

Madison Square Boys & Girls Club, Inc. and Affiliates

Independent Auditor's Report and Consolidated Financial Statements

September 30, 2021

Madison Square Boys & Girls Club, Inc. and Affiliates
September 30, 2021

Contents

Independent Auditor’s Report 1

Consolidated Financial Statements

Statement of Financial Position 3
Statement of Activities 4
Statement of Functional Expenses 5
Statement of Cash Flows 6
Notes to Financial Statements 8

Supplementary Information

Schedule of Changes in Net Assets with Donor Restrictions 31

Independent Auditor's Report

Board of Trustees
Madison Square Boys & Girls Club, Inc. and Affiliates
New York, New York

We have audited the accompanying consolidated financial statements of Madison Square Boys & Girls Club, Inc. and Affiliates, which comprise the consolidated statement of financial position as of September 30, 2021, 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 Consolidated 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. 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 consolidated financial position of Madison Square Boys & Girls Club, Inc. and Affiliates as of September 30, 2021, and the changes in their net assets and their 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 the September 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of changes in net assets with donor restrictions listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

BKD, LLP

New York, New York
May 31, 2022

Madison Square Boys & Girls Club, Inc. and Affiliates
Consolidated Statement of Financial Position
September 30, 2021
(With Summarized Financial Information for September 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,244,457	\$ 2,226,776	\$ 3,471,233	\$ 1,933,147
Investments	10,381,113	-	10,381,113	15,251,437
Government grants receivable	879,039	-	879,039	171,033
Contributions receivable	618,554	161,080	779,634	1,522,727
Accrued interest receivable	2,558	3,794	6,352	4,918
Prepaid expenses and other assets	351,545	-	351,545	305,812
Total current assets	13,477,266	2,391,650	15,868,916	19,189,074
Investments	-	55,257,253	55,257,253	44,449,945
Contributions receivable (net of allowance of \$50,000 in 2021 and 2020)	33,262	4,997,231	5,030,493	5,008,973
Loan receivable	25,548,800	-	25,548,800	25,548,800
Beneficial interests in trusts	-	2,822,579	2,822,579	2,266,760
Limited use assets	571,699	-	571,699	758,942
Property and equipment, net	49,881,470	-	49,881,470	51,197,598
Total assets	<u>\$ 89,512,497</u>	<u>\$ 65,468,713</u>	<u>\$ 154,981,210</u>	<u>\$ 148,420,092</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 1,446,486	\$ -	\$ 1,446,486	\$ 1,432,830
Accounts payable, construction	-	-	-	42,560
Retainage payable	-	-	-	102,493
Lines of credit	881,360	-	881,360	881,360
Long-term debt	950,054	-	950,054	-
Refundable advances	293,776	-	293,776	122,564
Total current liabilities	3,571,676	-	3,571,676	2,581,807
Long-term debt	37,912,460	-	37,912,460	38,683,849
Total liabilities	41,484,136	-	41,484,136	41,265,656
Net Assets				
Without donor restrictions	48,028,361	-	48,028,361	54,315,062
With donor restrictions				
Time and purpose	-	15,947,537	15,947,537	12,094,349
Endowment	-	49,521,176	49,521,176	40,745,025
Net assets with donor restrictions	-	65,468,713	65,468,713	52,839,374
Total net assets	48,028,361	65,468,713	113,497,074	107,154,436
Total liabilities and net assets	<u>\$ 89,512,497</u>	<u>\$ 65,468,713</u>	<u>\$ 154,981,210</u>	<u>\$ 148,420,092</u>

Madison Square Boys & Girls Club, Inc. and Affiliates
Consolidated Statement of Activities
Year Ended September 30, 2021
(With Summarized Financial Information for the Year Ended September 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Revenues, Gains and Other Support				
Contributions	\$ 1,012,652	\$ 2,262,833	\$ 3,275,485	\$ 3,838,119
Special events (includes in-kind contributions of \$84,645 in 2021 and \$159,160 in 2020)	-	2,665,084	2,665,084	2,769,159
Direct cost of special events	-	(241,060)	(241,060)	(509,495)
Income from trusts	90,946	-	90,946	34,430
Change in value of beneficial interest in trusts	-	555,819	555,819	89,216
United Way of New York City	-	-	-	59
New York State Office of Alcoholism and Substance Abuse Services	551,080	-	551,080	514,142
New York City Department of Youth and Community Development	2,451,084	-	2,451,084	600,000
New York State CACFP/Food Program	131,922	-	131,922	165,448
Dormitory Authority of the State of New York	-	-	-	148,627
Other government grants	42,362	-	42,362	65,156
Camp/program fees	3,937	-	3,937	23,294
Membership dues	-	-	-	7,228
Investment income	1,845,622	12,504,701	14,350,323	6,704,003
Loan interest income	370,969	-	370,969	370,969
Rental income	7,500	-	7,500	13,700
Net assets released from restrictions	5,118,038	(5,118,038)	-	-
Total revenues, gains and other support	11,626,112	12,629,339	24,255,451	14,834,055
Expenses and Losses				
Program services				
Healthy Lifestyles	1,137,170	-	1,137,170	3,356,790
Good Character & Citizenship	1,018,373	-	1,018,373	1,820,186
Academic Success	7,200,676	-	7,200,676	4,736,155
Total program services	9,356,219	-	9,356,219	9,913,131
Supporting services				
Management and general	8,681,988	-	8,681,988	4,542,163
Fundraising	1,318,605	-	1,318,605	1,453,228
Total supporting services	10,000,593	-	10,000,593	5,995,391
Total expenses	19,356,812	-	19,356,812	15,908,522
Bad debt loss	-	-	-	1,000,000
Total expenses and losses	19,356,812	-	19,356,812	16,908,522
Other Changes in Net Assets				
Forgiveness of Debt - PPP Loan	1,443,999	-	1,443,999	-
Change in Net Assets	(6,286,701)	12,629,339	6,342,638	(2,074,467)
Net Assets, Beginning of Year	54,315,062	52,839,374	107,154,436	109,228,903
Net Assets, End of Year	\$ 48,028,361	\$ 65,468,713	\$ 113,497,074	\$ 107,154,436

Madison Square Boys & Girls Club, Inc. and Affiliates
Consolidated Statement of Functional Expenses
Year Ended September 30, 2021
(With Summarized Financial Information for the Year Ended September 30, 2020)

	Program Services				Supporting Services				Total	
	Healthy Lifestyles	Good Character & Citizenship	Academic Success	Total	Management and General	Fundraising	Direct Cost of Special Events	Total	2021	2020
Salaries	\$ 424,674	\$ 485,423	\$ 3,520,264	\$ 4,430,361	\$ 760,906	\$ 842,729	\$ -	\$ 1,603,635	\$ 6,033,996	\$ 6,292,166
Payroll taxes and employee benefits	117,164	133,924	971,211	1,222,299	209,927	232,502	-	442,429	1,664,728	2,080,215
Total salaries and related expenses	541,838	619,347	4,491,475	5,652,660	970,833	1,075,231	-	2,046,064	7,698,724	8,372,381
Professional fees	-	-	-	-	6,324,388	-	-	6,324,388	6,324,388	2,312,375
Contract services	67,588	-	30,600	98,188	-	-	-	-	98,188	140,370
Supplies	207,189	59,578	105,096	371,863	6,353	118	-	6,471	378,334	376,672
Postage and shipping	31	31	246	308	1,534	-	-	1,534	1,842	4,935
Telephone	5,819	5,819	47,537	59,175	11,460	3,187	-	14,647	73,822	77,474
Occupancy	98,563	98,563	788,504	985,630	154,375	105,444	-	259,819	1,245,449	1,209,660
Insurance	22,073	22,073	176,584	220,730	181,786	989	-	182,775	403,505	390,991
Outside printing	-	-	-	-	69	30,439	-	30,508	30,508	32,629
Local transportation	2,773	2,773	29,718	35,264	495	40	-	535	35,799	26,246
Meetings and conferences	809	809	6,470	8,088	2,845	2,029	-	4,874	12,962	24,913
Subscriptions, publications and dues	5,570	5,570	44,963	56,103	220,197	69	-	220,266	276,369	255,519
Awards and scholarships	-	21,410	20,956	42,366	-	-	-	-	42,366	52,355
Staff development/training	4,221	1,704	12,954	18,879	2,488	3,620	-	6,108	24,987	8,239
Equipment rental	2,311	2,311	18,491	23,113	9,686	-	-	9,686	32,799	90,424
Catering, facility rental and entertainment (includes in-kind expenses of \$84,645 in 2021 and \$159,160 in 2020)	-	-	-	-	-	-	241,060	241,060	241,060	509,495
Interest and bank charges (includes interest of \$407,321 for 2021 and \$578,336 for 2020)	-	-	-	-	451,616	-	-	451,616	451,616	619,009
Bad debt expense	-	-	-	-	224,045	-	-	224,045	224,045	98,766
Depreciation	178,385	178,385	1,427,082	1,783,852	119,818	97,439	-	217,257	2,001,109	1,815,564
Total expenses	1,137,170	1,018,373	7,200,676	9,356,219	8,681,988	1,318,605	241,060	10,241,653	19,597,872	16,418,017
Less expenses deducted directly from revenues on the statement of activities										
Direct cost of special events	-	-	-	-	-	-	(241,060)	(241,060)	(241,060)	(509,495)
Total expenses reported by function on the statement of activities	<u>\$ 1,137,170</u>	<u>\$ 1,018,373</u>	<u>\$ 7,200,676</u>	<u>\$ 9,356,219</u>	<u>\$ 8,681,988</u>	<u>\$ 1,318,605</u>	<u>\$ -</u>	<u>\$ 10,000,593</u>	<u>\$ 19,356,812</u>	<u>\$ 15,908,522</u>

Madison Square Boys & Girls Club, Inc. and Affiliates
Consolidated Statement of Cash Flows
Year Ended September 30, 2021
(With Summarized Financial Information for the Year Ended September 30, 2020)

	2021	2020
Operating Activities		
Change in net assets	\$ 6,342,638	\$ (2,074,467)
Items not requiring (providing) operating cash flows		
Depreciation	1,822,444	1,815,564
Amortization of debt issuance costs	178,665	178,666
Net gain on investments	(8,973,156)	(6,437,023)
Provision for bad debt	224,045	1,098,766
Contributions restricted for long-term use	(88,665)	(298,642)
Change in value of beneficial interest in trusts	(555,819)	(89,216)
Forgiveness of debt	(1,428,955)	-
Changes in		
Government grants receivable	(708,006)	91,496
Contributions receivable	476,528	1,654,919
Accrued interest receivable	(1,434)	5,558
Prepaid expenses and other assets	(45,733)	(63,669)
Accounts payable and accrued expenses	(28,904)	(623,469)
Retainage payable	(102,493)	-
Refundable advances	171,212	(28,865)
	(2,717,633)	(4,770,382)
Net cash used in operating activities		
Investing Activities		
Purchase of investments	(5,395,584)	(696,616)
Proceeds from sale of investments	8,431,756	4,838,787
Purchase of fixed assets	(506,316)	(972,714)
	2,529,856	3,169,457
Net cash provided by investing activities		
Financing Activities		
Drawdowns on lines of credit	-	250,000
Repayment of lines of credit	-	(313,000)
Proceeds from loans payable	1,428,955	2,178,955
Proceeds from contributions restricted for long-term use	109,665	419,642
	1,538,620	2,535,597
Net cash provided by financing activities		
Net Change in Cash and Cash Equivalents and Restricted Cash	1,350,843	934,672
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	2,692,089	1,757,417
Cash and Cash Equivalents and Restricted Cash, End of Year	\$ 4,042,932	\$ 2,692,089

Madison Square Boys & Girls Club, Inc. and Affiliates
Consolidated Statement of Cash Flows (Continued)
Year Ended September 30, 2021
(With Summarized Financial Information for the Year Ended September 30, 2020)

	2021	2020
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents - current	\$ 3,471,233	\$ 1,933,147
Limited use assets - cash	571,699	758,942
Total	\$ 4,042,932	\$ 2,692,089
Supplemental Cash Flows Information		
Cash paid for interest	\$ 407,321	\$ 578,336
Property and equipment acquired through accounts payable construction and retainage payable (net decrease)	\$ (145,053)	\$ (622,810)

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Madison Square Boys & Girls Club, Inc. was established for the purpose of providing services to youth. These services include physical education, social and recreational, and education and guidance. The mission of Madison Square Boys and Girls Club, Inc. is to save and enhance the lives of New York City boys and girls who, by means of economic and/or social factors, are most in need of its services. Madison Square Boys and Girls Club, Inc. is supported primarily through contributions, special events, government grants, and investment income.

The extent of the COVID-19 pandemic's effect on Madison's program operations and financial condition has been and will continue to be driven by many factors, most of which are beyond the Madison's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of government-imposed social distancing guidelines and regulations for Madison's programs, the related incremental expenses required for compliance with such COVID-19 guidelines and regulations, as well as the impact on the broader economy.

Because of these and other uncertainties, Madison Square Boys & Girls Club, Inc. cannot estimate the length or severity of the effect of the pandemic on the organization's business or its program operations.

MSBGC-NYC Support Corporation was established on February 17, 2017 for the purpose of supporting Madison Square Boys and Girls Club, Inc. primarily by participating in a New Markets Tax Credit (NMTC) financing transaction related to the construction of the Harlem Clubhouse (see *Note 11*). MSBGC-NYC Support Corporation began operations on May 5, 2017. Madison Square Boys and Girls Club, Inc. is the sole member of MSBGC-NYC Support Corporation.

Madison Square Boys & Girls Club Foundation, Inc. (the Foundation) was established on November 23, 2020 for the purpose of supporting Madison Square Boys and Girls Club, Inc. primarily through fundraising activities. The Foundation began operations on August 1, 2021. The bylaws of the Foundation require a majority of the trustees of the corporation also be trustees of Madison Square Boys & Girls Club, Inc.

All three entities (collectively referred to as Madison) are not-for-profit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of Consolidation

All material intercompany transactions and balances have been eliminated in the consolidation.

Use of Estimates

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

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Cash and Cash Equivalents

Madison considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. At September 30, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers.

At September 30, 2021, Madison's cash accounts exceeded federally insured limits by approximately \$3,100,000.

Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Madison's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

Investments and Investment Return

Investments are carried at fair value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in revenue with donor restrictions and then released from restriction. Other investment return is reflected in the consolidated statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Madison maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Madison's investments with long-term maturities have been classified as long-term while the remaining investments have been classified as current based on the availability of these investments to fund current operations as needed.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Accounts and Government Grants Receivable

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. Government grants receivable are recorded when services are rendered or when expenses have been incurred on grant contracts in accordance with contract terms. Interest is not charged on overdue receivables. Madison provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Limited Use Assets

In accordance with the terms of the NMTC, MSBGC-NYC Support Corporation was required to establish and maintain certain construction and other funded reserve accounts (see *Note 8*). These reserves are held in cash accounts at PNC Bank. Any withdrawals require PNC Bank approval.

Property and Equipment

Property and equipment acquisitions greater than \$1,000 are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	5-40 years
Equipment and furnishings	5-15 years

Long-Lived Asset Impairment

Madison evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended September 30, 2021 and 2020.

Debt Issuance Costs

Deferred issuance costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the effective interest method.

Refundable Advances

Refundable advances represent grant funds advanced by various government agencies for future periods.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions are subject to donor or grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to Madison either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on Madison overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

In-Kind Contributions

In addition to receiving cash contributions, Madison receives in-kind contributions of auction items for their special events from various donors. It is the policy of Madison to record the estimated fair value of certain in-kind donations as an expense in its consolidated financial statements, and similarly increase contribution revenue by a like amount. For the years ended September 30, 2021 and 2020, \$84,645 and \$159,160, respectively, was received in in-kind contributions.

Government Grants

Support funded by grants is recognized as Madison performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Special Events

Madison conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenues in the accompanying consolidated statement of activities.

Rental Income

Rental income is reported on the straight-line basis. Accrued rental income is recorded when material.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Certain costs have been allocated among the program, management and general and fund raising categories proportional to their related, directly charged expenses.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Rent Expense

Rent expense is reported on the straight-line basis, taking into account rent concessions and escalations. Deferred rent is recorded when material.

Note 2: Changes in Accounting Principles

ASC 606, Revenue from Contracts with Customers (Topic 606)

On October 1, 2020, Madison adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers not completed at the date of initial adoption.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which Madison expects to be entitled in exchange for those services.

The amount to which Madison expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing services.

Adoption of ASU 2014-09 resulted in changes to related disclosures in the notes to the financial statements. Madison's adoption of ASU 2014-09 did not result in a change to the timing of revenue recognition.

Note 3: Revenue from Contracts with Customers

Food Program and Special Events Revenue

Performance obligations for the food program are determined based on the nature of the services provided by Madison in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the period as Madison satisfies its performance obligations. Madison believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue from special events is reported at the amount that reflects the consideration to which the Madison expects to be entitled in exchange for the direct cost of the benefits received by the participant at the event.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by Madison. Revenue for performance obligations satisfied over a period of time is generally recognized when goods are provided to donors over a period of time and Madison does not believe it is required to provide additional goods or services related to that sale.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Transaction Price

Madison determines the transaction price based on standard charges for goods and services provided. For the year ended September 30, 2021, Madison recognized revenue of \$180,461 from goods and services that transfer to the attendee over a period of time.

Note 4: Investments and Investment Return and Disclosures About Fair Values of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2021 and 2020:

	2021			
	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)	
Investments				
Equity securities				
Materials	\$ 378,647	\$ 378,647	\$ -	
Consumer discretionary	5,128,533	5,128,533	-	
Consumer staples	364,522	364,522	-	
Financial	5,049,206	5,049,206	-	
Healthcare	5,308,134	5,308,134	-	
Industrial goods	2,472,705	2,472,705	-	
Technology	6,073,788	6,073,788	-	
Communications	10,480,382	10,480,382	-	
Energy	125,617	125,617	-	
Utilities	83,927	83,927	-	
Real estate	141,779	141,779	-	
Mutual funds				
Equity funds	21,695,245	21,695,245	-	
Bond funds	5,742,069	5,742,069	-	
Exchange traded funds				
Fixed income funds	96,843	96,843	-	
Equity funds	75,573	75,573	-	
Total investments reported on the fair value hierarchy	63,216,970	63,216,970	-	
Money market fund	2,421,396			
Total investments	65,638,366			
Beneficial interest in perpetual trusts	2,822,579	-	2,822,579	
Total	\$ 68,460,945	\$ 63,216,970	\$ 2,822,579	

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

	2020			
	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)	
Investments				
Equity securities				
Basic material	\$ 283,878	\$ 283,878	\$ -	
Consumer discretionary	3,938,871	3,938,871	-	
Consumer staples	1,163,325	1,163,325	-	
Financial	4,090,433	4,090,433	-	
Healthcare	3,555,112	3,555,112	-	
Industrial goods	2,101,948	2,101,948	-	
Technology	6,129,459	6,129,459	-	
Communications	6,909,817	6,909,817	-	
Energy	50,661	50,661	-	
Utilities	80,590	80,590	-	
Real estate	122,162	122,162	-	
Mutual funds				
Equity funds	18,819,124	18,819,124	-	
Bond funds	7,089,752	7,089,752	-	
Exchange traded funds				
Fixed income funds	1,928,802	1,928,802	-	
Equity funds	1,333,231	1,333,231	-	
Total investments reported on the fair value hierarchy	57,597,165	57,597,165	-	
Money market fund	2,104,217			
Total investments	59,701,382			
Beneficial interest in perpetual trusts	2,266,760	-	2,266,760	
Total	\$ 61,968,142	\$ 57,597,165	\$ 2,266,760	

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended September 30, 2021 and 2020.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 5: Contributions Receivable

Contributions receivable consisted of the following:

	2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Endowment	
Due within one year	\$ 668,554	\$ 161,080	\$ -	\$ 829,634
Due in one to five years	33,927	488,022	-	521,949
Due in more than five years	-	-	5,100,000	5,100,000
	702,481	649,102	5,100,000	6,451,583
Less				
Allowance for uncollectible contributions	(50,000)	-	-	(50,000)
Unamortized discount	(665)	(12,683)	(578,108)	(591,456)
	<u>\$ 651,816</u>	<u>\$ 636,419</u>	<u>\$ 4,521,892</u>	<u>\$ 5,810,127</u>

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Endowment	
Due within one year	\$ 1,501,727	\$ -	\$ 21,000	\$ 1,522,727
Due in one to five years	154,504	488,022	-	642,526
Due in more than five years	-	-	5,100,000	5,100,000
	1,656,231	488,022	5,121,000	7,265,253
Less				
Allowance for uncollectible contributions	(50,000)	-	-	(50,000)
Unamortized discount	(12,683)	(4,097)	(666,773)	(683,553)
	<u>\$ 1,593,548</u>	<u>\$ 483,925</u>	<u>\$ 4,454,227</u>	<u>\$ 6,531,700</u>

Discount rates of 2 percent were used for 2021 and 2020.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Note 6: Grant Reimbursement Receivable and Future Commitments

Madison receives grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of Madison are prepared on the accrual basis, all earned portions of the grants not yet received as of September 30, 2021 have been recorded as receivables. Revenue will be recognized when qualifying expenses are incurred. The following are grant commitments that extend beyond September 30, 2021:

Agency	Contract #	Term	Grant Amount	Earned/ Forfeited Through 9/30/2021	Funding Available
NYS OASAS	C004354	07/01/2019-06/30/2024	\$ 3,624,709	\$ 1,184,463	\$ 2,440,246

Madison has received \$293,776 on this grant which is recorded as a refundable advance and expected to be earned in the next fiscal year.

Note 7: Beneficial Interest in Trusts

Under the terms of the trusts, the income generated from the trusts is payable to Madison. The contribution is classified as net assets with donor restrictions and the annual distributions from the trusts are reported as investment income that increases net assets without donor restrictions. The balance at September 30, 2021 and 2020 was \$2,822,579 and \$2,266,760, respectively. Unrealized gains of \$555,819 were recorded for the year ended September 30, 2021 and unrealized gains of \$89,216 were recorded for the year ended September 30, 2020.

Note 8: Limited Use Assets

During 2017, under the terms of the NMTC financing agreements, reserve accounts were required to be established and deposits held with a trustee to be used for construction purposes and NMTC financing related expenses. Funds will be withdrawn to satisfy expenses incurred during the construction phase of the project and to pay certain interest and fees on the NMTC loans.

The following table represents limited use asset balances by source at September 30, 2021 and 2020:

	2021	2020
Construction reserve - cash	\$ 20,865	\$ 20,863
Interest reserve - cash	2	2
CDE fee reserves - cash	550,832	738,077
Total assets limited as to use	<u>\$ 571,699</u>	<u>\$ 758,942</u>

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Note 10: Line of Credit

On December 5, 2012, Madison established a line of credit with JP Morgan Chase Bank, N.A. for an amount not to exceed \$6,500,000. The line of credit was originally set to expire on December 31, 2014 but has been extended at an amount not to exceed \$4,500,000. The line of credit is payable on demand. The line of credit is collateralized by the investments held by JP Morgan Chase Bank, N.A., which totaled \$12,581,340 at September 30, 2021 and \$9,985,809 at September 30, 2020. As of September 30, 2021 and 2020, Madison's outstanding balance on this account totaled \$881,360. The interest rate at September 30, 2021 and 2020 is based upon the one-month LIBOR two days prior to the payment due date plus 1.40 percent. The interest rate at September 30, 2021 and 2020 was 1.53 percent and 1.59 percent, respectively, and interest expense was \$14,723 and \$28,071 for the years ended September 30, 2021 and 2020.

On June 16, 2017, Madison established a second line of credit for an amount not to exceed \$3,200,000. The line of credit is payable on demand and is collateralized by certain investments, which totaled \$4,508,780 and \$7,005,606 at September 30, 2021 and 2020, respectively. As September 30, 2021 and 2020, there were no amounts outstanding on this account. The interest rate at September 30, 2021 and 2020 is based upon the 30-day LIBOR plus 2 percent. The interest rate at September 30, 2021 and 2020 was 2.09 percent and 2.17 percent, respectively, and there was no interest expense for the years ended September 30, 2021 and 2020, respectively.

Subsequent to year-end, Madison was notified by the bank that the interest rate will be based on the secured overnight financing rate (SOFR).

Note 11: Long-Term Debt and Loan Receivable

In May 2017, Madison entered into a debt transaction to access additional funds through the NMTC program. These funds were used towards the construction of Madison's new Clubhouse in Harlem, NY. The NMTC program permits taxpayers to claim a credit against federal income taxes for Qualified Equity Investments (QEIs) in designated Community Development Entities (CDEs), such as the Harlem Clubhouse. These designated CDEs must use substantially all (85 percent) of the proceeds to make Qualified Low-Income Community Investments (QLICIs). The Investor is provided with a tax credit, which is claimed over a seven-year compliance period, in exchange for their capital contribution to the QEI. Madison has partnered with an investor, PNC Bank, to utilize the NMTC Program.

PNC Bank established a special-purpose entity called Harlem Clubhouse Investment Fund, LLC (HCIF) to raise the capital for the transaction. PNC Bank owns 99 percent of HCIF. HCIF was funded with \$12,931,200 of equity from PNC Bank, and a \$25,548,800 leverage loan from Madison. The \$25,548,800 leverage loan from Madison to HCIF requires quarterly interest-only payments at 1.452 percent until December 2024. Starting in January 2025, HCIF will make quarterly principal and interest payments to Madison in the amount of \$389,737 until September 2043. At September 30, 2021 and 2020, the balance of the note was \$25,548,800, and interest income was \$370,969. There was no accrued interest under the note as of September 30, 2021 and 2020.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

The capital raised by HCIF was used to make a \$38,000,000 QEI in four separate CDEs - NFF New Markets Fund XXIX, LLC (NFF), NYCNCC Sub-CDE 2 LLC (NYNCC), Empowerment Reinvestment Fund XXV, LLC (ERF), and PNC CDE 74, LP (PNC), each owned 99.99 percent by HCIF. The CDEs then loaned these funds, net of fees paid to the CDEs, to MSBGC-NYC Support Corporation in the form of twelve loans. The loans all mature on December 31, 2051. Principal is payable in quarterly installments commencing in March 2025. Interest is payable quarterly on the loans and commenced May 2017.

Interest related to the NMTC financing was \$550,265, including \$178,665 of amortization of debt issuance costs in 2021, and \$550,265, including \$178,666 of amortization of debt issuance costs in 2020. The effective interest rate was 1.5 percent in 2021 and 2020.

The seven-year compliance period for the NMTCs will end December 2025, at which time PNC Bank may exit the transaction through the exercise of a call/put agreement which it has entered into with Madison. Under the agreement, PNC Bank may “put” its interest in HCIF to Madison for a purchase price of \$1,000. In the event that PNC Bank has not exercised this put option Madison has 180 days to exercise its call option to purchase PNC Bank’s entire interest in HCIF for a purchase price equal to the appraised value of PNC Bank’s interest. To exercise the call option, Madison must be current on all payments under the twelve notes payable and must not owe any additional amounts to HCIF or PNC Bank. Madison will realize its savings from the NMTC transactions through the exercise of this put or call option, at which time it will control HCIF and can effectively forgive the QLICI Loan Bs. No amounts have been recorded in the accompanying consolidated financial statements related to these put and call options.

In April 2020, Madison received a loan in the amount of \$1,428,955 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 for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. 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 during a specified covered period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent. On May 7, 2021, Madison received full forgiveness of the PPP loan amount of \$1,428,955 and the related accrued interest on the loan of \$15,044. The forgiveness of debt has been recorded in the accompanying consolidated financial statements.

In April 2021, Madison received a second draw under the PPP in the amount of \$1,428,955 under the same general terms as the first PPP loan. The loan is payable over five years at an interest rate of 1 percent. Madison intends to apply for full forgiveness of the PPP loan since it believes it has used all the proceeds for purposes consistent with the PPP program. No amounts have been recorded in the accompanying consolidated financial statements related to the forgiveness of debt of the second draw PPP loan.

In June 2020, Madison received a NYC COVID-19 Response & Impact Fund Loan from the Nonprofit Finance Fund in the amount of \$750,000 at zero percent interest rate. The loan term is 24 months and is to be repaid in three equal quarterly payments beginning in December 2021.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Loans payable reflected on the consolidated statement of financial position as of September 30, 2021 and 2020 are as follows:

	Original Principal Balance	Balance as of September 30, 2021	Balance as of September 30, 2020	Interest Rate
NMTC Loans				
NFF CDE Loan A (Building)	\$ 913,617	\$ 913,617	\$ 913,617	1%
NFF CDE Loan A (Project)	5,576,383	5,576,383	5,576,383	1%
NFF CDE Loan B (Project)	3,210,000	3,210,000	3,210,000	1%
Total NFF CDE	<u>9,700,000</u>	<u>9,700,000</u>	<u>9,700,000</u>	
NYCNCC CDE Loan A (Building)	1,384,553	1,384,553	1,384,553	1%
NYCNCC CDE Loan A (Project)	9,034,447	9,034,447	9,034,447	1%
NYCNCC CDE Loan B (Project)	4,281,000	4,281,000	4,281,000	1%
Total NYCNCC CDE	<u>14,700,000</u>	<u>14,700,000</u>	<u>14,700,000</u>	
ERF CDE Loan A (Building)	542,519	542,519	542,519	1%
ERF CDE Loan A (Project)	3,445,081	3,445,081	3,445,081	1%
ERF CDE Loan B (Project)	1,772,400	1,772,400	1,772,400	1%
Total ERF CDE	<u>5,760,000</u>	<u>5,760,000</u>	<u>5,760,000</u>	
PNC CDE Loan A (Building)	659,311	659,311	659,311	1%
PNC CDE Loan A (Project)	3,992,889	3,992,889	3,992,889	1%
PNC CDE Loan B (Project)	2,347,800	2,347,800	2,347,800	1%
Total PNC CDE	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	
Subtotal	37,160,000	37,160,000	37,160,000	
Less unamortized debt issuance costs	(1,250,657)	(476,441)	(655,106)	
Subtotal NMTC loans payable	<u>35,909,343</u>	<u>36,683,559</u>	<u>36,504,894</u>	
Nonprofit Finance Fund Loan	750,000	750,000	750,000	0%
Paycheck Protection Program Loan 1	1,428,955	-	1,428,955	1%
Paycheck Protection Program Loan 2	1,428,955	1,428,955	-	1%
Total loans payable	<u>\$ 39,517,253</u>	<u>\$ 38,862,514</u>	<u>\$ 38,683,849</u>	

Future minimum payments are as follows:

<u>Year Ended</u> <u>September 30,</u>	
2022	\$ 950,054
2023	342,950
2024	342,950
2025	342,950
2026	342,950
Thereafter	<u>37,017,101</u>
	<u>\$ 39,338,955</u>

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Note 12: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30, 2021 and 2020 are restricted for the following purposes or periods:

	2021	2020
Subject to expenditure for specified purpose		
100th Anniversary Fund		
Clubhouse Service Fund	\$ 6,111,516	\$ 4,839,190
Remedial Education Fund	3,117,024	2,468,106
Staff Development Training Fund	219,183	173,553
Camp and Outdoor Education Fund	103,322	81,812
Scholarship funds		
Eugenia Woodward Hitt Scholarship Fund	197,302	166,233
Joseph Golding Fund	161,982	136,475
Monroe and Rose Levinger Fund	14,943	12,590
Dana, Freeman, Harkness, Maxwell, Guzman, Dibernardo Fund	336,491	283,504
Program Operating Funds	2,863,195	1,666,126
	13,124,958	9,827,589
Endowments		
Perpetual in nature - endowment corpus	31,746,153	31,657,488
Subject to NFP endowment spending policy and appropriation		
Accumulated investment gains restricted by donors for clubhouse operations	17,775,023	9,087,537
Total endowments	49,521,176	40,745,025
Not subject to spending policy or appropriation		
Beneficial interests in perpetual trusts	2,822,579	2,266,760
	\$ 65,468,713	\$ 52,839,374

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Net Assets Released from Restrictions

Net assets were released from donor restrictions for the year ended September 30, 2021 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Satisfaction of purpose restrictions	
Scholarships	\$ 20,000
Clubhouse services	267,805
Remedial education	136,587
Staff development training	9,605
Camp and outdoor education	4,528
Music Program operations	85,818
Elbaum Family Clubhouse operations	900
Pinkerton Clubhouse operations	771,967
Teen Programs	900,849
Summer Programs	1,114,173
Food Pantry	139,048
Healthy Lifestyles	50,000
Academic Success	231,800
Bronx Clubhouses	75,272
Brooklyn Clubhouses	11,296
	<hr/>
	3,819,648
	<hr/>
Restricted purpose spending-rate distributions and appropriations	
Clubhouse operations	1,298,390
	<hr/>
	1,298,390
	<hr/>
	\$ 5,118,038

Note 13: Endowment

Madison's governing body is subject to the *State of New York Prudent Management of Institutional Funds Act* (NYPMIFA). As a result, Madison classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with NYPMIFA, Madison considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

2. Purposes of Madison and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of Madison
7. Investment policies of Madison

Madison's endowment consists of a fund established by donors to provide income to fund its future operations related to its clubhouses. As required by GAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at September 30, 2021 and 2020 was:

	With Donor Restrictions	
	2021	2020
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 31,746,153	\$ 31,657,488
Accumulated investment gains	<u>17,775,023</u>	<u>9,087,537</u>
Total endowment funds	<u>\$ 49,521,176</u>	<u>\$ 40,745,025</u>

Change in endowment net assets for the years ended September 30, 2021 and 2020 were:

	With Donor Restrictions	
	2021	2020
Endowment net assets, beginning of year	\$ 40,745,025	\$ 38,528,430
Investment return, net	9,985,876	4,403,870
Contributions	88,665	150,015
Appropriation of endowment assets for expenditures	(1,298,390)	(1,337,290)
Other changes		
Bad debt loss	-	<u>(1,000,000)</u>
Endowment net assets, end of year	<u>\$ 49,521,176</u>	<u>\$ 40,745,025</u>

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Investment and Spending Policies

The objective of Madison is to maintain the principal endowment funds at the original amount designated by the donor while generating income for Madison's programs. The investment policy to achieve this objective is to invest in a diversified investment portfolio. Investment income earned in relation to the endowment funds is recorded as net assets with donor restrictions and released from restriction upon expenditures for the programs for which the endowment was established. For the years ended September 30, 2021 and 2020, up to 4 percent of the five years quarterly average (or since inception if less than five years) will be drawn annually for use in operations.

Underwater Endowments

Madison does not have any underwater endowment funds.

Note 14: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 3,471,233	\$ 1,933,147
Investments	65,638,366	59,701,382
Government grants receivable	879,039	171,033
Contributions receivable	5,810,127	6,531,700
Accrued interest receivable	6,352	4,918
Beneficial interests in trusts	<u>2,822,579</u>	<u>2,266,760</u>
Total financial assets	<u>78,627,696</u>	<u>70,608,940</u>
Donor-imposed restrictions		
Restricted funds	(15,947,537)	(12,094,349)
Endowments	<u>(49,521,176)</u>	<u>(40,745,025)</u>
Total donor-imposed restrictions	<u>(65,468,713)</u>	<u>(52,839,374)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,158,983</u>	<u>\$ 17,769,566</u>

Madison's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

To help manage unanticipated liquidity needs, Madison has committed lines of credit in the amount of \$7,700,000 which it could draw upon.

Madison 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.

Note 15: Operating Leases

On September 2, 2014, Madison entered into a lease for its administrative offices which commenced on August 12, 2014. The lease includes rent concessions at inception and rent escalations during the term of the lease. The lease is set to expire on December 30, 2021. In lieu of a security deposit, the landlord requested that Madison obtain a letter of credit. The letter is for approximately \$95,000 and expires on March 31, 2022.

Future minimum rental payments are as follows:

2022	<u>\$ 99,078</u>
Total	<u><u>\$ 99,078</u></u>

Madison rents storage space on a month-to-month basis.

In addition, Madison leases a vehicle. The lease expires in January 2023. Lease expense for the vehicle for the years ended September 30, 2021 and 2020 was \$7,260 and \$16,051, respectively.

Future minimum lease payments as of September 30, 2021 are as follows:

2022	\$ 7,200
2023	<u>2,400</u>
Total	<u><u>\$ 9,600</u></u>

Total lease and rent expense for the years ended September 30, 2021 and 2020 was \$410,138 and \$530,298, respectively.

Note 16: Pension and Other Postretirement Benefit Plans

Madison participates in the Boys and Girls Club of America Pension Trust (the Plan). The Plan is a defined contribution plan which covers substantially all full-time employees. Madison contributes 10 percent of participating employees' annual salaries. Employees are fully vested after three years of employment.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

The Foundation participates in the ADP TotalSource Retirement Savings Plan (the TotalSource Plan). The TotalSource Plan is a defined contribution plan and is intended to be a “multiple employer” plan as described in Section 413 of the Internal Revenue Code. The Foundation makes a 3 percent safe harbor contribution and may make, in its sole discretion, a discretionary profit-sharing contribution of up to 7 percent of eligible employees’ salaries. Participants are immediately vested in the employer’s contributions and all earnings thereon.

Pension expense was \$491,071 and \$504,946 for the years ended September 30, 2021 and 2020, respectively.

Note 17: Significant Estimates and Concentrations

GAAP require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

Madison invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Litigation

The New York Child Victims Act (CVA), signed into law on February 14, 2019 by Governor Cuomo, created a one-year claim-revival window, which opened on August 14, 2019, during which adult survivors of child sexual abuse are permitted to file civil actions for damages resulting from such abuse, even if the statute of limitations for their claim(s) had already expired. Since the CVA’s passage, the claim revival window was extended by further legislation to two years and closed on August 14, 2021. As of the date of this report, Madison is named as a defendant in 77 pending lawsuits, brought by a total of 141 individuals alleging child sexual abuse by former employees and/or volunteers at Madison during various periods between 1941 and 1988.

Most of the claims allege abuse by Dr. Reginald Archibald, an endocrinologist who conducted growth disorder studies on children at Rockefeller University in the 1950s, 1960s, and 1970s. Dr. Archibald joined Madison’s Board of Trustees in 1961 and appears to have been a volunteer at Madison beginning in 1940. Most of these plaintiffs claim that abuse occurred on Madison’s premises; some allege that abuse occurred at Rockefeller University. Dr. Archibald has been deceased since 2007. Some plaintiffs claim abuse by other individuals at Madison between the 1940s and the 1980s.

Madison is incurring substantial legal costs in connection with the defense and related issues arising from the CVA litigation. At this stage, it is impossible to predict the outcomes of these lawsuits, and management is unable to reasonably estimate the impact such claims might have on the consolidated financial statements, but such amounts could be material.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

As such, Madison is evaluating all options available under the law to resolve these claims which includes, but is not limited to, mediation, settlements, and protections offered under federal bankruptcy law as a means to globally resolve the claims in a way that preserves Madison's ability to continue to carry out its mission of saving and enhancing the lives of New York City's youth.

Note 18: Capital Campaign

In connection with the purchase of the property in Harlem in 2012, Madison began a capital campaign to raise funds for the construction of a future clubhouse and to create an endowment to support Madison's activities. A total of \$75,167,779 has been raised as of September 30, 2021. A discount of \$578,773 and \$670,870 has been recorded against future contributions receivable (see *Note 5*) as of September 30, 2021 and 2020, respectively. Payments of \$69,331,683 were received as of September 30, 2021.

Note 19: Subsequent Events

Subsequent events have been evaluated through May 31, 2022, which is the date the financial statements were available to be issued.

In January 2022, a donor clarified their original intent of a \$2,500,000 capital campaign gift. The donor requested that Madison apply their gift to the endowment for the Pinkerton Clubhouse, in accordance with the pledge agreement. The effect of this reclassification is not reflected in the accompanying financial statements.

Note 20: Future Changes in Accounting Principles

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease-term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021 and any interim periods within annual reporting periods that begin after December 15, 2022. Madison is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Madison Square Boys & Girls Club, Inc. and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021

(With Summarized Financial Information as of and for the Year Ended September 30, 2020)

Accounting for Financial Instruments – Credit Losses

FASB amended its standards related to the accounting for credit losses on financial instruments. This amendment introduces new guidance for accounting for credit losses on instruments including trade receivables and finance receivables. The new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those years. Madison is in the process of evaluating the effect the amendment will have on the financial statements.

Supplementary Information

Madison Square Boys & Girls Club, Inc. and Affiliates
Schedule of Changes in Net Assets with Donor Restrictions
Year Ended September 30, 2021

	Net Assets - Beginning of Year	Support, Gains and Transfers	Net Assets Released from Restrictions and Losses	Net Assets - End of Year
100th Anniversary Fund				
Clubhouse Service Fund	\$ 4,839,190	\$ 1,540,131	\$ (267,805)	\$ 6,111,516
Remedial Education Fund	2,468,106	785,505	(136,587)	3,117,024
Staff Development Training Fund	173,553	55,235	(9,605)	219,183
Camp and Outdoor Education Fund	81,812	26,038	(4,528)	103,322
Total 100th Anniversary Fund	<u>7,562,661</u>	<u>2,406,909</u>	<u>(418,525)</u>	<u>9,551,045</u>
Eugenia Woodward Hitt Scholarship Fund	166,233	31,069	-	197,302
Joseph Golding Fund	136,475	25,507	-	161,982
Monroe and Rose Levinger Fund	12,590	2,353	-	14,943
Dana, Freeman, Harkness, Maxwell, Guzman, Dibernardo Fund	283,504	52,987	-	336,491
Total scholarship funds	<u>598,802</u>	<u>111,916</u>	<u>-</u>	<u>710,718</u>
Program Operating Funds				
Music Program	1,024,000	-	(85,818)	938,182
Elbaum Family Clubhouse	642,126	900	(900)	642,126
Pinkerton Clubhouse	-	1,308,390	(771,967)	536,423
Teen Programs	-	1,447,313	(900,849)	546,464
Summer Programs	-	1,114,173	(1,114,173)	-
Time Restricted	-	200,000	-	200,000
Food Pantry	-	139,048	(139,048)	-
Healthy Lifestyles	-	50,000	(50,000)	-
Scholarships	-	20,000	(20,000)	-
Academic Success	-	231,800	(231,800)	-
Bronx Clubhouses	-	75,272	(75,272)	-
Brooklyn Clubhouses	-	11,296	(11,296)	-
Total program operating grants	<u>1,666,126</u>	<u>4,598,192</u>	<u>(3,401,123)</u>	<u>2,863,195</u>
Endowment				
Perpetual in nature - endowment corpus	31,657,488	88,665	-	31,746,153
Unappropriated earnings on endowment funds	9,087,537	9,985,876	(1,298,390)	17,775,023
Total endowment	<u>41,745,025</u>	<u>10,074,541</u>	<u>(1,298,390)</u>	<u>49,521,176</u>
Perpetual trusts				
Ruby Fleming Trust	1,290,370	464,679	-	1,755,049
Glessner B. Childs Trust	976,390	91,140	-	1,067,530
Total perpetual trusts	<u>2,266,760</u>	<u>555,819</u>	<u>-</u>	<u>2,822,579</u>
Total net assets with donor restrictions	<u>\$ 53,839,374</u>	<u>\$ 17,747,377</u>	<u>\$ (5,118,038)</u>	<u>\$ 65,468,713</u>