\$ -	\$ 125,000
Programs	<u>-</u>	<u>445,291</u>	<u>445,291</u>
Total	<u>\$ 125,000</u>	<u>\$ 445,291</u>	<u>\$ 570,291</u>

Net assets with donor restrictions – permanent, represent endowment fund assets to be held indefinitely. The income from the assets can be used for operating expenses of the Club.

Net assets with donor restrictions – Temporarily are available for the following purposes:

See Note H – Endowments.

BOYS AND GIRLS CLUB OF KENOSHA, INC.
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NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE K – DUE FROM RELATED PARTY

In February 2019, the Club entered into an agreement with Evolution, a third-party basketball program that performs tournaments, leagues, camps and basketball fundamentals, to utilize the Club's facility to carry out these functions.

The term of the agreement is from February 26, 2019 to April 15, 2020. The Club will compensate Evolution \$55,000 for the program and the Club will be paid a fee of \$32,000. At the end of the agreement, April 15th, the Club will receive 60% of the net revenue of the program.

At December 31, 2019, \$29,457 was due to the Club from Evolution.

In May of 2020, the Club terminated the agreement with Evolution for non-performance of the terms of the agreement. The Club wrote-off \$20,627 as a bad debt expense.

At December 31, 2020, there was \$150,000 due to the Foundation from the Club. This payable and receivable are eliminated in the consolidation process.

NOTE L – LIQUIDITY AND AVAILABILITY

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

	Combined 2020	Combined 2019
Cash and cash equivalents	\$ 1,344,606	\$ 624,284
Investments	1,952,455	1,789,676
Receivables	<u>143,320</u>	<u>169,325</u>
Total available	<u>\$ 3,440,381</u>	<u>\$ 2,583,285</u>

Our endowment funds consist of donor-restricted endowment and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purpose, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds.

NOTE M – PAYCHECK PROTECTION PROGRAM

On April 17, 2020, the Organization received a \$357,700 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%. The Organization received loan and interest forgiveness on March 2, 2021 in the principal amount of \$357,700 and interest amount of \$3,097. Gain on forgiveness of debt was recognized in 2021, at the time of forgiveness.

BOYS AND GIRLS CLUB OF KENOSHA, INC.
AND BOYS AND GIRLS CLUB OF KENOSHA FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE M – PAYCHECK PROTECTION PROGRAM (CONTINUED)

On March 4, 2021, the Club received loan proceeds in the amount of \$348,275 from a second PPP loan. The Club intends to use the loan proceeds for purposes consistent with the PPP and apply for forgiveness within ten months of the end of the covered period.

To the extent that the Club is not granted forgiveness, the Club will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within ten months of the end of the covered period, payments of principal and interest will be required through the maturity date. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

NOTE N – ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

In accordance with the accounting standard on *Accounting for Uncertainty in Income Taxes*, the Club and the Foundation address the determination of whether tax benefits claimed on a tax return should be recorded in the financial statements. Under this guidance, organizations may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merit of the position. Examples of tax positions include the tax-exempt status of the Club and the Foundation and various positions related to the potential sources of unrelated business taxable income. There were no significant unrecognized tax positions identified that qualify for either recognition or disclosure during 2020. For the Club and the Foundation, the tax years ended December 31, 2017 through the current year remain open for examination by federal and state authorities.

NOTE O – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 23, 2021, the date the combined financial statements were available to be issued.

GOVERNMENT AUDIT SECTION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
AND THE Wisconsin Department of Children and Families' *Provider Agency Audit Guide, 2021
Revision*.

To the Board of Directors of
Boys and Girls Club of Kenosha, Inc.

We have audited, in accordance with the 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 and the Wisconsin Department of Children and Families' *Provider Agency Audit Guide, 2021 Revision*, the financial statements of Boys and Girls Club of Kenosha, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boys and Girls Club of Kenosha, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boys and Girls Club of Kenosha, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys and Girls Club of Kenosha, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and the Provider Agency Audit Guide*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Provider Agency Audit Guide* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SCL CPA PC
Certified Public Accountants

Kenosha, Wisconsin
June 23, 2021

BOYS & GIRLS CLUB OF KENOSHA, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND LOCAL AWARDS
 For the Year Ended December 31, 2020

	<u>Federal CFDA Number</u>	<u>Expenditures</u>
FEDERAL AWARDS		
U.S. Department of Agriculture Food and Nutrition Service		
Child and Adult Care Food Program Passed Through Wisconsin Department of Public Instruction	10.558	<u>35,686</u>
Child Nutrition Cluster		
Summer Food Service Program for Children Passed Through Wisconsin Department of Public Instruction	10.559	<u>17,888</u>
Total for U.S. Department of Agriculture Food and Nutrition Service		<u>53,574</u>
U.S. Department of Justice Office of Programs Bureau of Justice Assistance		
Juvenile Mentoring Program Passed Through Boys and Girls Club of America	16.726	<u>17,700</u>
U.S. Department of Labor		
Coronavirus Relief Fund Passed Through Wisconsin Department of Administration	21.019	<u>250,000</u>
U.S. Department of Health and Human Services		
Temporary Assistance for Needy Families Passed Through Greater Milwaukee Boys & Girls Club	93.558	<u>132,387</u>
TOTAL FEDERAL AWARDS		<u><u>\$ 453,661</u></u>

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

BOYS & GIRLS CLUB OF KENOSHA, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND LOCAL AWARDS
 For the Year Ended December 31, 2020

	State Number ID	Expenditures
STATE AWARDS		
Wisconsin Department of Health and Family Services		
Juvenile Justice - Youth Gang Diversion Passed Through County of Kenosha	455.278	51,404
TOTAL STATE AWARDS		\$ 51,404
LOCAL AWARDS		
Kenosha County Levy	N/A	\$ 366,997

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

NOTE A – BASIS OF PRESENTATION

The accompanying "Schedule of Expenditures of Federal, State and Local Awards" includes the federal and state grant activity of the Boys & Girls Club of Kenosha, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE B – COST RATE

The Organization has elected to use the 10% de minimus indirect cost rate.

BOYS & GIRLS CLUB OF KENOSHA, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2020

A. Summary of Auditor's Results

Financial Statements

- | | |
|---------------------------------------------------------------------------------|---------------|
| 1. Type of auditor's report issued? | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Reportable condition(s) identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|------------------------------------------------------------------------------------------------------------------------|---------------|
| 4. Internal control over major program: | |
| a. Material weakness(es) identified? | No |
| b. Reportable condition(s) identified not considered to be material weaknesses? | None Reported |
| 5. Type of auditor's report issued on compliance for major programs? | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Wisconsin State Single Audit Guide | No |
| 7. Identification of major programs: | |
| <u>Name of Federal Program</u> | FEDERAL ID |
| Temporary Assistance for Needy Families | 93.558 |
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

B. Financial Statement Findings No matters were reported

C. Federal Award Findings and Questioned Costs No matters were reported

D. Other Issues

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the WI Department of Children and Families <i>Provider Agency Audit Guide, 2021 revision</i> :
WI Department of Children and Families | No |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | No |

4. Name and signature of auditor

Barbara Namowicz, CPA
 Barbara Namowicz, C.P.A.

5. Date of report

June 23, 2021