Boys and Girls Clubs of the Peninsula

Financial Statements

June 30, 2021
(With Comparative Totals for 2020)

armanino

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Boys and Girls Clubs of the Peninsula
Menlo Park, California

We have audited the accompanying financial statements of Boys and Girls Clubs of the Peninsula (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of the Peninsula as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 14 of the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. However, the ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Boys and Girls Clubs of the Peninsula's 2020 financial statements, and our report dated January 25, 2021 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Jose, California

November 22, 2021

Boys and Girls Clubs of the Peninsula
Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 10,277,595	$ 10,125,298
Accounts receivable	328,720	627,181
Contributions receivable, current portion	2,013,251	4,315,111
Prepaid expenses	334,098	24,420
Total current assets	12,953,664	15,092,010
Property and equipment, net	8,238,263	9,012,233
Other assets		
Investments	23,665,821	9,891,461
Contributions receivable, net of current portion	1,082,000	2,686,318
Total other assets	24,747,821	12,577,779
Total assets	$ 45,939,748	$ 36,682,022
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 1,645,191	$ 1,293,443
Total current liabilities	1,645,191	1,293,443
Paycheck Protection Program forgivable loan	-	1,891,500
Total liabilities	1,645,191	3,184,943
Net assets		
Without donor restrictions		
Undesignated	14,374,047	8,149,990
Board-designated maintenance reserve	334,021	334,021
Board-designated operating reserve	4,875,000	250,000
Board-designated investment in property and equipment	8,238,263	9,012,233
Board-designated quasi-endowments	4,909,916	3,986,726
Total without donor restrictions	32,731,247	21,732,970
With donor restrictions		
Net assets restricted for a specified purpose	2,793,750	3,805,261
Net assets restricted to the passage of time	4,004,000	4,089,335
Unappropriated earnings on endowment	2,840,560	1,944,513
Perpetual endowment	1,925,000	1,925,000
Total with donor restrictions	11,563,310	11,764,109
Total net assets	44,294,557	33,497,079
Total liabilities and net assets	$ 45,939,748	$ 36,682,022

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

Boys and Girls Clubs of the Peninsula
Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support and revenue				
Grants and contributions	$ 15,896,724	$ 4,699,795	$ 20,596,519	$ 16,115,325
In-kind contributions	4,990,481	-	4,990,481	220,660
Special events	3,165,408	-	3,165,408	2,857,819
Investment income, net	1,589,336	896,047	2,485,383	388,526
Forgiveness of Paycheck Protection Program loan	1,891,500	-	1,891,500	-
Contract revenue	1,304,561	-	1,304,561	1,264,364
Membership fees	-	-	-	4,328
Net assets released from restriction	5,796,641	(5,796,641)	-	-
Total support and revenue	34,634,651	(200,799)	34,433,852	20,851,022
Functional expenses				
Program services	19,336,004	-	19,336,004	12,513,800
Management and general	3,101,864	-	3,101,864	1,680,036
Fundraising	1,198,506	-	1,198,506	1,393,682
Total functional expenses	23,636,374	-	23,636,374	15,587,518
Change in net assets	10,998,277	(200,799)	10,797,478	5,263,504
Net assets, beginning of year	21,732,970	11,764,109	33,497,079	28,233,575
Net assets, end of year	$ 32,731,247	$ 11,563,310	$ 44,294,557	$ 33,497,079

Boys and Girls Clubs of the Peninsula
Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Personnel expenses					
Salaries and wages	$ 8,356,537	$ 1,527,673	$ 805,579	$ 10,689,789	$ 9,612,838
Employee benefits	1,265,359	206,007	107,241	1,578,607	1,333,471
Payroll taxes	547,573	100,103	52,787	700,463	697,878
Total personnel expenses	10,169,469	1,833,783	965,607	12,968,859	11,644,187
Other expenses					
Donated food distributed	4,758,229	-	-	4,758,229	-
Student and community meals	1,286,740	-	-	1,286,740	535,599
Depreciation and amortization	833,315	26,041	8,680	868,036	842,392
Program supplies, including in-kind	775,963	-	31,510	807,473	426,596
Office supplies	439,390	162,075	22,332	623,797	256,495
Bad debt	-	456,715	-	456,715	65,189
Facilities	319,918	41,630	3,111	364,659	235,529
Professional fees	104,437	254,395	698	359,530	280,083
Miscellaneous	126,105	79,590	56,110	261,805	130,434
Telecommunications	171,559	51,334	4,627	227,520	138,166
Utilities	161,435	16,129	-	177,564	178,135
Counseling services	170,456	-	-	170,456	115,085
Special events	-	-	103,514	103,514	480,964
Insurance	-	95,627	-	95,627	89,087
Dues	-	51,064	-	51,064	1,000
Recruiting	(505)	21,802	-	21,297	27,940
Training	12,801	3,271	471	16,543	87,573
Transportation	4,780	2,142	40	6,962	17,448
Staff meeting and employee events	-	6,147	-	6,147	31,102
Marketing	1,912	119	1,806	3,837	4,514
Total other expenses	9,166,535	1,268,081	232,899	10,667,515	3,943,331
	$ 19,336,004	$ 3,101,864	$ 1,198,506	$ 23,636,374	$ 15,587,518
Percentage of total	82 %	13 %	5 %	100 %	

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

Boys and Girls Clubs of the Peninsula
Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 10,797,478	$ 5,263,504
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	868,036	842,392
Net realized and unrealized gains	(2,198,693)	(145,427)
Donated property and equipment	-	(11,460)
Donated food received	(4,758,229)	-
Donated food distributed	4,758,229	-
Forgiveness of Paycheck Protection Program loan	(1,891,500)	-
Changes in operating assets and liabilities		
Accounts receivable	298,461	(118,636)
Contributions receivable	3,906,178	(3,487,133)
Prepaid expenses	(309,678)	67,512
Accounts payable and accrued expenses	351,748	88,070
Net cash provided by operating activities	11,822,030	2,498,822
Cash flows from investing activities		
Purchases of property and equipment	(94,066)	(375,677)
Proceeds from sale of investments	17,869,474	2,999
Purchases of investments	(29,445,141)	(2,211,079)
Net cash used in investing activities	(11,669,733)	(2,583,757)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program forgivable loan	-	1,891,500
Net cash provided by financing activities	-	1,891,500
Net increase in cash and cash equivalents	152,297	1,806,565
Cash and cash equivalents, beginning of year	10,125,298	8,318,733
Cash and cash equivalents, end of year	$ 10,277,595	$ 10,125,298

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

1. NATURE OF OPERATIONS

The Boys and Girls Clubs of the Peninsula (the "Organization" or the "Club") provides a place where youth are welcome and can belong to an after-school program, and an all-day program during summer. The Organization’s clubs are located in the most challenged areas of Menlo Park, East Palo Alto, and Redwood City, California. Staff and volunteers work through a broad range of programs to help guide and inspire youth, to help them develop attitudes and life skills to thrive. The Organization was founded in 1958 and is now regarded as one of the most comprehensive youth development organizations in the Bay Area. Programs are focused on academics, science and technology, social education and life skills, athletics and fitness, and the arts. Many of the programs are partnerships with local schools and other community organizations. The Organization’s annual budget is dependent on a balanced combination of support from individuals, foundations, corporations, and public partnerships.

The Club focuses its efforts in three specific area of services:

- Academics Focus - The Organization collaborates with its school partners to provide structured programming for grades K to 12th. During the school year, the Club served 1,773 active members at its 14 school sites and 3 clubhouses. The Club offered a 5-week summer program daily, which included 4 hours of academics that were taught by certified teachers, and 3.5 hours of enrichment.
- Teens Focus - The Organization offers programs during the academic school year and for summer, for teens and pre-teens. These programs help them stay on track in school and graduate with a plan. The Organization provides tutoring, homework support, and academic case management at the clubhouses and on high school campuses. There are three primary teen programs offered, which are Future Grads, Career Pathways, and High School Success Advising.
- Enrichment Focus - The Club offers a broad range of activities to help build skills and allow youth to explore their passions. The enrichment programs are to help inspire youth to succeed in school.

During the past year, due to COVID-19, shelter-in-place, and school going mostly virtual, the Organization adapted the programming from its usual model, providing in-person learning hubs during the school day, and virtual crews during after-school hours.

In addition to supporting its students' academic success, social and emotional well-being and mental health during the pandemic, the Organization’s dinner distribution program prepared, packaged and distributed 480,000 meals to anyone in need in the community.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Club prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met by actions of the Club, and/or the passage of time or are maintained in perpetuity by the Club. When the donor-imposed stipulation ends or the Club satisfies an action, the Club reclassifies net assets with donor restrictions to net assets without donor restrictions.

Change in accounting principle

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Organization adopted ASU 2014-09 with a date of the initial adoption of July 1, 2020, using the full retrospective method.

The adoption of ASU 2014-09 did not have a significant impact on Organization's financial position, result of operations, or cash flows.

Comparative financial information

The financial statements include prior year summarized comparative information in total, but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include highly-liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Club maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Club has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments

Investments may include cash, corporate bonds, municipal bonds, governmental obligations and equity securities. Such investments with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair value measurements

The Club's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflect future fair values. Furthermore, although the Club 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.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are indirectly observable, and Level 3 inputs are unobservable and have the lowest priority. The Club uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Club measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 and 3 inputs were needed for the Club for the years ended June 30, 2021 and 2020.

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Club's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Property and equipment

The Club capitalizes property and equipment in excess of $4,500 at cost or if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method with lives ranging from 3 to 40 years. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed as incurred.

Impairment of long-lived assets

The Club reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2021 and 2020, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2021 and 2020, and is included in accounts payable and accrued expenses in the statement of financial position. The accrued vacation balance as of June 30, 2021 and 2020 was $437,054 and $369,420, respectively.

Contributions receivable

Contributions receivable are recorded at their net realizable value. Contributions receivable which are due in more than one year have been discounted to the present value of their estimated future cash flows. The calculated amount of the discount was not material to the financial statements.

An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history and type of contribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Contributions are recorded at their fair value and are recognized as revenue when the donor makes an unconditional promise to give to the Club. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Net assets released from restriction represent the satisfaction of donor restrictions or the passage of time and the appropriation of previously unappropriated endowment earnings. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. There were no conditional promises as of June 30, 2021.

The Organization generates revenue through contracts with school districts and municipalities. The Organization follows the following steps to determine revenue recognition:

- Identifying the contract(s) with a customer,
- Identifying the performance obligations in the contract(s),
- Determining the transaction price,
- Allocating the transaction price to the performance obligations in the contract(s), and
- Recognizing revenue when, or as, the Organization satisfies a performance obligation.

Contract revenue from school districts and municipalities is recognized when earned for services rendered.

Special event revenue is recognized when the event occurs.

In-kind contributions

Donated supplies and equipment are recorded at their fair market value as of the date of the donation. Contributed services, which require specialized skills and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered.

Donated food from Second Harvest of Silicon Valley was valued ranging from $1.70 to $1.79 per pound for the year ended June 30, 2021. This valuation is based on a cost study conducted for Feeding America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions (continued)

In-kind contributions consisted of the following:

	2021	2020
Food	$ 4,758,229	$ -
Program supplies	232,252	206,320
Property and equipment	-	11,460
Services	-	2,880
	$ 4,990,481	$ 220,660

Functional expenses

Certain indirect costs have been allocated by management among programs and support services based on estimates of time, space and other factors.

Income tax status

The Club has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue Taxation Code. In addition, the Club has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Management evaluated the Club's tax positions and concluded that the Club had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Reclassifications

Certain net assets without donor restrictions have been reclassified to net assets with donor restrictions as of June 30, 2020 based on management's review of its endowment funds activity. In addition, certain expense reclassifications have been made to the 2020 financial statement presentation to correspond to the current year’s format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent events

The Club evaluated subsequent events from June 30, 2021 through November 22, 2021, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

3. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE

As part of the Club's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Investments include endowment funds consisting of donor-restricted endowments and board-designated quasi-endowments. Unless otherwise stated by donors, income from donor-restricted endowments is restricted until appropriated in accordance with the California version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and, therefore, is not available for general expenditure until appropriated. As described in Note 13, the endowment has a spending rate of up to 5% of the market value of the portfolio as calculated on a 3-year rolling average.

The Club expects that accounts receivable from contract revenue will be collected and available within 90 days of the fiscal year-end.

Short-term contributions receivable consists of contributions receivable expected to be received within one year from June 30, 2021. Unrestricted short-term contributions receivable will be available to support general operations of the Club.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2021 to fund general expenditures and other obligations as they become due:

Cash and cash equivalents	$ 10,277,595
Investments	23,665,821
Accounts receivable	328,720
Contributions receivable	3,095,251
	37,367,387
Less: portion not available for current use:	
Board-designated maintenance reserve	(334,021)
Board-designated operating reserve ($4,875,000 less planned release for next year $1,375,000)	(3,500,000)
Board-designated quasi-endowments	(4,909,916)
Net assets restricted for a specified purpose	(2,793,750)
Net assets restricted to the passage of time ($4,004,000 less amount collectible in next year $1,854,000)	(2,150,000)
Unappropriated earnings on endowment	(2,840,560)
Perpetual endowment	(1,925,000)
	(18,453,247)
	$ 18,914,140

As of June 30, 2021, the Club had $18,914,140 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2021	2020
Contributions receivable	$ 3,164,501	$ 7,136,750
Less:		
Allowance for doubtful accounts	(47,250)	(47,250)
Discounts on pledges	(22,000)	(88,071)
	(69,250)	(135,321)
	$ 3,095,251	$ 7,001,429

Contributions receivable are expected to be collected as follows as of June 30, 2021:

Contributions receivable due in one year or less	$ 2,013,251
Contributions receivable due in one to five years	1,082,000
	$ 3,095,251

At June 30, 2021, 76% of the contributions receivable were due from board of directors, advisory council members, their foundations and companies and are included above.

5. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Club's investments at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Fair Value
Money market funds	$ 151,761	$ -	$ -	$ 151,761
Mutual funds				
U.S. fixed income fund	10,244,755	-	-	10,244,755
Non-U.S. fixed income fund	1,704,756	-	-	1,704,756
U.S. equity fund	6,843,514	-	-	6,843,514
Non-U.S. equity fund	4,721,035	-	-	4,721,035
	23,514,060	-	-	23,514,060
	$23,665,821	$ -	$ -	$23,665,821

5. INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Club's investments at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Fair Value
Money market funds	$ 504,587	$ -	$ -	$ 504,587
Mutual funds				
U.S. fixed income fund	4,002,586	-	-	4,002,586
Non-U.S. fixed income fund	391,939	-	-	391,939
U.S. equity fund	3,029,926	-	-	3,029,926
Non-U.S. equity fund	1,962,423	-	-	1,962,423
	9,386,874	-	-	9,386,874
	$ 9,891,461	$ -	$ -	$ 9,891,461

Investment earnings consisted of the following:

	2021	2020
Net realized and unrealized gains	$ 2,198,693	$ 145,427
Interest and dividends	286,700	243,110
	2,485,393	388,537
Investment expenses	(10)	(11)
	$ 2,485,383	$ 388,526

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2021	2020
Buildings	$ 14,254,604	$ 14,254,604
Leasehold improvements	1,012,769	918,702
Office equipment	649,680	649,680
Computer equipment	614,925	614,925
Automobiles	423,299	423,299
	16,955,277	16,861,210
Less: accumulated depreciation and amortization	(8,717,014)	(7,848,977)
	$ 8,238,263	$ 9,012,233

6. PROPERTY AND EQUIPMENT (continued)

Depreciation and amortization expense totaled $868,036 and $842,392 for the years ended June 30, 2021 and 2020, respectively.

7. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

On April 20, 2020, the Club received loan proceeds of $1,891,500 from a promissory note issued by Boston Private Bank and Trust Company, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration ("SBA"). The term on the loan is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

On June 5, 2020, the Paycheck Protection Program Flexibility Act ("PPPFA") was signed into law, and was followed by revised forgiveness applications on June 16, 2020 and revised interim final rules ("IFRS") on June 22, 2020. The enactment of PPPFA and subsequent releases of the related IFRS and forgiveness applications provided several structural changes to the program aimed to provide businesses with added flexibility to utilize the funds and to be able to obtain forgiveness. The primary modifications include: reducing from 75% to 60% the percent of a borrower's loan proceeds which must be used for payroll costs; increase from 8 weeks to 24 weeks the covered period, which is the period eligible costs can qualify for forgiveness; extended the deferral period for principal and interest on the loan to the date SBA remits the loan forgiveness amount to the lender or ten months after the loan forgiveness covered period if the borrower has not applied for forgiveness. The Organization has applied for and has received formal forgiveness of the loan on May 12, 2021, and recognized $1,891,500 as forgiveness of Paycheck Protection Program loan on the statement of activities for the year ended June 30, 2021.

8. PENSION PLAN

The Club has made available, to qualified employees, a 401(k)-safe harbor plan. This plan includes a non-elective employer contribution of 3% of eligible participants' compensation and the Club can elect to make an additional discretionary contribution that vests over 3 years. Employees are eligible to participate in the plan after one year of employment if they work over 1,000 hours per year. For the years ended June 30, 2021 and 2020, total pension expense was $583,143 and $588,938, respectively.

9. COMMITMENTS AND CONTINGENCIES

The Club has entered into several exchange agreements to lease its facilities at Menlo Park, Redwood City and East Palo Alto from various municipalities where the facilities are situated. These exchange agreements require the Club to perform certain duties and provide joint use of the facilities in return for lease payments of $1 per year. In addition, the buildings and improvements, constructed by the Club, will revert to the municipalities in the event the Club abandons the premises, which is not deemed probable by management, or at lease termination. The leases run from 25 years (June 2023) to 66 years (May 2064) with options to renew. Lease payments are recognized as expense annually and the buildings and improvements are included in property and equipment in accompanying statement of financial position.

10. CONCENTRATIONS OF RISK

Contributions receivable are due from various individuals and organizations which mitigate the risk associated therein. One donor represents 63% of contributions receivable as of June 30, 2021. Two donors represent 64% of contributions receivable as of June 30, 2020.

11. RELATED PARTY TRANSACTIONS

Contributions received from members of the Club's board of directors, officers, advisory council members, their foundations and companies totaled approximately $9,600,000 or 47% of total contribution revenue for the year ended June 30, 2021. Contributions received from members of the Club's board of directors, officers, advisory council, their foundations and companies totaled approximately $741,000 or 4% of total contribution revenue for the year ended June 30, 2020.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	Balance at June 30, 2020	Additions	Releases	Balance at June 30, 2021
Pledges, time restricted	$ 4,089,335	$ 1,700,000	$ (1,785,335)	$ 4,004,000
Program services	3,805,261	2,999,795	(4,011,306)	2,793,750
Unappropriated earnings on endowment	1,944,513	896,047	-	2,840,560
Perpetual endowment	1,925,000	-	-	1,925,000
	$ 11,764,109	$ 5,595,842	$ (5,796,641)	$ 11,563,310

12. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

General support released from time restrictions	$ 1,785,335
Program related released from purpose restrictions	
COVID-19	1,435,516
Future Grads	604,221
Student and Family Assistance	479,648
Site Specific	442,291
Other	396,431
Summer Program	225,452
High School Success Advising	174,145
Mental Health	170,456
Administration	75,000
Building Readers	8,068
K-8 Program	78
	4,011,306
	$ 5,796,641

13. ENDOWMENT

The Organization's endowment consists of several individual funds established for a variety of purposes. Its endowment includes both board-designated and donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Organization's board of directors has interpreted UPMIFA 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 Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual endowment is classified as unappropriated earnings on endowment until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

13. ENDOWMENT (continued)

Interpretation of relevant law (continued)

(1) The duration and preservation of the fund

(2) The purposes of 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) The investment policies of the Organization

Return objectives and risk parameters

The Organization 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 assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of directors, the Organization diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 and 2020.

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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Club is expecting to provide annual distributions of 5% of the market value of the portfolio as calculated on a 3-year rolling average. There was no distribution taken during the years ended June 30, 2021 and 2020. The investment managers are required to invest funds so as to ensure that required distributions of income or principal are met.

13. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Earnings on Endowment	Perpetual Endowment	Total
Board-designated endowment funds	$ 4,909,916	$ -	$ -	$ 4,909,916
Donor-restricted endowment funds	-	2,840,560	1,925,000	4,765,560
	$ 4,909,916	$ 2,840,560	$ 1,925,000	$ 9,675,476

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Earnings on Endowment	Perpetual Endowment	Total
Board-designated endowment funds	$ 3,986,726	$ -	$ -	$ 3,986,726
Donor-restricted endowment funds	-	1,944,513	1,925,000	3,869,513
	$ 3,986,726	$ 1,944,513	$ 1,925,000	$ 7,856,239

13. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2021 is as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Earnings on Endowment	Perpetual Endowment	Total
Balance, June 30, 2020	$ 3,986,726	$ 1,944,513	$ 1,925,000	$ 7,856,239
Investment income				
Net realized and unrealized gains	853,232	828,146	-	1,681,378
Interest and dividends	69,958	67,901	-	137,859
Balance, June 30, 2021	$ 4,909,916	$ 2,840,560	$ 1,925,000	$ 9,675,476

Changes in endowment net assets for the fiscal year ended June 30, 2020 is as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Earnings on Endowment	Perpetual Endowment	Total
Balance, June 30, 2019	$ 3,825,209	$ 1,787,745	$ 1,925,000	$ 7,537,954
Investment income				
Interest and dividends	93,319	90,575	-	183,894
Net realized and unrealized gains	68,198	66,193	-	134,391
Balance, June 30, 2020	$ 3,986,726	$ 1,944,513	$ 1,925,000	$ 7,856,239

14. RISKS AND UNCERTAINTIES

During the COVID-19 pandemic, the Organization's services have not been materially interrupted. As the situation continues to evolve, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business, including how it impacts the Organization's vendors, employees, and ability to provide services (see Note 1). The Organization believes the ultimate impact of the COVID-19 pandemic on its program services and financial condition is likely to be determined by factors which are uncertain, unpredictable and outside of its control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely impact the Organization.