

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

The logo consists of a dark blue square with a white border. Inside the square, the letters "HRC" are written in a white, bold, sans-serif font.

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BOYS & GIRLS CLUBS OF SOUTHERN NEVADA

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys & Girls Clubs of Southern Nevada
Las Vegas, Nevada

We have audited the accompanying consolidated financial statements of the Boys & Girls Clubs of Southern Nevada (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2019 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Boys & Girls Clubs of Southern Nevada as of December 31, 2019, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 May 5, 2020 on our consideration of Boys & Girls Clubs of Southern Nevada'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 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 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 Clubs of Southern Nevada's internal control over financial reporting and compliance.

Howdsworth, Russo & Company, P.C.

Las Vegas, Nevada
May 5, 2020

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,433,438
Cash and cash equivalents, with donor restrictions	1,496,401
Investments	8,014,565
Investments, with donor restrictions	3,617,689
Grants receivable	482,135
Unconditional promises to give, current	730,000
Prepaid expenses	80,814
	16,855,042

OTHER ASSETS

Investments, restricted for long-term purposes	380,360
Unconditional promises to give, net of current and discount	1,352,498
Property and equipment, net	21,173,453
Land held for investment	138,800
Investments, with donor restrictions, perpetual	6,329,067
	\$ 46,229,220

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 228,761
Accrued staffing expenses	307,862
Funds held on behalf of others	774,402
Deferred revenue	15,090
	1,326,115

NET ASSETS

Without donor restrictions:	
Without donor restrictions	7,852,713
Without donor restrictions held in property and equipment	18,067,877
Board designated	1,970,924
	27,891,514
With donor restrictions:	
With donor restrictions	13,906,015
With donor restrictions held in property and equipment	3,105,576
	17,011,591
	44,903,105
	\$ 46,229,220

See notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenue, gains and other support:

Contributions		\$	1,308,279
Federal grants			2,511,720
Other grants			1,945,626
Program fees, net			1,127,313
Special event revenue	\$	705,752	
Less: costs of direct benefits to donors		(133,219)	
Net revenues from special events			572,533
In-kind donations			68,164
Investment return, net			1,722,877
Rental income			160,685
Other			17,688
Gain on sale of property and equipment			3,780
Net assets released from restrictions			909,037

10,347,702

Expenses and losses:

Program services			7,898,493
Supporting services:			
Fundraising			362,205
Management and general			779,254

9,039,952

Unallocated payments to affiliated organizations

37,804

9,077,756

Increase in net assets without donor restrictions

1,269,946

NET ASSETS WITH DONOR RESTRICTIONS

Contributions			96,692
Federal grant funding of new clubhouse building			2,968,918
Investment return, net			1,198,270
Net assets released from restrictions			(909,037)

Increase in net assets with donor restrictions

3,354,843

INCREASE IN NET ASSETS

4,624,789

NET ASSETS, BEGINNING OF YEAR

40,278,316

NET ASSETS, END OF YEAR

\$ 44,903,105

See notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program	Fundraising	Management and General	Total
Salaries and wages	\$ 3,918,801	\$ 257,931	\$ 521,652	\$ 4,698,384
Payroll taxes and related	356,381	23,457	47,439	427,277
Employee benefits	244,225	16,075	32,509	292,809
Bank and credit card fees	17,134	12,784	-	29,918
Summer camp fees	147,254	-	-	147,254
Computer and technology	152,338	14,827	20,279	187,444
Conferences and training	12,363	814	1,645	14,822
Contract labor	16,850	-	-	16,850
Depreciation	1,120,283	7,609	14,372	1,142,264
Dues and subscriptions	1,594	-	757	2,351
Food	40,734	-	828	41,562
Insurance	192,746	578	13,508	206,832
Meals and entertainment	7,149	516	1,811	9,476
Other	8,928	843	790	10,561
Postage	669	2,356	1,373	4,398
Printing and copying	25,493	9,178	10,583	45,254
Professional services	43,164	1,874	75,671	120,709
Program services	385,331	-	-	385,331
Rent	30,515	-	-	30,515
Repairs and maintenance	590,924	4,014	7,581	602,519
College scholarships	52,425	-	-	52,425
Supplies	29,667	1,953	3,949	35,569
Income taxes	-	-	7,738	7,738
Telephone and internet	52,539	3,458	6,994	62,991
Transportation and travel	25,478	1,634	5,421	32,533
Utilities	339,329	2,304	4,354	345,987
Vehicle	86,179	-	-	86,179
	<u>7,898,493</u>	<u>362,205</u>	<u>779,254</u>	<u>9,039,952</u>
Costs of direct benefits to donors	<u>-</u>	<u>133,219</u>	<u>-</u>	<u>133,219</u>
Total expenses and costs of direct benefits to donors	<u>\$ 7,898,493</u>	<u>\$ 495,424</u>	<u>\$ 779,254</u>	<u>\$ 9,173,171</u>

See notes to consolidated financial statements.

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 4,624,789
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,142,264
Change in discount to present value	(100,983)
Donated property and equipment	(3,084,553)
Realized/unrealized gain on investments	(2,483,112)
Gain on disposal of property and equipment	(3,780)
Contributions restricted for long-term purposes	(280,000)
(Increase) decrease in operating assets:	
Grants receivable	314,214
Unconditional promises to give	1,010,000
Prepaid expenses	(10,807)
Increase (decrease) in operating liabilities:	
Accounts payable	31,880
Accrued staffing expenses	41,147
Funds held on behalf of others	(1,269)
Deferred revenue	(9,747)
	<hr/>
Net cash provided by operating activities	1,190,043
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	1,217,573
Purchases of investments	(2,912,016)
Purchases of property and equipment	(279,445)
Proceeds from sales of property and equipment	15,359
	<hr/>
Net cash used in investing activities	(1,958,529)
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for long-term purposes	280,000
	<hr/>
Net cash provided by financing activities	280,000
	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS	(488,486)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,418,325
	<hr/>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,929,839</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Income taxes paid	\$ 7,738
	<hr/>
SUMMARY OF CASH ACCOUNTS	
Cash and cash equivalents	\$ 2,433,438
Cash and cash equivalents, with donor restrictions	1,496,401
	<hr/>
	<u>\$ 3,929,839</u>

See notes to consolidated financial statements.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Boys & Girls Clubs of Southern Nevada (the Organization) is a nonprofit corporation organized under the laws of the State of Nevada for the purpose of enabling all young people, especially those who need Boys & Girls Clubs the most, to reach their full potential as productive, caring, responsible citizens. The core programs engage young people in activities with adults, peers and family members that enable them to reach their full potential. Based on the interest and needs of the boys and girls they serve, clubs offer diverse program activities in five areas: Character and Leadership Development, Education and Career Development, the Arts, Sports, Fitness and Recreation, and Health and Life Skills. The Boys & Girls Clubs of Southern Nevada is supported primarily through donor contributions, grants from donors and organizations, and revenue charged to the children attending the clubs in the Southern Nevada region.

The Boys & Girls Clubs of Las Vegas Foundation, Inc. (the Foundation) was formed in 1985 to provide long-term operational funding for the Boys & Girls Clubs of Southern Nevada. The Foundation was formed with a view towards establishing an endowment of sufficient size that the income therefrom would eventually contribute all, or at least a major portion, of the ongoing operating funds of the Boys & Girls Clubs of Southern Nevada. The Boys & Girls Clubs of Las Vegas Foundation is supported primarily through donor contributions from the Southern Nevada region and investment return.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Principles of Consolidation

The consolidated financial statements include the financial information of the Boys & Girls Clubs of Southern Nevada and the Boys & Girls Clubs of Las Vegas Foundation (collectively, the Organization). The Boys & Girls Clubs of Southern Nevada is consolidated under the principles of FASB ASC as the Boys & Girls Clubs of Southern Nevada has both an economic interest in the Boys & Girls Clubs of Las Vegas Foundation and control of the Foundation through a majority voting interest in its governing board. All material interorganizational transactions have been eliminated.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Organization and the Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization and Foundation qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations other than private foundations under Section 509(a)(2).

Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, operating cash that is not restricted for long-term purposes is considered to be cash and cash equivalents. For the presentation of cash balances, the Organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Under FASB ASC, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are stated at fair market value in the consolidated statement of financial position. Investment return restricted by a donor is reported as increases in net assets with donor restrictions in the reporting period in which the income and gains are recognized. If the restrictions expire in the reporting period, the investment return will be reported as without donor restrictions. Investments in real estate consist of property recorded at the fair market value at the date of the donation. Investments in privately held stock are recorded at the estimated fair market value at the date of donation.

Receivables

Grants receivable are stated at the amount management expects to collect from outstanding balances. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. There was no allowance recognized as of December 31, 2019.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. It is the Organization's policy to estimate an allowance for pledges receivable based on an annual assessment.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000 and with a useful life of greater than one year. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets.

Buildings and improvements	10-39 years
Equipment	3-10 years
Furniture and fixtures	3-10 years
Vehicles	5-7 years

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount which the carrying amount of the assets exceeds the fair value of the assets.

Revenue With and Without Restrictions

Contributions received are recorded as increases in net assets with or without restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Scholarship Allowances

Program fees and membership dues are reported net of scholarship allowances in the consolidated statement of activities. Scholarship allowances are the difference between the stated charge for goods and services provided by the Organization and the amount that is paid by third parties making payments on the children's behalf. The total scholarship allowances for the year ended December 31, 2019 were \$1,098,473.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Contributed services for the year ended December 31, 2019 include \$25,000 for garbage collection, allocated among the program and supporting services benefited, and \$14,680 for attorney services recorded as program services on the consolidated statement of functional expenses.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Advertising

Advertising costs are expensed as incurred.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following expenses were allocated on the basis of estimated employee time and effort used for each function: conferences and training, employee benefits, payroll taxes and related, salaries and wages, supplies, and telephone and internet.

The following expenses were allocated on the basis of estimated space used for each function: depreciation, repairs and maintenance, and utilities.

The following expenses were allocated on the basis of a combination of estimated employee time and effort used for each function, estimated space used for each function, and/or directly allocated by function based on the nature of the expense: computer and technology, insurance, meals and entertainment, other, and professional services.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

As of January 1, 2019, the Council adopted the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the years ending December 31, 2019 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

On January 5, 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, as amended, which intends to improve certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments in the ASU benefit users by providing a more relevant measurement attribute for equity investments and decrease complexity for preparers by replacing the challenging impairment model for equity investments without readily determinable fair values. During the year ended December 31, 2019, the Organization adopted the provisions of this ASU. This adoption is not expected to have a material impact on the financial results of the Organization.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting for Contributions Received and Contributions Made*, which intends to clarify and improve the scope and accounting guidance for contributions received and made, primarily by not-for-profit organizations. The amendments in the ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. To accomplish this, the ASU clarifies how a not-for-profit determines whether a resource provider is participating in an exchange transaction by applying select criteria. This ASU also provides expanded guidance on how to determine whether contribution (non-exchange) revenue is conditional or unconditional. It is expected that this ASU will reduce the diversity noted in practice. During the year ended December 31, 2019, the Organization adopted the provisions of this ASU. This adoption is not expected to have a material impact on the financial results of the Organization.

Subsequent Events

Subsequent events have been evaluated through May 5, 2020 which is the date the consolidated financial statements were available to be issued.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 2. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by contribution, grant, and program revenues and considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Organization's financial assets as of December 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Cash and cash equivalents	\$ 3,929,839
Investments	18,085,639
Grants receivable	482,135
Unconditional promises to give, current	<u>730,000</u>
 Total financial assets	 23,227,613
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Unconditional promises to give, in-kind rent	(10,000)
Funds held on behalf of others	(774,402)
Restricted by donors with purpose or time restrictions, peripheral	(1,266,623)
Restricted by donors in perpetuity	<u>(6,329,067)</u>
 Total amounts unavailable for general expenditures within one year	 (8,380,092)
 Amounts unavailable to management without Board's Finance Committee or Foundation Board's approval:	
General endowment	(4,605,030)
Endowment funds with purpose restriction	(3,567,322)
Board-designated emergency funds	(1,711,407)
Board-designated repair and maintenance fund	<u>(259,517)</u>
 Total amounts unavailable to management without Board's Finance Committee or Foundation Board's approval	 <u>(10,143,276)</u>
 Total financial assets available to management for general expenditure within one year	 <u>\$ 4,704,245</u>

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 3. INVESTMENTS AND FAIR VALUE

The privately held stock and real estate investment trusts are not publicly traded and are classified as other investments and included in the scope of FASB ASC 958-325. In accordance with FASB ASC 958-325, the Organization chose to measure these investments at the estimated fair value at the date of donation.

Investments consist of the following at December 31, 2019:

	Fair Value
Public equity securities	\$ 11,445,360
Fixed income securities	4,671,535
Certificates of deposit	1,342,587
Mutual funds	625,157
Privately held stock	256,042
Real estate investment trusts	1,000
	18,341,681
Current	<u>(11,632,254)</u>
Long-term	<u>\$ 6,709,427</u>

In accordance with FASB ASC, the following are quantitative disclosures about the fair value measurements of assets and liabilities. Fair value measurements are categorized on three levels:

Level 1 inputs are quoted market prices in active markets for identical assets.

Level 2 inputs are inputs other than quoted prices within Level 1; for example, quoted prices for similar assets.

Real estate investment trusts – Inputs other than quoted prices that are observable for the asset or liability directly, for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs for the assets.

Privately held stock – In 2008, the Organization received a private stock donation representing a 2.78% ownership interest in an S-corporation that owns real estate which is leased on a long-term basis. The initial value of this interest was recorded based on the projected lease income over the remaining term of the lease using a discount factor of 3.85%. In 2018, the lease was extended through August 2040. As a result, the interest was revalued. The estimated fair value was based on the present value of an annuity paid through the end of the extended lease term using an estimated incremental borrowing rate of 3.85%.

In 2016, the Organization received a transfer of assets from the Sun Camp Endowment which consisted of an additional 2.78% interest in the privately held stock described above. The Organization is obligated to administer the Sun Camp Endowment through September 30, 2023. This interest was revalued using the same method described above, through the term of the administration obligation.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 3. INVESTMENTS AND FAIR VALUE (CONTINUED)

The Organization holds land for investment. As of December 31, 2019, this land is recorded at its fair value on the date of donation totaling \$138,800.

Except for the land listed above, the Organization's only assets valued at fair value are its investments. The Organization's investments at December 31, 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Public equity securities	\$ 11,445,360	\$ -	\$ -	\$ 11,445,360
Fixed income securities	4,671,535	-	-	4,671,535
Certificates of deposit	1,342,587	-	-	1,342,587
Mutual funds	625,157	-	-	625,157
Privately held stock	-	-	256,042	256,042
Real estate investment trusts	-	1,000	-	1,000
	<u>18,084,639</u>	<u>1,000</u>	<u>256,042</u>	<u>18,341,681</u>
Land held for investment	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,800</u>
Total investments	<u>\$ 18,084,639</u>	<u>\$ 1,000</u>	<u>\$ 256,042</u>	<u>\$ 18,480,481</u>

NOTE 4. ENDOWMENT FUND

As of December 31, 2019, the Organization had twelve endowment funds:

- The Jackie Gaughan Club endowment has corpus with perpetual donor restrictions of \$300,000 for which the earnings on the investment are donor restricted for providing maintenance, upkeep, and general operations of the Gaughan Clubhouse.
- The Reynolds Clubhouse endowment has corpus with perpetual donor restrictions of \$904,467 in which the earnings on the investment are donor restricted for providing maintenance, upkeep, and general operations for the Reynolds Clubhouse.
- The General endowment has corpus with perpetual donor restrictions of \$1,709,600 in which the earnings and remaining balance of the investment account are to fund an annual contribution to the Boys & Girls Clubs of Southern Nevada Founders Drive and for general operations.
- The Restricted Fund for Programs for the Donald W. Reynolds Club endowment has a corpus with donor restrictions of \$904,467 to be used over 20 years. The earnings on the investment and 5% of the corpus may be spent on programs and operations related to the Donald W. Reynolds Club annually.
- The Ralph and Betty Engelstad Club repairs and maintenance endowment has corpus with perpetual donor restrictions of \$1,000,000. The earnings on the investment are donor restricted for providing maintenance and upkeep of the Ralph and Betty Engelstad Clubhouse.
- The Engelstad Family Foundation college scholarship endowment has corpus with perpetual donor restrictions of \$1,500,000. The earnings on the investment are donor restricted to provide annual scholarships to members of the Boys & Girls Clubs of Southern Nevada.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 4. ENDOWMENT FUND (CONTINUED)

- The John C. Kish Memorial college scholarship has corpus with perpetual donor restrictions of \$75,000. The earnings on the investment are donor restricted to provide scholarship support to members of the Boys & Girls Clubs of Southern Nevada.
- The Mark H. Alden Fund is comprised of restricted donations that support music programming at all clubhouses.
- The Brigette Kirvin Downtown Clubhouse Youth of the Year Award endowment was funded with \$10,000 to provide for expenses incurred by the Downtown Youth of the Year candidate when competing for the Southern Nevada title, state title, and national title. The earnings on the investment are donor restricted to be used toward expenses for the candidate.
- The administration of the Las Vegas Sun Summer Camp Fund was turned over to the Organization effective October 1, 2015. Initial funding of \$510,000 was provided to be used over a period of eight years to send disadvantaged children to summer sleep-away camp.
- Established in 2017, the Engelstad Family Foundation Repair and Maintenance endowment will be funded over five years and will fund repairs and maintenance at any clubhouse.
- The Organization received a donation from an anonymous donor of which \$300,000 is to be restricted for repairs and maintenance at all clubhouses.

The Organization's endowment funds consist of the following assets as of December 31, 2019:

Cash	\$ 209,301
Investments	<u>16,693,770</u>
	<u>\$ 16,903,071</u>

The endowments include donor restricted funds, board designated funds and earnings. As required by U.S. generally accepted accounting principles (GAAP), 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 Directors of the Organization has interpreted Nevada state laws 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 restrictions in perpetuity (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 net assets with restrictions in perpetuity are classified as net assets with restrictions until those amounts are appropriated for expenditure by the Organization in accordance with the donors' wishes. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 4. ENDOWMENT FUND (CONTINUED)

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

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 requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies at December 31, 2019.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution to the Boys & Girls Clubs of Southern Nevada each year a percentage of its endowment fund's average fair value over the trailing 12 quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment. Before payout is determined, a dollar amount equal to the trailing year's inflation rate is placed back into the corpus of the fund in order to offset the impact of inflation.

Endowment net assets consist of the following at December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 1,970,924	\$ -	\$ 1,970,924
Donor restricted endowment funds, perpetual in duration-original gift amount	-	6,329,067	6,329,067
Donor restricted endowment funds			
Repairs and maintenance	-	2,215,090	2,215,090
Program	-	541,889	541,889
Scholarships	-	735,124	735,124
Las Vegas Sun Summer Camp Fund	-	505,947	505,947
General endowment	<u>4,605,030</u>	<u>-</u>	<u>4,605,030</u>
	<u>\$ 6,575,954</u>	<u>\$ 10,327,117</u>	<u>\$ 16,903,071</u>

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 4. ENDOWMENT FUND (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,474,863	\$ 8,764,596	\$ 14,239,459
Investment return, net	1,671,227	1,198,271	2,869,498
Appropriation of endowment assets for expenditure	(615,136)	-	(615,136)
Transfers	-	355,000	355,000
Contributions	45,000	9,250	54,250
Endowment net assets, end of year	<u>\$ 6,575,954</u>	<u>\$ 10,327,117</u>	<u>\$ 16,903,071</u>

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 long-term purposes. Under this policy, as approved by the Foundation Board of Trustees, the endowment assets are invested in a manner that is intended to 1) increase the overall purchasing power of the endowment through asset growth and income returns and 2) provide a source of funds if the Foundation Board of Trustees deems it necessary for capital expenditures or annual operations. 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 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 under the following parameters for each asset class:

	<u>Normal Allocation</u>	<u>Permissible Range</u>
Investment grade fixed income securities	20%	10%-40%
Other fixed income Securities	13%	3%-23%
U.S. equity securities	37%	27%-47%
Non-U.S. equity securities	25%	15%-35%

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded at the net present value of estimated future cash flows using discount rates of between 3% and 6%. Amounts are recorded as net assets with donor restrictions until released from restriction. All unconditional promises to give were deemed fully collectible at December 31, 2019.

Unconditional promises to give consist of the following at December 31, 2019:

Current receivable balance	\$ 730,000
Long-term receivable balance, net of discount	<u>1,352,498</u>
Net receivable balance	<u>\$ 2,082,498</u>

Expected collections of unconditional promises to give are as follows at December 31, 2019:

Gross receivable due in less than one year	\$ 1,010,000
Gross receivable due in one to five years	1,050,000
Gross receivable due in more than five years	<u>680,000</u>
	2,740,000
Less: discounts to net present value	<u>(657,502)</u>
	<u>\$ 2,082,498</u>

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2019:

Land	\$ 1,583,934
Buildings and improvements	33,090,262
Furniture and equipment	1,354,067
Vehicles	<u>568,051</u>
	36,596,314
Less: accumulated depreciation	<u>(15,422,861)</u>
	<u>\$ 21,173,453</u>

NOTE 7. BOARD DESIGNATED NET ASSETS

The Board of Directors has designated \$1,711,407 for an emergency fund available for operations and \$259,517 for repairs and maintenance at the Kish, Lied, Southern Highlands and James clubhouses, for a total of \$1,970,924.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at December 31, 2019:

Subject to expenditure for a specified purpose:

Capacity building grant	\$ 567,321
Windsong Educational and Teen Programming	498,038
Engelstad Family Foundation - Great Futures Start Here program	277,425
Facility renovation projects	55,000
Workforce Development programming	42,900
Bicycles	3,966
Art supplies	2,000
Technology enhancements	32,500
STEAM programming	<u>17,250</u>

Total subject to expenditure for specified purpose	1,496,400
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Subject to passage of time:

Engelstad Family Foundation - Great Futures Start Here program	1,918,275
Unconditional promise to give – land lease	164,223
Restricted use of building	<u>2,968,919</u>

Total subject to passage of time	5,051,417
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Perpetual in nature:

Southern Highlands land	136,657
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Endowments:

Subject to endowment spending policy and appropriation:

Las Vegas Sun Summer Camp Fund	505,947
Donald W. Reynolds Club repairs and maintenance	753,739
Restricted fund for programs and operations - Donald W. Reynolds Club	515,948
Ralph and Betty Engelstad Club repairs and maintenance	677,809
Engelstad Family Foundation scholarship fund	656,737
Clubhouse repairs and maintenance	341,215
Engelstad Family Foundation repairs and maintenance for all clubhouses	317,083
Jackie Gaughan Club repairs and maintenance	125,244
John C. Kish Memorial scholarship fund	78,387
Alden music programming	16,531
Brigitte Kirvin Downtown Clubhouse Youth of the Year Award Fund	<u>9,410</u>

Total subject to endowment spending policy and appropriation	3,998,050
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BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Endowments:

Investment in perpetuity:

General endowment	1,709,600
Engelstad Family Foundation scholarship fund	1,500,000
Ralph and Betty Engelstad Club repairs and maintenance	1,000,000
Donald W. Reynolds Club repairs and maintenance	904,467
Engelstad Family Foundation repairs and maintenance for all clubhouses	840,000
Jackie Gaughan Club repairs and maintenance	300,000
John C. Kish Memorial scholarship fund	<u>75,000</u>

Total endowments investment in perpetuity	<u>6,329,067</u>
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Total net assets with donor restrictions	<u>\$ 17,011,591</u>
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Net assets with donor restrictions consist of the following at December 31, 2019:

Cash	\$ 1,496,401
Investments	3,617,689
Investments, long-term	6,709,427
Unconditional promises to give	2,082,498
Property and equipment	<u>3,105,576</u>

	<u>\$ 17,011,591</u>
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Under the terms of the donation agreement with the Southern Highlands Development Corporation, there is a perpetual restriction on the Organization's use of the Southern Highlands land and it may "be used for a youth services facility and charitable, educational and related activities focused on boys and girls," indefinitely.

Under the terms of the grant agreement with Clark County for the Community Development Block Grant, there is a temporary restriction on the Organization's use of the granted building and land. It must be used to operate a Boys & Girls Club community resource center for youth and low income households for a period of fifteen years following construction.

Net assets were released from donor restrictions during 2019 by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2019:

Satisfaction of purpose restrictions:

Capacity building grant	\$ 132,677
Windsong Educational and Teen Programming	5,837
Engelstad Family Foundation - Great Futures Start Here programs	710,998
Facility renovation projects	39,336
Triple Play program	18,814
Project Learn	<u>1,375</u>

	<u>\$ 909,037</u>
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BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 9. CONCENTRATIONS

The Organization maintains funds at two financial institutions located in Nevada with balances insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. The Organization also holds cash balances in one investment brokerage account which are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 which includes up to \$250,000 of uninvested cash. At times, the Organization's cash balances are in excess of FDIC and SIPC coverage limits. The Organization has not experienced any losses related to uninsured balances and does not believe it is exposed to a significant credit risk to cash.

The Organization receives funding from the Child Care Assistance Program for children eligible for subsidized childcare. At December 31, 2019, \$212,388 was receivable from the Child Care Assistance Program, representing 41% of the total grants receivable balance.

NOTE 10. RETIREMENT PLAN

The Organization offers employees a 401(k) plan. Employees age 21 and over are eligible to contribute up to 25% of their gross income, subject to IRS limitations, to the 401(k) plan after completing one year and 1,000 hours of service.

The Organization matches employee contributions at 50% of up to 6% of the respective employees' compensation. Vesting of the matching contributions occurs over a five-year period after match eligibility. Retirement expense totaled \$29,392 for the year ended December 31, 2019.

NOTE 11. LEASES

The Organization rents a facility located at 1608 Moser Drive from the City of Henderson for the Boyd Clubhouse. The monthly payment for this facility use is \$500. Beginning September 2012, the lease term is a 5-year lease agreement with one additional 5-year term only upon mutual parties' consent. For the year ended December 31, 2019, rent expense in the amount of \$6,500 was recognized.

The Organization received below market rent for leased land in May 1996. It was valued at \$970,000 at date of donation and is being amortized over 96 years at a rate of 6%. For the year ended December 31, 2019, rent expense in the amount of \$10,000 was recognized.

The Organization entered into an operating lease for copier equipment in April 2015 for five years. Monthly payments on the lease are \$2,077. Total rent expense was \$24,918 for the year ended December 31, 2019.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 11. LEASES (CONTINUED)

The Organization signed a lease agreement for use of a donated building at 3475 Mountain Vista Street for the Boulder Highway Clubhouse for \$1 for the period from May 1, 2018 until they received title for the building, which occurred during May 2019. The Organization recognized in-kind rent expense of \$14,000 for the year ended December 31, 2019.

Future minimum lease payments as of December 31, 2019 are as follows:

2020	\$ <u>6,230</u>
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NOTE 12. LINE OF CREDIT

The Organization has a line of credit through its investments and can borrow against the portfolio up to \$4,000,000. The interest rate is one-month LIBOR plus 200 basis points. There was no outstanding balance on the line of credit at December 31, 2019.

NOTE 13. FUNDS HELD ON BEHALF OF OTHERS

The Organization is both fiscal agent for and a grantee of grant funds awarded to the Nevada Alliance of Boys & Girls Clubs by the State of Nevada. The Organization received \$1,000,000 to be distributed under the terms of the agreement during the year ended December 31, 2019. The balance held for the Nevada Alliance of Boys & Girls Clubs at December 31, 2019 was \$774,402.

NOTE 14. NATIONAL AFFILIATE

Through its affiliation with the Boys and Girls Club of America, the Organization is required to submit annual dues based on the total operating expenses of the previous year. For the year ended December 31, 2019, the Organization paid \$21,150 in dues. The Organization received \$100,530 in donations and \$158,203 in grants passed through their national affiliate for the year ended December 31, 2019.

NOTE 15. RELATED PARTY TRANSACTIONS

The Organization has received cash and in-kind contributions from both board members and local companies with affiliations to several board members in the amount of \$593,466 for the year ended December 31, 2019.

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

NOTE 16. SUBSEQUENT EVENTS

In connection with the Coronavirus (COVID-19) pandemic, there have been significant global, federal, state and local developments. As a result of this worldwide pandemic, which is driving economic uncertainty, the Organization may experience volatility that may impact results and/or impede general operations. As of May 5, 2020, the Organization has experienced significant losses on investments held. As a result, the value of investments held has decreased significantly from the balance reported at December 31, 2019. The Organization continues to monitor this unprecedented situation and evaluate the impact of this pandemic on their results.

On April 14, 2020, the Organization (Borrower) was granted a loan (Loan) from Lexicon Bank in the aggregate amount of \$1,001,267, pursuant to the Paycheck Protection Program (PPP), under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Loan, which was in the form of a note dated April 6, 2020, matures on April 6, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 1, 2020. The note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Organization intends to use the Loan for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

**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**

To the Board of Directors
Boys & Girls Clubs of Southern Nevada
Las Vegas, Nevada

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, the consolidated financial statements of the Boys & Girls Clubs of Southern Nevada (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 5, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Boys & Girls Clubs of Southern Nevada'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boys & Girls Clubs of Southern Nevada's (the Organization) 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 & Girls Clubs of Southern Nevada'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*.

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* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
May 5, 2020

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

To the Board of Directors
Boys & Girls Clubs of Southern Nevada
Las Vegas, Nevada

Report on Compliance for Each Major Federal Program

We have audited Boys & Girls Clubs of Southern Nevada’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Boys & Girls Clubs of Southern Nevada’s major federal programs for the year ended December 31, 2019. Boys & Girls Clubs of Southern Nevada’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of Boys & Girls Clubs of Southern Nevada’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boys & Girls Clubs of Southern Nevada’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Boys & Girls Clubs of Southern Nevada’s compliance.

Opinion on Each Major Federal Programs

In our opinion, Boys & Girls Clubs of Southern Nevada complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.



Report on Internal Control Over Compliance

Management of Boys & Girls Clubs of Southern Nevada is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Boys & Girls Clubs of Southern Nevada's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boys & Girls Clubs of Southern Nevada's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Howdsworth, Russo & Company, P.C.

Las Vegas, Nevada
May 5, 2020

BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Grantor Agency	Program Title	Federal CFDA Number	Pass-Through Grantor Number	Expenditures
Passed through City of North Las Vegas:				
U.S. Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants Cluster	14.218		\$ 32,746
Passed through City of Henderson:				
U.S. Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants Cluster	14.218		13,134
Passed through Clark County Nevada with Nevada H.A.N.D., Inc. as fiscal agent:				
U.S. Department of Housing and Urban Development	Community Development Block Grants/Entitlement Grants Cluster	14.218		<u>3,084,553</u>
U.S. Department of Housing and Urban Development Total				3,130,433
Passed through the State of Nevada:				
U.S. Department of Health and Human Services	Club Based Mental Health Services	93.104	SOC-3646-FY 19-02	133,662
Passed through the State of Nevada with Urban League as the fiscal agent:				
U.S. Department of Health and Human Services	Child Care and Development Block Grant Cluster	93.575		<u>1,791,519</u>
U.S. Department of Health and Human Services Total				1,925,181
Passed through the Boys & Girls Clubs of America:				
U.S. Department of Justice	Juvenile Mentoring Program	16.726	OJP 2018-44124	13,280
		16.726	OJP 2018-44123	12,000
		16.726	OJP 2018-44125	<u>21,725</u>
				47,005
Passed through Clark County:				
U.S. Department of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0400	<u>31,549</u>
U.S. Department of Justice Total				78,554
Passed through the State of Nevada Department of Health and Human Services:				
U.S. Department of Agriculture	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster	10.561		141,923
Pass through University of Nevada, Reno Cooperative Extension:				
U.S. Department of Agriculture	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Cluster	10.561		<u>99,791</u>
U.S. Department of Agriculture Total				<u>241,714</u>
				<u>\$ 5,375,882</u>

See notes to schedule of expenditures of federal awards.

BOYS AND GIRLS CLUBS OF SOUTHERN NEVADA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Boys & Girls Clubs of Southern Nevada, under programs of the federal government for the year ended December 31, 2019 in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The schedule presents only a selected portion of the operations of the Boys & Girls Clubs of Southern Nevada. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Boys & Girls Clubs of Southern Nevada has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

NOTE 3. PASS-THROUGH AWARDS

Boys & Girls Clubs of Southern Nevada received certain federal financial assistance from pass-through awards of the pass-through entities listed on the schedule of expenditures of federal awards. There were no awards passed through to subrecipients.

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Boys & Girls Clubs of Southern Nevada.
2. No instances of material weaknesses or significant deficiencies related to the audit of the consolidated financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
3. No instances of noncompliance material to the consolidated financial statements of Boys & Girls Clubs of Southern Nevada, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for each major federal program for Boys & Girls Clubs of Southern Nevada expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
7. The program tested as a major program was the U.S. Department of Housing and Urban Development Community Development Block Grants/Entitlement Grants Cluster, CFDA Number 14.218.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Boys & Girls Clubs of Southern Nevada does qualify as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENT AUDIT

None.

**BOYS & GIRLS CLUBS OF SOUTHERN NEVADA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 2019**

PRIOR YEAR FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

PRIOR YEAR FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENT AUDIT

None.