

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys & Girls Clubs of Thurston County
2424 Heritage Ct. SW, Suite 301
Olympia, WA 98502

Report on the Financial Statements

We have audited the accompanying statement of financial position of Boys & Girls Clubs of Thurston County (the BGCTC) as of August 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the fiscal 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 audits 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 organization'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 organization'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 BGCTC as of August 31, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited BGCTC's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Aiken & Sanders

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

December 11, 2020

**BOYS & GIRLS CLUBS OF
THURSTON COUNTY**
A Washington Not-For-Profit Organization

Financial Statements

For the Fiscal Year Ended August 31, 2020

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Boys & Girls Clubs of Thurston County
A Washington Not-For-Profit Organization

Statement of Financial Position

<u>August 31, 2020 (With Comparative Totals for 2019)</u>	<u>2020</u>	<u>2019</u>
ASSETS		
<u>Current Assets</u>		
Cash	\$ 697,957	\$ 384,743
Restricted Cash - Scholarship	2,000	3,000
Restricted Cash - Capital	2,925	28,731
Accounts Receivable	54,139	56,723
Prepaid Expenses	7,576	-
Total Current Assets	764,597	473,197
<u>Property and Equipment</u>		
Land and Land Improvements	530,954	530,954
Leasehold Improvements, net	1,354,801	1,361,028
Furniture and Equipment, net	39,571	46,858
Total Property and Equipment	1,925,326	1,938,840
<u>Other Assets</u>		
Endowment	818,768	682,710
Investments	119,344	82,112
Total Other Assets	938,112	764,822
Total Assets	\$ 3,628,035	\$ 3,176,859
LIABILITIES & NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 48,608	\$ 164,438
Accrued Expenses	29,489	29,156
Accrued Vacation	30,501	27,419
Debt	50,414	-
Total Current Liabilities	159,012	221,013
<u>Net Assets</u>		
Without Donor Restrictions	488,070	298,480
Without Donor Restrictions - Property & Equipment	1,925,326	1,938,840
Without Donor Restrictions - Board Designated	201,904	-
Without Donor Restrictions - Board Designated Endowment	355,219	355,219
	2,970,519	2,592,539
With Donor Restrictions Net Assets	498,504	363,307
Total Net Assets	3,469,023	2,955,846
Total Liabilities & Net Assets	\$ 3,628,035	\$ 3,176,859

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

Boys & Girls Clubs of Thurston County
A Washington Not-For-Profit Organization

Statement of Activities and Changes in Net Assets

Fiscal Year Ended August 31, 2020 <i>(With Comparative Totals for 2019)</i>	2020	2019		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
<u>Support and Revenue</u>				
Grants	\$ 612,553	\$ -	\$ 612,553	\$ 515,577
Contributions	975,661	-	975,661	501,656
Membership Revenue	28,740	-	28,740	47,025
Program Revenue	361,628	-	361,628	512,877
Fundraising Revenue	863,631	-	863,631	879,362
Other Income	13,075	-	13,075	13,186
Inkind Revenue	105,323	-	105,323	127,494
Interest Income	4,740	-	4,740	5,386
Satisfaction of Program Restrictions	26,806	(26,806)	-	-
Total Support and Revenue	2,992,157	(26,806)	2,965,351	2,602,563
<u>Expenses</u>				
Program Services	1,951,489	-	1,951,489	1,878,742
Management and General	534,069	-	534,069	431,248
Fundraising	463,044	-	463,044	511,517
Unallocated Payments to National Organization	10,333	-	10,333	9,295
Total Expenses	2,958,934	-	2,958,934	2,830,802
Increase (Decrease) in Net Assets Before Other Revenues & Expenses	33,223	(26,806)	6,417	(228,239)
<u>Other Revenues & Expenses</u>				
Forgiveness of Debt	339,144	-	339,144	-
Investment Income	5,613	162,003	167,616	48,843
Total Other Revenues & Expenses	344,757	162,003	506,760	48,843
Increase (Decrease) in Net Assets	377,980	135,197	513,177	(179,396)
Net Assets, Beginning of Year	2,592,539	363,307	2,955,846	3,135,241
Net Assets, End of Year	\$ 2,970,519	\$ 498,504	\$ 3,469,023	\$ 2,955,845

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

Boys & Girls Clubs of Thurston County
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Statement of Cash Flows

<u>Fiscal Year Ended August 31, 2020 (With Comparative Totals for 2019)</u>	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities</u>		
Increase (Decrease) in Net Assets	\$ 513,177	\$ (179,395)
Adjustments to reconcile increase in net assets to net cash flows provided (used) by operating activities:		
Depreciation	170,720	147,240
Forgiveness of Debt	(339,144)	-
Unrealized (Gain) Loss on Investments	(120,912)	(48,843)
(Increase) Decrease In:		
Accounts Receivable	2,584	(28,831)
Prepaid	(7,576)	-
Increase (Decrease) In:		
Accounts Payable	(115,830)	120,616
Accrued Expenses	333	9,389
Accrued Vacation	3,082	4,804
Net Cash Provided (Used) by Operating Activities	<u>106,434</u>	<u>24,980</u>
<u>Cash Flows From Investing Activities</u>		
Net Activity in Investments	(52,378)	(32,447)
Purchase of Leasehold Imp., Property & Equipment	(157,206)	(243,528)
Net Cash Provided (Used) by Investing Activities	<u>(209,584)</u>	<u>(275,975)</u>
<u>Cash Flows From Financing Activities</u>		
Proceeds from Debt	389,558	-
Net Increase (Decrease) in Cash & Cash Equivalents	286,408	(250,995)
Cash & Cash Equivalents at Beginning of Year	416,474	667,469
Cash & Cash Equivalents at End of Year	<u>\$ 702,882</u>	<u>\$ 416,474</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest	<u>\$ 6,539</u>	<u>\$ -</u>

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

Boys & Girls Clubs of Thurston County
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Statement of Functional Expenses

Fiscal Year Ended August 31, 2020 (With Comparative Totals for 2019)				2020	2019
	Program Services	Management & General	Fundraising	Total	Total
Salaries	\$ 1,116,621	\$ 233,166	\$ 273,716	\$ 1,623,503	\$ 1,470,606
Payroll Taxes	107,464	20,274	23,800	151,538	142,931
Employee Benefits	140,435	39,242	46,066	225,743	172,812
Training & Education Expense	2,551	8,737	-	11,288	35,512
Repair and Maintenance	71,124	4,154	-	75,278	70,636
Insurance	25,956	1,442	1,442	28,840	35,251
Postage	861	860	860	2,581	3,444
Printing/Advertising	13,039	2,303	2,302	17,644	20,575
Professional Fees	15,757	70,522	1,748	88,027	75,420
Occupancy Expense	68,943	3,830	3,830	76,603	78,144
Supplies	97,366	45,472	91,681	234,519	268,905
Youth Transportation	26,473	-	-	26,473	54,233
Athletic Program	33	-	-	33	871
Dues & Subscriptions	3,262	16,143	-	19,405	14,267
Vehicle Expenses	8,153	1,731	-	9,884	27,478
Meals	3,062	10,492	-	13,554	10,721
Inkind Expense	65,577	27,846	11,900	105,323	127,494
Admission & Entrance Expense	3,246	-	-	3,246	24,485
Rent Expense	15,967	11,975	3,992	31,934	40,482
Interest	-	6,539	-	6,539	-
Miscellaneous Expenses	-	25,926	-	25,926	-
Depreciation	165,599	3,415	1,707	170,720	147,240
Total Expenses	\$ 1,951,489	\$ 534,069	\$ 463,044	\$ 2,948,601	\$ 2,821,506

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

**Boys & Girls Clubs of Thurston County
A Washington Not-For-Profit Organization**

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission and Programs

The mission of the Boys and Girls Clubs of Thurston County (the BGCTC) is to inspire and enable youth to realize their greatness.

The BGCTC serves kids from ages 5 to 18 at four locations (Tumwater, Rochester, Lacey and Olympia) after school and during school break periods. In 2020, the BGCTC had 1,475 school age kids in memberships. Programs are offered to support kids in the areas of character and leadership development, education and career development, health and life skills, the arts and sports, and fitness and recreation.

Financial Statements

The BGCTC maintains its financial records on the accrual basis of accounting. Revenues on all grants are recognized (accrued) when qualifying expenditures under the grant are made. Grant funds are accounted for as without donor restrictions or with donor restrictions, as provided in the particular terms of the respective grant contracts. When restrictions on grant funds are met in the same year the funds are awarded, it is the policy of the BGCTC to record the grant funds as without donor restrictions in the statement of activities and changes in net assets.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. 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 may vary from the estimates that were used.

Statement of Cash Flows

Cash and cash equivalents include cash on hand and cash on deposit in financial institutions.

Furniture and Equipment

Furniture and equipment purchased by the BGCTC is recorded at cost. Furniture and equipment donated to the BGCTC is capitalized at its estimated fair value. The BGCTC's policy is to expense the acquisition cost of equipment in the year it is purchased if its cost is less than \$500. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of furniture and equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts and any gains or loss is included in income.

**Boys & Girls Clubs of Thurston County
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Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T.)

Support

The BGCTC receives a substantial amount of its support from contributions. If a significant reduction in the level of this support occurred, it could have a significant effect on the BGCTC future programs and activities.

Liquidity and Availability

The BGCTC has \$752,096 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$697,957 and accounts receivable of \$54,139 as of August 31, 2020. The BGCTC has \$441,466 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$384,743 and accounts receivable of \$56,723 as of August 31, 2019. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The BGCTC has ongoing grants and contracts that will reimburse the BGCTC allowable expenditures for that grant or contract. The BGCTC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The BGCTC has restricted cash in the amount of \$4,925 and \$31,731 as of August 31, 2020 and 2019 respectively. See note 5.

The BGCTC also has investments and a endowment fund of \$938,112 and \$764,822 as of August 31, 2020 and 2019, respectively. See note 4.

Contributions

The BGCTC reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. However, restricted gifts for which the donor restriction is met in the same period the gift is received are recorded as without donor restriction revenue.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

The BGCTC reports gifts of long-lived assets, as well as gifts of other assets restricted to the acquisition or construction of long-lived assets as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. With donor restrictions long-lived assets are considered to be released from restrictions as the asset is depreciated over its useful life. Absent explicit donor instructions about how long-lived assets must be maintained, the BGCTC reports the expiration of donor restriction when the donated or acquired asset is placed in service.

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Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T.)

Bad Debts

The BGCTC does not provide an allowance for doubtful accounts, as required by generally accepted accounting principles, because historically bad debts have not been material. BGCTC uses the direct write-off method. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. For the fiscal years ended August 31, 2020 and 2019, there were bad debts of \$0, respectively.

Advertising

Advertising costs are expensed as they are incurred.

Allocation of Indirect Costs

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the BGCTC. Payroll and related costs are allocated based on time spent on each function.

Employee Benefits

The BGCTC provides its employees with paid annual and sick leave in accordance with its current policies. Sick leave benefits are cumulative only to the extent of use for illness. Accrued and unused annual leave is payable to the employee in cash upon termination.

The BGCTC has a 403(b) defined contribution money purchase plan for all eligible employees. The BGCTC provides for employer contributions of 6% of gross wages to all eligible employees. Pension expense for the fiscal years ended August 31, 2020 and 2019, was \$63,897 and \$46,243, respectively.

NOTE 2 – CASH

For the fiscal years ended August 31, 2020 and 2019, the BGCTC had cash accounts that at times exceeded the amount insured by the Federal Deposit Insurance Corporation (FDIC). As of August 31, 2020 and 2019, the uninsured cash balance totaled \$29,216 and \$0, respectively.

Boys & Girls Clubs of Thurston County
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Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 3 – PROPERTY AND EQUIPMENT

At August 31, 2020, property and equipment includes the following:

Furniture & Equipment	3 - 5 yrs	\$	206,878
Accumulated Depreciation			<u>(167,307)</u>
Total		\$	<u>39,571</u>
Land & Land Improvements		\$	530,954
Leasehold Improvements	10 - 20 yrs		2,884,387
Accumulated Depreciation			<u>(1,529,586)</u>
Total		\$	<u>1,885,755</u>

Net property and equipment at August 31, 2019, was \$1,938,840.

NOTE 4 – INVESTMENTS & FAIR VALUE MEASUREMENTS

Investments include the stocks in the Edward Jones account and the Endowment Fund. The endowment fund is made up of Board Designated Funds and With Donor Restrictions Funds.

The earnings of the Endowment Fund will be used exclusively for the:

- Capital needs
- Program support
- Seed money for new projects and programs
- Special one-time projects, and
- Such other purposes as are specifically designated by donors

The distribution from the endowment will be no more than 5% of a three-year moving average of the Endowment Fund assets, determined as of August 31st each year. No distribution has been taken yet. The asset allocations are designed to provide an optimal asset mix for the portfolio, emphasizing diversification in order to lower risk and maximize "total return" relative to risk. The following table illustrates the diversification plan for the BGCTC.

U.S. Equities - Large Cap	30% - 50%
U.S. Equities - Small/Mid Cap	0% - 20%
International Developed Countries	0% - 20%
U.S. Core Bonds	20% - 60%
Cash Equivalent	5% - 25%

Boys & Girls Clubs of Thurston County
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Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 4 – INVESTMENTS & FAIR VALUE MEASUREMENTS (CON'T)

Change in endowment funds for the fiscal year ended August 31, 2020, are as follows:

	Board Designated	With Donor Restrictions	Total
Beginning Balance	\$ 355,219	\$ 327,491	\$ 682,710
Bequests/Contributions	-	-	-
Investment Income (Loss)	-	136,058	136,058
Distributions	-	-	-
Ending Balance	<u>\$ 355,219</u>	<u>\$ 463,549</u>	<u>\$ 818,768</u>

Change in endowment funds for the fiscal year ended August 31, 2019, was \$38,184.

As of August 31, 2020, the investments had the following cost basis:

Bonds	\$	130,852
Money Market Funds		54,151
Corporate Stocks		383,567
U.S. Treasury Securities		<u>115,549</u>
Total	\$	<u>684,119</u>

Cost basis as of August 31, 2019, was \$639,495.

Investment income (loss) for the fiscal year ended August 31, 2020, is as follows:

Unrealized Gain (Losses)	\$	120,912
Realized Gain (Losses)		41,091
Dividends		<u>5,613</u>
Total	\$	<u>167,616</u>

Investment income (loss) for the fiscal year ended August 31, 2019, was \$48,843.

Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 4 – INVESTMENTS & FAIR VALUE MEASUREMENTS (CON'T)

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the BGCTC has the ability to access.

Level 2: Inputs to valuation methodology include:

- A. Quoted prices for similar assets or liabilities in active markets.
- B. Quoted prices for identical or similar assets or liabilities in inactive markets.
- C. Inputs other than quoted prices that are observable for the asset or liability.
- D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2020.

Bonds and U.S. Treasury: Valued at the net asset value (NAV) of shares held by the BGCTC at year end.

Money Market Funds: The investments are reported at fair value based on quoted prices in active markets for identical assets.

Corporate Stocks: Valued at stock price per shares held by the BGCTC at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the BGCTC 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 following table sets forth by level, within the fair value hierarchy, the BGCTC's assets at fair value as of August 31, 2020 with comparative totals for 2019:

	Level 1	Level 2	Level 3	2020 Total	2019 Total
Bonds	\$ 171,852	\$ -	\$ -	\$ 171,852	\$ 137,379
Money Market Funds	54,151	-	-	54,151	14,502
Corporate Stocks	589,833	-	-	589,833	497,516
U.S. Treasuries	122,276	-	-	122,276	115,425
Total Assets at Fair Value:	\$ 938,112	\$ -	\$ -	\$ 938,112	\$ 764,822

**Boys & Girls Clubs of Thurston County
A Washington Not-For-Profit Organization**

Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 5 – RESTRICTED CASH & NET ASSETS WITH DONOR RESTRICTIONS

Capital restricted cash are donor restricted donations to be used for purchase of capital items for the clubs that have not been spent as of year end. As of August 31, 2020 and 2019, restricted cash for capital was \$2,925 and \$28,731 on the statement of financial position, respectively.

Scholarship restricted cash are donor restricted donations to be used for scholarships that have not been spent as of year end. As of August 31, 2020 and 2019, restricted cash for scholarships was \$2,000 and \$3,000, respectively.

As of August 31, 2020 and 2019, board designated was \$201,904 and \$0, respectively. These funds are board designated, to be used to fill a club position to support social, emotional, and mental health.

As of August 31, 2020 and 2019, with donor restriction endowment was \$463,549 and \$327,491, respectively. See Note 4.

As of August 31, 2020 and 2019, total net assets with donor restrictions were \$498,504 and \$363,307, respectively.

NOTE 6 – DONATED SERVICES & MATERIALS

During the fiscal years ended August 31, 2020 and 2019, BGCTC received donated materials and services. The value of donated materials and services is reflected in the financial statements as in-kind revenue and in-kind expense, and for the fiscal years ended August 31, 2020 and 2019, was \$2,277 and \$13,646, respectively. The value of donated advertising for the fiscal years ended August 31, 2020 and 2019, was \$11,900 and \$26,680, respectively.

NOTE 7 – LEASES

The BGCTC leases facilities and equipment. Lease expense for the facilities and the equipment for the fiscal years ended August 31, 2020 and 2019, was \$44,905 and \$50,713, respectively. Facility lease expense of \$31,934 and \$40,482, respectively, for the fiscal years ended August 31, 2020 and 2019 is shown as rent expense on the statement of functional expenses. Equipment lease expense of \$12,971 and \$10,231, respectively, for 2020 and 2019 is included in occupancy expense on the statement of functional expenses.

The BGCTC is now renting facilities on a month to month basis while awaiting a new lease agreement.

Facilities, which are used for program services, administration, and fundraising, were rented below fair market value. The value of donated facilities is reflected in the financial statements as in-kind revenue and in-kind expense, and for the fiscal years ended August 31, 2020 and 2019, was \$91,146 and \$87,168, respectively.

**Boys & Girls Clubs of Thurston County
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Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 8 – CONTINGENCIES

Amounts received or receivable from government agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the BGCTC if so determined in the future. It is management's belief that no material amounts received or receivable, unless already provided for, will be required to be returned in the future.

NOTE 9 – INCOME TAXES

The BGCTC is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

The BGCTC files income tax returns in the U.S. federal jurisdiction. The BGCTC is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2016. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of August 31, 2020, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

The BGCTC recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the year ended August 31, 2020, the BGCTC recognized \$0 in interest and penalties. The BGCTC recognized \$0 for the payment of interest and penalties accrued at August 31, 2020.

NOTE 10 – DEBT & COVID-19 CORONAVIRUS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact income. Also because of government mandates, which is expected to be temporary, could have a negative impact on operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

On May 1, 2020, BGCTC received loan proceeds in the amount of \$389,558 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (Cares Act), provides for loans to qualifying businesses. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries as described in the Cares Act.

BGCTC recognized \$339,144 of the loan proceeds as forgiveness of debt on the statement of activities as the requirements had been substantially met. The balance for the outstanding loan proceeds was \$50,414 for the fiscal year end August, 31 2020.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. BGCTC intends to use the proceeds for purposes consistent with the PPP and believes the entire amount of the loan will be forgiven during the next year.

**Boys & Girls Clubs of Thurston County
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Notes to the Financial Statements

Fiscal Year Ended August 31, 2020

NOTE 11 - SUBSEQUENT EVENTS

The BGCTC did not have any subsequent events through December 11, 2020, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the fiscal year ended August 31, 2020.

