BOYS & GIRLS CLUBS OF THE VALLEY, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS

Year Ended June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ***Boys & Girls Clubs of the Valley, Inc.*** (the "Clubs") which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ***Boys & Girls Clubs of the Valley, Inc.*** as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Clubs and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clubs' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Clubs' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clubs' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 on our consideration of the Clubs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Clubs' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clubs' internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

December 14, 2022

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 6,487,896
Receivables	4,548,213
Other current assets	282,517
TOTAL CURRENT ASSETS	11,318,626
CASH RESTRICTED FOR INVESTMENT IN PROPERTY AND EQUIPMENT	115,831
INVESTMENTS	10,722,059
PROPERTY AND EQUIPMENT, net	18,786,251
INTEREST IN FOUNDATION NET ASSETS	16,748,475
CASH SURRENDER VALUE OF LIFE INSURANCE	158,948
UNAMORTIZED DONATED LEASE RECEIVABLE, net of unamortized discount of $667,630	3,594,890
OTHER ASSETS	37,900
TOTAL ASSETS	$ 61,482,980

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 1,455,028
Accrued expenses	712,816
Deferred revenues	3,119,514
Current maturities of long-term debt	45,818
Current maturities of capital lease obligations	39,754
TOTAL CURRENT LIABILITIES	5,372,930
LONG-TERM DEBT, less current maturities	277,073
CAPITAL LEASE OBLIGATIONS, less current maturities	94,677
TOTAL LIABILITIES	5,744,680
NET ASSETS	
Net assets without donor restriction	39,680,589
Net assets with donor restriction	16,057,711
TOTAL NET ASSETS	55,738,300
TOTAL LIABILITIES AND NET ASSETS	$ 61,482,980

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUES			
Contributions and grants	$ 23,886,669	$ 3,902,219	$ 27,788,888
Governmental fees	1,911,538	-	1,911,538
Program service fees	2,101,175	-	2,101,175
Change in interest in Foundation net assets	(1,072,724)	(838,422)	(1,911,146)
Donated facilities, materials and services	1,288,258	-	1,288,258
Investment income, net	282,951	-	282,951
Change in cash surrender value of life insurance	2,052	-	2,052
Other	80,793	-	80,793
Total support and revenues before special events and net assets released from restrictions	28,480,712	3,063,797	31,544,509
Special events revenues	2,157,395	-	2,157,395
Less costs of direct donor benefits	(562,058)	-	(562,058)
Gross profit on special events	1,595,337	-	1,595,337
Net assets released from restrictions	3,550,064	(3,550,064)	-
TOTAL SUPPORT AND REVENUES	33,626,113	(486,267)	33,139,846
EXPENSES			
Personnel costs	15,081,728	-	15,081,728
Professional fees	1,402,112	-	1,402,112
Supplies	2,367,411	-	2,367,411
Telephone	144,487	-	144,487
Postage	4,627	-	4,627
Occupancy	3,369,975	-	3,369,975
Equipment	840,400	-	840,400
Public relations/Printing	451,625	-	451,625
Transportation	97,856	-	97,856
Conferences, conventions and meetings	141,060	-	141,060
Professional dues	51,979	-	51,979
National dues	37,168	-	37,168
Youth assistance	114,673	-	114,673
Insurance	489,588	-	489,588
Interest	15,253	-	15,253
Other	379,546	-	379,546
Depreciation	1,642,452	-	1,642,452
TOTAL EXPENSES	26,631,940	-	26,631,940
NET UNREALIZED AND REALIZED LOSSES ON INVESTMENTS	(894,988)	-	(894,988)
GAIN ON SALE OF PROPERTY AND EQUIPMENT	281,345	-	281,345
CHANGE IN NET ASSETS	6,380,530	(486,267)	5,894,263
NET ASSETS, BEGINNING OF YEAR	33,300,059	16,543,978	49,844,037
NET ASSETS, END OF YEAR	$ 39,680,589	$ 16,057,711	$ 55,738,300

See Notes to Consolidated Financial Statements

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Programs	Management and General	Fundraising	Total
Personnel costs:				
Salaries	$ 10,686,792	$ 811,901	$ 1,183,320	$ 12,682,013
Employee benefits	1,088,775	100,492	145,358	1,334,625
Payroll taxes	922,300	62,562	80,231	1,065,093
Total personnel costs	12,697,867	974,955	1,408,909	15,081,731
Professional fees	1,006,213	133,916	543,957	1,684,086
Supplies	2,395,391	11,425	247,084	2,653,900
Telephone	122,301	11,099	11,087	144,487
Postage	781	888	2,958	4,627
Occupancy	3,160,915	80,529	71,879	3,313,323
Equipment	720,724	50,288	72,052	843,064
Public relations/Printing	167,883	10,658	320,140	498,681
Transportation	92,294	2,336	3,224	97,854
Conferences, conventions and meetings	75,026	13,475	52,558	141,059
Professional dues	13,700	18,160	20,120	51,980
National dues	7,434	14,867	14,867	37,168
Youth assistance	112,173	-	2,500	114,673
Insurance	445,665	22,318	21,605	489,588
Interest	2,824	7,046	5,384	15,254
Other	105,252	119,224	155,595	380,071
Total expenses before depreciation expense	21,126,443	1,471,184	2,953,919	25,551,546
Depreciation expense	1,579,816	33,220	29,416	1,642,452
TOTAL EXPENSES	$ 22,706,259	$ 1,504,404	$ 2,983,335	$ 27,193,998

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 5,894,263
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,642,452
Unrealized and realized losses on investments	894,988
Amortization of donated lease receivable	994,748
Gain on sale of property	(281,345)
Change in discount on donated lease receivable	(56,777)
Contributions restricted to investment in property and equipment	(50,000)
Change in interest in Foundation net assets	1,911,146
Forgiveness of CDBG debt	(48,399)
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Receivables	513,108
Other current assets	(129,639)
Increase (decrease) in:	
Accounts payable	171,936
Accrued expenses	(134,729)
Deferred revenues	2,734,146
Net cash provided by operating activities	14,055,898
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(817,971)
Transfer of assets to Boys & Girls Clubs of the Valley Foundation	(7,000,000)
Proceeds from sale of property and equipment	281,345
Purchases of investments	(5,612,605)
Change in cash surrender value of life insurance	(2,052)
Proceeds from sales of investments	184,640
Net cash used in investing activities	(12,966,643)
CASH FLOWS FROM FINANCING ACTIVITIES	
Collection of contributions restricted to investment in property and equipment	50,000
Payments on capital lease obligations	(32,011)
Net cash provided by financing activities	17,989
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	1,107,244
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	5,496,483
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 6,603,727
Cash and cash equivalents	6,487,896
Cash restricted for investment in property and equipment	115,831
Total cash and cash equivalents and restricted cash	$ 6,603,727
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	$ 15,253
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:	
Purchases of property and equipment in accounts payable	$ 252,603

See Notes to Consolidated Financial Statements

(1) Clubs operations and summary of significant accounting policies

Nature of operations - The ***Boys & Girls Clubs of the Valley, Inc.*** (the "Clubs"), an Arizona nonprofit corporation, is affiliated with the Boys & Girls Clubs of America, a national organization. The Clubs operate twenty-seven clubhouses, one dental clinic, a charter school and an administrative and youth workforce center in the Metropolitan Phoenix area.

The Clubs provide a safe place for youth in the Phoenix metropolitan and surrounding areas, particularly those youth living in primarily underserved communities. The goal is to engage youth in activities that are fun and enjoyable, while supporting their academic and social development. Currently, the clubhouses and outreach youth services impact over 13,000 area children ages 6 to 18.

All of the programs and activities are designed to help young people have a safe place to learn, grow and to participate in life-enhancing programs and character development experiences. The Clubs focus on programs organized around four priority outcomes: Academic Success, Good Character & Leadership, Healthy Choices and Career Pathways & Workforce Readiness. These programs help youth develop a positive self-identity, a sense of belonging to a community, educational, employment, social, emotional and cultural competencies; and the values enabling them to develop positive relationships with others. Youth who enter the world with these capacities can become responsible citizens and leaders who make meaningful contributions and live successful lives.

The Clubs operate the Mesa Arts Academy (the "Academy"), a charter school directed by the Clubs. The Clubs has a stated mission for the Academy to provide an excellent basic education for students in grades K through 8 through the use of an arts-based curriculum which provides a continuum of education using the mediums of art, drama, dance, music, and other activities. The Academy operates under a charter contract with the Arizona State Board for Charter Schools which mandates policy and operational guidelines. The Academy is funded primarily through state equalization assistance.

Basis of presentation - The accompanying consolidated financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities – Presentation of Financial Statements.* Under FASB ASC 958-205, the Clubs are required to report information regarding their consolidated financial position and activities according to the following net assets classifications:

Net assets without donor restrictions
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Clubs. These net assets may be used at the discretion of the Clubs' management and the board of directors.

Net assets with donor restrictions
Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Clubs or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(1) Clubs operations and summary of significant accounting policies (continued)

Principles of consolidation - The accompanying consolidated financial statements of the ***Boys & Girls Clubs of the Valley, Inc.*** include the accounts of the Clubs and its wholly-owned subsidiaries, BG Development, LLC, BGC Managers, LLC, and AZ Youthforce, LLC. All significant intercompany transactions and accounts have been eliminated in consolidation.

AZ Youthforce, LLC was formed to provide youth with career exploration opportunities, skills development, internship opportunities, vocational training resources, college information, and summer employment opportunities. BGC Managers, LLC was formed to administer management services for the Boys & Girls Clubs of Central Arizona under a memorandum of understanding between Boys & Girls Clubs of Central Arizona, BGC Managers, LLC and Boys & Girls Clubs of America. BG Development, LLC was formed to construct three new clubhouses, which were completed during 2009.

Management's use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions and grants - The Clubs evaluate grants and contributions for evidence of the transfer of commensurate value from the Clubs to the grantor or resource provider. The transfer of commensurate value from the Clubs to the grantor or resource provider may include instances when a) the goods or services provided by the Clubs directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider, or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Clubs. When such factors exist, the Clubs account for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Clubs account for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Clubs to the resource provider, the Clubs evaluate the contribution for criteria indicating the existence of measurable barriers to entitlement for the Clubs or the right of return to the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Clubs and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Clubs to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or a release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

Conditional contributions are recognized when the conditions on which they depend are substantially met. The Clubs received conditional contributions of $4,689,043 for which revenue had not yet been recognized as of June 30, 2022 as the conditions had not yet been satisfied. Of this balance, $2,689,043 is included in the deferred revenue balance on the consolidated statement of financial position and the remainder of which is an unpaid conditional pledge that will be recognized as qualifying expenses are incurred.

The Clubs recognize amounts received from grants and contracts when the services are rendered under unit of service contracts. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Clubs with the terms of the grant or contract.

(1) Clubs operations and summary of significant accounting policies (continued)

The Clubs recognize amounts received from unconditional contributions at the time the Clubs receive notification of the award. Contributions that include conditions imposed by the grantor or resource provider are recognized when those conditions are met by the Clubs. The Clubs account for unconditional contributions in accordance with FASB ASC 958-605*, Not-for-Profit Entities – Revenue Recognition*. Contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and change in net assets as net assets released from restrictions.

Restricted contributions, where restrictions are fulfilled in the same period in which the contribution is received, are shown as additions to net assets without restrictions.

Bequests are recognized as contribution revenue in the period the Clubs receive notification the court has found the will of the donor's estate to be valid and all conditions have been substantially met.

Revenue recognition - The Clubs recognizes revenue from exchange transactions in accordance with FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers. The core principle is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The Clubs recognize exchange transaction revenue under both a point in time and over time conventions as further disclosed below.

Program service fees - Program service fees are reported at an amount that reflects the consideration to which the Clubs expects to be entitled in exchange for providing services to their program participants. Program service fees include sports leagues, fitness classes, after school care, educational enrichment and other various programs operating at the Clubs' branches. Program fees are usually paid in advance. Cancellation provisions vary by program, but most transactions are cancellable with 15 to 30 days' notice. Refunds may be available for services not provided. Performance obligations are determined based on the nature of the services provided to the Clubs. Performance obligations are generally providing a service at a point in time. Revenue is recognized at the time the program is held. Unearned program fees are reflected as deferred revenue on the consolidated statement of financial position. Amounts billed but unpaid are recorded as accounts receivable in the accompanying consolidated statement of financial position.

Membership dues - Membership dues are recognized over time as the Clubs stands ready to deliver the performance obligations under the membership agreement. Members join for varying lengths of time and may cancel with fifteen days' notice. Members generally pay an annual membership fee in advance. Memberships provide use of the recreation facilities, access to free classes, programs and activities, and discounts to fee-based programs. Membership dues revenue is included in program service fees in the accompanying consolidated statement of activities and change in net assets. Unearned membership dues are reflected as deferred revenue on the consolidated statement of financial position. Amounts billed but unpaid are recorded as receivables in the accompanying consolidated statement of financial position.

(1) Clubs operations and summary of significant accounting policies (continued)

State equalization - State equalization funding for the Academy is recognized as the education is provided to the students throughout the school year, under an over time convention, which occurs within the normal fiscal year of the Clubs. The performance obligation of the Clubs is to provide education to enrolled students as reported to the State. State equalization revenue is included in governmental fees in the consolidated statement of activities and change in net assets. State equalization funding is generally received in monthly payments from the Arizona Department of Education and is based on a dollar amount per student enrolled at certain measurement points during the academic year.

For the year ended June 30, 2022, exchange transaction revenue recognized under a point in time convention totaled approximately $1,912,000 and revenue recognized under an over time convention totaled approximately $2,101,000.

Accounts receivable for revenue recognized under Topic 606 are due to the Clubs unconditionally and thus are not contract assets. Accounts receivable for revenue recognized under Topic 606 totaled approximately $36,100 and $180,600 as of June 30, 2022 and July 1, 2021, respectively. The Clubs does not incur significant costs to obtain contracts as defined in ASC 340. The Clubs does incur costs to fulfill contracts, but these costs do not meet the capitalization criteria as defined in ASC 340 and are expensed as incurred. There are no contract assets as of June 30, 2022 and July 1, 2021. There are no material contract liabilities as of June 30, 2022 and July 1, 2021.

The Clubs does not have a significant financing components as payment is generally received in a customary time frame for customers. The Clubs has elected the practical expedient under ASC 606-10-32-18 to not further assess the presence of a significant financing component.

Cash and cash equivalents - Cash consists of cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at each financial institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

Promises to give - Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Clubs' past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the pledge's collectability. Amortization of the discounts is included in support from contributions.

Grants and contracts receivable - Grants and contracts receivable are stated at the amount management expects to collect under the terms of the agreements. Management provides for probable uncollectible amounts, if considered necessary, through a charge to earnings and a credit to a valuation allowance based on their assessment of the current status of the individual amounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants and contracts receivable.

(1) Clubs operations and summary of significant accounting policies (continued)

Investments - The Clubs account for their investments in accordance with FASB ASC 958-320, *Investments-Debt Securities* and FASB ASC 958-321, *Investments* - *Equity Securities*. Under FASB ASC 958-320 and 958-321, the Clubs are required to report investments in equity and debt securities at fair value. The fair values of investments with readily determinable fair value are based on quoted market prices.

Investments 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 risk in the near term could materially affect account balances and the amounts in the accompanying consolidated financial statements.

The Clubs investments are primarily invested for long-term goals and are reported as long-term assets.

Property and equipment and related depreciation - Purchased property and equipment is valued at cost, and donated property and equipment is recorded at fair value at the date of gift to the Clubs. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $1,000 are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Land improvements	17 years
Buildings and improvements	3 to 30 years
Furniture and equipment	3 to 5 years

Impairment of long-lived assets - The Clubs account for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment.* FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded for the year ended June 30, 2022.

Special events revenue - The Clubs conduct 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. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Clubs. The direct costs of the special events which ultimately benefit the donor rather than the Clubs are recorded as costs of direct donor benefits. All proceeds received in excess of the direct costs are recorded as gross profit on special events in the accompanying consolidated statement of activities and changes in net assets.

Donated facilities, materials and services (in-kinds) - In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Clubs adopted ASU 2020-07 during the year ended June 30, 2022 and presents contributed nonfinancial assets separately on the consolidated statement of activities and change in net assets.

(1) Clubs operations and summary of significant accounting policies (continued)

Donated facilities and materials are reflected as contributions in the consolidated statement of activities and change in net assets at their estimated fair values at the date of receipt. The Clubs' general practice is to utilize donated items at the program level for which the items were intended to support. During the year ended June 30, 2022, the Clubs did not monetize any in-kind contributions and there were no donor restrictions on the in-kind contributions.

Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. No amounts have been reflected in the consolidated financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605; however, a substantial number of volunteers have donated significant amounts of their time in the Clubs' program services and fundraising campaigns. Management estimates that the unrecorded value of donated services was $278,705 for the year ended June 30, 2022.

The Clubs received the following donated materials and services for the year ended June 30, 2022:

	Used for	Amount
Donated leased land and space	Program	$ 805,691
Other	Various	482,567
		$ 1,288,258

Donated leased space includes annual agreements between the Clubs and lessors where the Clubs lease shared space for nominal rent. The annual value of the donated leased space is determined through estimates of fair market rent based on observable market inputs. Other donated materials and services are valued using estimated prices of identical or similar services and products in the local retail markets (Level 2 inputs) based on information provided by third parties and independent outside agencies.

Functional expenses - Expenses are charged to program services, management and general, and fundraising categories based on direct expenditures incurred. Any expenditures not directly chargeable are allocated based on personnel activity or other appropriate indicators as follows:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Occupancy	Square Footage
Depreciation	Square footage
Professional fees	Full time equivalent

Income tax status - The Clubs qualify as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and, accordingly, there is no provision for income taxes. In addition, the Clubs qualify for the charitable contribution deduction under Section 170 of the IRC and have been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income ("UBTI") would be taxable. BG Development, LLC, BGC Managers, LLC, and AZ Youthforce, LLC are treated as disregarded entities for income tax purposes, and accordingly, all income and expenses are passed through to the Clubs.

The Clubs evaluate their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts. The Clubs believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements.

(1) Clubs operations and summary of significant accounting policies (continued)

The Club's federal Return of Organizations Exempt from Income Tax (Form 990) for the year ended June 30, 2022 has not yet been filed. The Clubs federal Return of Organizations Exempt from Income Tax (Form 990) for the fiscal periods ending June 30, 2019, 2020 and 2021 are subject to examination by the IRS, generally for the three years after they were filed.

Fair value measurements - FASB ASC 820, *Fair Value Measurement,* establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Employee retention credit - As part of the Federal Coronavirus Aid, Relief and Economic Security ("CARES") Act, the Clubs qualified for an employee retention tax credit ("ERTC"). The Clubs account for the ERTC in accordance with FASB ASC 958-605 as a conditional contribution and recognize contribution revenue when the conditions associated with the credits are met. For the year ended June 30, 2021, the Clubs recorded approximately $2,284,000 in contribution revenue for the ERTC. As of June 30, 2022, approximately $944,000 of the amount remains in receivables. The outstanding balance of the ERTC is considered fully collectible by management and, accordingly, an allowance for doubtful account has not been provided.

The Clubs has also received certain CARES Act federal and state grants to continue to assist the Clubs during the pandemic. The Clubs continues to closely monitor the situation. Depending on the severity and duration of the COVID-19 pandemic, the Clubs could experience a material negative impact to operations, cash flows and financial condition. However, the extent of the future impact cannot be reasonably estimated at this time.

Recent accounting pronouncements - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842*). ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the consolidated statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance.

ASU 2020-05 also defers the effective date for entities in the "all other" category and public not for profit entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of ASU 2016-02. Therefore, under the amendments, ASU 2016-02 is effective for entities within the "all other" category for fiscal years beginning after December 15, 2021. Early application continues to be permitted. With the adoption of ASU 2020-05, the adoption of ASU 2016-02 will be required by the Clubs for the annual reporting period ending June 30, 2023. The Clubs is evaluating the impact the adoption of this standard will have on the consolidated financial statements.

(1) Clubs operations and summary of significant accounting policies (continued)

Subsequent events - The Clubs have evaluated events through December 14, 2022, which is the date the consolidated financial statements were available to be issued.

(2) Liquidity and availability of resources

The following represents the Clubs financial assets at June 30, 2022:

Cash and cash equivalents and restricted cash	$ 6,603,727
Receivables	4,548,213
Investments	10,722,059
Cash surrender value of life insurance	158,948
Total financial assets	22,032,947
Less contractual or donor-imposed restrictions:	
Capital campaign and facilities remodel	(115,831)
Restricted for specific clubs or programs not expected to be used within the next twelve months	(4,503,881)
Scholarship fund	(489,882)
Total financial assets available for general expenditure within the next twelve months	$ 16,923,353

The Clubs goal is generally to maintain financial assets to meet at least 90 days of cash operating expenses (approximately $6 million). As part of its liquidity plan, excess cash is invested in short-term investments, including asset allocation mutual funds and short-term fixed income mutual funds. Although investments are classified as long-term based on management's intent, the investments held by the Clubs can be readily liquidated to support general expenditures within the next twelve months. The Clubs has a $300,000 line of credit and $500,000 line of credit to meet cash flow needs.

(3) Receivables

Receivables consist of the following as of June 30, 2022:

Unconditional promises to give due in less than one year	$ 3,408,645
Unconditional promises to give due in two to five years	171,312
Grants and contracts	958,256
Event receivables	10,000
Total receivables	$ 4,548,213

The Clubs' receivables consist of amounts due from Boys & Girls Clubs of the Valley Foundation ("Foundation"), government agencies, irrevocable trusts and other parties and, accordingly, credit risk is limited.

All receivable balances at June 30, 2022 are considered fully collectible by management and, accordingly, an allowance for doubtful account has not been provided.

(4) Investments

Investments consist of the following as of June 30, 2022:

Capital appreciation mutual funds:	
Asset allocation funds	$ 4,134,448
Capital preservation funds:	
Fixed income bond mutual funds-short term	3,622,529
Fixed income government securities	1,218,320
Certificates of deposit	1,740,761
Other capital preservation fund	6,001
Total capital preservation funds	6,587,611
Total investments	$ 10,722,059

(5) Property and equipment

Property and equipment consist of the following as of June 30, 2022:

Land	$ 3,062,495
Buildings and improvements	39,437,915
Furniture and equipment	7,497,361
Construction in progress	25,770
Total cost and donated value	50,023,541
Accumulated depreciation	(31,237,290)
Property and equipment, net	$ 18,786,251

Depreciation expense charged to operations was $1,642,452 for the year ended June 30, 2022.

(6) Cash surrender value of life insurance

The Clubs are the beneficiary of a life insurance policy of a board member. The face amount of the policy is approximately $500,000 .The policy is recorded at its cash surrender value. Policy earnings and expenses are included in the accompanying consolidated statement of activities and change in net assets.

(7) Long-term debt and capital leases

Long-term debt includes interest free notes payable to the City of Phoenix for various maintenance and improvement projects at branch locations. The principal balance of the notes is forgiven from the certificate of completion date (November 19, 2009, March 19, 2010, June 30, 2011, January 31, 2013, February 24, 2014, May 28, 2015, May 24, 2016, May 8, 2017, November 1, 2018 and September 3, 2020, respectively) over 10 years, at 20 percent per year over the last five years of the term of the notes, provided the properties are used exclusively for low and moderate income persons or eligible programs. If the Clubs fail to comply with the grant restrictions, the Clubs will be required to repay the full amount of the notes on demand. At June 30, 2022, $322,891 was outstanding under these notes.

During fiscal 2016, the Clubs obtained a $300,000 line of credit which had a maturity date of July 1, 2020. The maturity date has been extended through October 1, 2023. Interest will be the indexed rate of the lender, which is their prime rate. The indexed rate was approximately 4.50% at June 30, 2022. No amounts are outstanding under this line of credit as of June 30, 2022.

(7) Long-term debt and capital leases (continued)

The Clubs also has a $500,000 operating line of credit with a bank, with interest payable at 6.28% with no maturity date. At June 30, 2022, no amounts are outstanding under this line of credit.

At June 30, 2022, estimated annual maturities of long-term debt outstanding are as follows:

Years Ending June 30,		
2023	$	45,818
2024		45,818
2025		45,818
2026		50,274
2027		43,134
Thereafter		92,029
Total annual debt maturities	$	322,891

Capital lease obligations consist of the following as of June 30, 2022:

Capital lease obligation payable to TFS Leasing; original amount of $12,000; payable in monthly installments of $446 inlcuding interest of 0.62% through January 2024, secured by equipment.	$	6,316
Capital lease obligation payable to Ricoh USA; original amount of $64,585; payable in monthly installments of $1,249 inlcuding interest of 0.5% through March 2023, secured by equipment.		10,962
Capital lease obligation payable to Pacific Office Automation; original amount of $138,164; payable in monthly installments of $2,982 inlcuding interest of 10.51% through April 2026, secured by equipment.		117,153
Total		134,431
Less current maturities		(39,754)
Long-term maturities of capital lease obligations	$	94,677

Future minimum capital lease payments are as follows:

Years Ending June 30,		
2023	$	39,754
2024		30,813
2025		31,207
2026		32,657
Total minimum lease payments	$	134,431

(8) Board designated net assets without donor restrictions

The board of directors has designated portions of the net assets without donor restrictions for various purposes, including staffing, the purchase of supplies, special projects, and operating reserves. Board designations of $28,300 were released for the purposes of staffing, the purchase of supplies, special projects, and changes in operating reserves during the year ended June 30, 2022. The remaining board designated net assets totaled $284,771 as of June 30, 2022.

(9) Net assets with donor restrictions

Net assets with donor restrictions as of June 30, 2022 were as follows:

Purpose restrictions:		
Restricted for specific clubs or programs	$	6,655,551
Capital campaign and facilities remodel		115,831
Scholarship fund		489,882
Foundation endowment accumulated losses		(838,422)
Time restrictions:		
Donated land and space leases		3,594,890
Collection on future pledges receivable		260,000
Perpetually restricted interest in Foundation net assets (Note 13)		5,779,979
Total net assets with donor restriction	$	16,057,711

The Clubs account for donated land received in July 2014 as restricted for specific clubs or programs in accordance with specific restrictions placed on the land usage pursuant to a quit-claim deed from the City of Mesa to the Club. The restriction is in place for a 17-year period, expiring in June 2031. As of June 30, 2022, $1,429,412 is included as net assets restricted for specific clubs or programs. The Clubs releases this asset from restriction over the specified period.

Net assets released from net assets with donor restrictions during the year ended June 30, 2022 were as follows:

Purpose restrictions:		
Scholarship	$	396,113
Capital		14,310
Operations of specific clubs		2,151,670
Time restrictions:		
Donated land and space leases		937,971
Collection of pledges receivable		50,000
Total releases from net assets with donor restrictions	$	3,550,064

(10) Commitments and contingencies

Litigation - From time to time, the Clubs are involved in various legal actions, occurring in the normal course of business. In the opinion of management based on consultation with legal counsel, losses, if any, from these matters are covered by insurance or are immaterial. Management believes that a resulting liability, if any, will not materially affect the consolidated financial position or results of operations.

(10) Commitments and contingencies (continued)

Operating leases - The Clubs have various operating leases for equipment, which expire through fiscal 2032. Minimum future rental payments under these noncancellable operating leases are as follows:

Years Ending June 30,		
2023	$	296,825
2024		226,317
2025		165,321
2026		73,296
2027		48,602
Thereafter		249,708
Total minimum future rental payments	$	1,060,069

The operating leases make no provisions for renewal options, however, in the normal course of business the Clubs will either renew the leases or seek other arrangements. Rent expense associated with leases with noncancellable terms in excess of one year was $313,432 during the year ended June 30, 2022.

The Clubs is a party to various long-term land lease agreements and shared use lease agreements with school districts and municipalities whereby the Clubs is provided access to land and/or space in a building for nominal rent. The land leases range from 30 to 99 years and the shared use leases range from 4 to 6 years, generally with options to renew. The leases are noncancellable except for matters of default by the Clubs. The Clubs recognizes a receivable for the donated use of the land and shared use buildings, an unconditional contribution by the donors. To determine the value of the receivable, the Clubs uses the lesser of the fair value of the leased premises or the fair value rent payments discounted over the lease term using a discount rate. Amortization of the receivable is recognized as rent expense on an annual basis. For the year ended June 30, 2022, the Clubs recognized $937,971 of amortization on this receivable. As of June 30, 2022, the unamortized balance of the donated leases receivable and accompanying discount, of $667,630, totaled $3,594,890.

Future amortization of the donated leases receivable and accompanying discount is as follows:

Years Ending June 30,		
2023	$	937,970
2024		937,970
2025		804,795
2026		478,991
2027		435,164
Total unamortized lease receivable	$	3,594,890

Contractual commitment - The Clubs entered into an agreement with another organization to manage their dental clinic beginning July 1, 2019. The contractually obligated payments include monthly payments of $37,500 through June 30, 2022. The agreement has been extended through March 31, 2023.

(11) Retirement plan

The Clubs have a non-contributory defined contribution pension plan for all employees who meet specified age and service requirements. The plan is administered by the Clubs. The Clubs made annual contributions in the amount of 5% of eligible salaries during the year ended June 30, 2022. Total pension expense was $302,127 during the year ended June 30, 2022.

(12) Related party transactions

The Clubs received contributions from board of director members of $738,432 during the year ended June 30, 2022.

The Clubs received revenues from their national affiliate, The Boys and Girls Clubs of America, of $1,117,649 during the year ended June 30, 2022.

The Clubs paid dues to their national affiliate, The Boys and Girls Clubs of America, of $37,168 during the year ended June 30, 2022.

The Clubs recognized contributions from a related organization, Boys & Girls Clubs of the Valley Foundation (the "Foundation") totaling $461,105 and reimbursable operational activity costs that were conducted by staff of the Clubs totaling $238,661 during the year ended June 30, 2022. As of June 30, 2022, $1,510,855 in receivables is included in the accompanying consolidated statement of financial position.

(13) Interest in Foundation net assets

The Clubs and the Foundation, a separate 501(c)(3) organization, are financially interrelated organizations as defined by FASB ASC 958-605, Not-*for-Profit Entities - Revenue Recognition*. The Foundation has a separate Board of Trustees of which the Clubs do not have a controlling interest. The Foundation collects and manages funds exclusively for the benefit of the Clubs. As such, the Clubs are the beneficiary of and have an explicit ongoing economic interest in the net assets of the Foundation. The economic interest recorded in the accompanying consolidated statement of financial position represents the Clubs' beneficial interest in the net assets of the Foundation. The Clubs' beneficial interest in the net assets of the Foundation totaled $16,748,475 as of June 30, 2022.

Summarized financial information of the Foundation as of June 30, 2022 is as follows:

Total assets	$ 18,290,890
Total liabilities	$ 1,542,415
Net assets	
Net assets without donor restrictions	11,806,918
Net assets with perpetual donor restrictions	4,941,557
Total net assets	$ 16,748,475
Total revenue	$ 1,365,103
Total expenses and losses	(3,276,249)
Change in Foundation net assets	$ (1,911,146)

(13) Interest in Foundation net assets (continued)

The assets of the Foundation consist primarily of investments that are measured at fair value using Level 1 observable inputs. The liabilities of the Foundation consist primarily of amounts due to the Clubs.

In fiscal 2022, the Board of Directors of the Clubs approved a $7,000,000 transfer of assets from the Clubs to the Foundation to be invested at the discretion of the Foundation. The $7,000,000 transfer is included in the interest in the net assets of the Foundation as of June 30, 2022 in the accompanying consolidated statement of financial position.

(14) Fair value measurements

The following table summarizes the valuation of the Clubs' assets and liabilities subject to recurring fair value measurement by the above FASB ASC 820 categories as of June 30, 2022:

	Total	Level 1	Level 2	Level 3
Capital appreciation mutual funds:				
Asset allocation funds	$ 4,134,448	$ 4,134,448	$ -	$ -
Capital preservation funds:				
Fixed income bond mutual funds-short term	3,622,529	3,622,529	-	-
Fixed income bond government securities	1,218,320	1,218,320	-	-
Certificates of deposit	1,740,761	-	1,740,761	-
Other capital preservation fund	6,001	6,001	-	-
Total capital preservation funds	6,587,611	4,846,850	1,740,761	-
Total investments at fair value	$ 10,722,059	$ 8,981,298	$ 1,740,761	$ -

UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

Federal Grantor / Pass-Through Agency / Program or Cluster Title	Assistance Number	Contract Number	Pass-Through Grantor's Identifying Number	Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster				
Passed through Arizona Department of Education				
Summer Food Service Program for Children	10.559	Unknown	Unknown	$ 388,280
Summer Food Service Program for Children	10.559	07-86-13-101	Unknown	143,291
Total Child Nutrition Cluster (10.555 and 10.559)				531,571
Passed through Arizona Department of Education				
Child and Adult Care Food Program	10.558	Unknown	Unknown	757,446
Total U.S. Department of Agriculture				1,289,017
U.S. Department of Housing and Urban Development				
Passed through City of Glendale				
Community Development Block Grants / Entitlement Grants	14.218	C21-1002	Unknown	15,000
Passed through City of Mesa				
Community Development Block Grants / Entitlement Grants	14.218	20000009	Unknown	6,498
Community Development Block Grants / Entitlement Grants	14.218	20000121	Unknown	6,498
Passed through City of Peoria				
COVID-19 - Community Development Block Grants / Entitlement Grants	14.218	Unknown	Unknown	32,500
Passed through City of Phoenix				
Community Development Block Grants / Entitlement Grants	14.218	129690	Unknown	10,981
Community Development Block Grants / Entitlement Grants	14.218	155112-0	Unknown	30,000
Community Development Block Grants / Entitlement Grants	14.218	144193	Unknown	42,000
Community Development Block Grants / Entitlement Grants	14.218	141741	Unknown	35,700
Community Development Block Grants / Entitlement Grants	14.218	139791-0	Unknown	24,415
Community Development Block Grants / Entitlement Grants	14.218	136847-0	Unknown	48,000
Community Development Block Grants / Entitlement Grants	14.218	148940-0	Unknown	75,000
Community Development Block Grants / Entitlement Grants	14.218	132809	Unknown	36,523
Community Development Block Grants / Entitlement Grants	14.218	152009-0	Unknown	98,671
Total U.S. Department of Housing and Urban Development				461,786
U.S. Department of Justice				
Passed through Boys and Girls Clubs of America				
Juvenile Mentoring Program	16.726	OJP 2020-47815	Unknown	12,000
Juvenile Mentoring Program	16.726	OJP 2020-47814	Unknown	16,000
Juvenile Mentoring Program	16.726	OJP 2020-47810	Unknown	17,840
Juvenile Mentoring Program	16.726	OJP 2020-47813	Unknown	16,000
Juvenile Mentoring Program	16.726	OJP 2020-47811	Unknown	15,000
Juvenile Mentoring Program	16.726	OJP 2020-47809	Unknown	10,696
Juvenile Mentoring Program	16.726	OJP 2020-47816	Unknown	14,000
Juvenile Mentoring Program	16.726	OJP 2020-47812	Unknown	18,000
Juvenile Mentoring Program	16.726	OJP 2020-47817	Unknown	14,000
Juvenile Mentoring Program	16.726	OJP 2020-47808	Unknown	14,000
Total U.S. Department of Justice				147,536
U.S. Department of Education				
Passed through Arizona Department of Education				
Title I Grants to Local Educational Agencies	84.010A	21FT1TTI-110117-01A	Unknown	101,617
Supportive Effective Instruction State Grants	84.367A	21FT1TII-110117-03A	Unknown	10,993
Higher Education Institutional Aid	84.031	Consortium	Unknown	4,259
Student Support and Academic Enrichment Program	84.424A	21FT4TIV-110117-01A	Unknown	10,000
Passed through City of Mesa, City of Phoenix				
Education for Homeless Children and Youth	84.196	Unknown	Unknown	4,200
Passed through Arizona Department of Education				
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	21FESSII-110117-01A	Unknown	307,378
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U	21FESIII-110117-01A	Unknown	7,600
Passed through Arizona Alliance of Boys & Girls Clubs				
COVID-19 - Governor's Emergency Economic Relief (GEER)	84.425C	ERMT-21-5013	Unknown	1,420,377
COVID-19 - Governor's Emergency Economic Relief (GEER) Technology	84.425C	Unknown	Unknown	514,311
Total Economic Stabilization Fund (84.425)				2,249,666
Special Education Cluster (IDEA)				
Special Education - Grants to States (IDEA, Part B)	84.027A	21FESCBG-110117-09A		41,497
Special Education - Preschool Grants (IDEA Preschool)	84.173A	21FECCBP-110117-37A		1,147
COVID-19 - Special Education - Grants to States (IDEA, Part B)	84.027X	22FARPIB-210117-01A		2,550
Total Special Education Cluster (84.027 and 84.173)				45,194
Total U.S. Department of Education				2,425,929
U.S. Department of Treasury				
Passed through Arizona Alliance of Boys & Girls Clubs				
COVID-19 - ARPA-Coronavirus State & Local Fiscal Recovery Funds	21.027	Unknown	Unknown	2,207,567
Passed through Maricopa County				
COVID-19 - ARPA-Coronavirus State & Local Fiscal Recovery Funds	21.027	220148-RFP	Unknown	200,000
Passed through City of Avondale				
COVID-19 - ARPA-Coronavirus State & Local Fiscal Recovery Funds	21.027	GAR01-G-05	Unknown	5,000
Total U.S. Department of Treasury				2,412,567
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 6,736,835

See Independent Auditors' Report
See Notes to the Schedule of Expenditures of Federal Awards

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

(1) Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of ***Boys & Girls Clubs of the Valley, Inc.*** under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of ***Boys & Girls Clubs of the Valley, Inc.***, it is not intended to and does not present the consolidated financial position, change in net assets or cash flows of ***Boys & Girls Clubs of the Valley, Inc.*** ***Boys & Girls Clubs of the Valley, Inc.*** did not provide federal awards to sub-recipients during the year ended June 30, 2022.

(2) Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in *OMB ("Office of Management and Budget") Circular A-122, Cost Principles for Non-profit Organizations*, or the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. ***Boys & Girls Clubs of the Valley, Inc.*** has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) Loans outstanding

Boys & Girls Clubs of the Valley, Inc. has loans outstanding for various maintenance and improvement projects at branch locations which are funded through Community Development Block Grants. Loans outstanding at the beginning of the year, as well as new loans established during the year ended June 30, 2022, are included in the federal expenditures presented in the accompanying schedule of expenditures of federal awards. The balance of loans outstanding at June 30, 2022 consists of:

Federal Grantor/Program/ Pass-Through Agency	Federal CFDA Number	Pass-Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through the City of Phoenix			
Community Development Block Grant/Entitlement Grants	14.218		
City of Phoenix		144193	$ 42,000
City of Phoenix		141741	28,560
City of Phoenix		139791-0	18,311
City of Phoenix		136847-0	36,000
City of Phoenix		132809	24,349
City of Phoenix		148940-0	75,000
City of Phoenix		152009-0	98,671
Total loans outstanding			$ 322,891

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of ***Boys & Girls Clubs of the Valley, Inc.*** (the "Clubs"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the consolidated financial statements, we considered the Clubs' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clubs' internal control. Accordingly, we do not express an opinion on the effectiveness of the Clubs' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Boy's and Girl's Clubs of the Valley Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Clubs' response to the findings identified in our audit and described in the accompanying corrective action plan. The Clubs' response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Mayer Hoffman McCann P.C.

December 14, 2022

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited ***Boys & Girls Clubs of the Valley, Inc.*'s** (the "Clubs") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on ***Boys & Girls Clubs of the Valley, Inc.*'s** major federal programs for the year ended June 30, 2022. ***Boys & Girls Clubs of the Valley, Inc.*'s** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Clubs complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Clubs and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Clubs' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Clubs' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether to do with fraud or error, and express an opinion on the Clubs' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Clubs' compliance with the requirements of each major program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Clubs' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Clubs' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Clubs' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Mayer Hoffman McCann P.C.

December 14, 2022

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Noncompliance material to the consolidated financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Type of Auditors' Report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.425	Education Stabilization Fund
21.027	Coronavirus State and Local Fiscal Recovery Funds
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section II – Financial Statement Findings

Item:	**2022-001**
Subject:	Capitalization of long-lived assets
Criteria or Specific Requirement:	Management is responsible for preparing financial statements that comply with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and to design and maintain internal controls that prevent and detect material misstatements. Long-lived assets acquired by ***Boys & Girls Clubs of the Valley, Inc.*** that meet the requirements for capitalization under U.S. GAAP should be recorded properly within the financial statements.
Condition:	Certain long-lived assets acquired by ***Boys & Girls Clubs of the Valley, Inc.*** via bulk purchases were not capitalized due to the adherence to the Organization's capitalization policy, which is a non-U.S. GAAP accounting policy. This resulted in a misstatement of the consolidated financial statements that was more than trivial in nature, but not material to the consolidated financial statements taken as a whole.
Cause:	***Boys & Girls Clubs of the Valley, Inc.'s*** capitalization policy does not contemplate the bulk purchase of a large volume of long-lived assets with individual unit costs below the policy's established capitalization threshold.
Effect:	The consolidated financial statements were misstated and not presented in accordance with U.S. GAAP. Accordingly, an audit adjustment was proposed to correct the misstatement. The cumulative impact of the error was an addition to property and equipment and reduction of current year expenditures of $581,000. This is deemed to be a significant deficiency in internal control over financial reporting.
Identification as a Repeat Finding:	Not a repeat finding
Recommendation	We recommend that ***Boys & Girls Clubs of the Valley, Inc.*** review their capitalization policy and make the necessary modifications to ensure acquisitions of long-lived assets with individual unit values that are below the current capitalization threshold but are acquired in bulk purchases are properly considered for capitalization. The modifications to the policy should allow for a review of bulk purchases in the aggregate, rather than at the underlying individual asset level.
View of Responsible Officials and Corrective Action Plan:	Management of ***Boys & Girls Clubs of the Valley, Inc.*** concurs with the finding. See Corrective Action Plan.

Section III – Federal Awards Findings

None noted

BOYS & GIRLS CLUBS
OF THE VALLEY

Corrective Action Plan

Audit Finding Number: 2022-001

Criteria: Management is responsible for preparing financial statements that comply with U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and to design and maintain internal controls that prevent and detect material misstatements. Long-lived assets acquired by Boys & Girls Clubs of the Valley, Inc. that meet the requirements for capitalization under U.S. GAAP should be recorded properly within the financial statements.

Condition: Certain long-lived assets acquired by Boys & Girls Clubs of the Valley, Inc. via bulk purchases were not capitalized due to the adherence to the Organization's capitalization policy, which is a non-U.S. GAAP accounting policy. This resulted in a misstatement of the consolidated financial statements that was more than trivial in nature, but not material to the consolidated financial statements taken as a whole.

Responsible Person: Swati Webb, Chief Financial Officer

Anticipated Completion Date: 1/31/2023

Agency Response: Management concurs with the finding and has implemented the following:

The capitalization policy will be modified to include bulk purchases of long-lived assets to ensure acquisitions of long-lived assets are properly identified and capitalized. Completed by January 31, 2023

Supervisory review of bulk purchases will occur at least quarterly to evaluate the significance of the total balance to evaluate for proper accounting.

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section IV – Status of Prior Years Findings

Item:	**2021-001**
Subject:	Contribution revenue recognition
Criteria or Specific Requirement:	Management is responsible for preparing financial statements that comply with U.S. Generally Accepted Accounting Principles and to maintain internal controls that provide for the proper recognition of revenue in accordance with FASB ASC Topic 958.
Condition:	Certain contributions received by Boys & Girls Clubs of the Valley, Inc. included conditions stipulated by the donor that were not met as of June 30, 2021 but were recorded by management as revenue for the year ended June 30, 2021.
Context:	An internal control was not properly designed and implemented to review conditional contributions for proper recognition in accordance with FASB ASC Topic 958.
Effect:	The consolidated financial statements were misstated and not presented in accordance with U.S. Generally Accepted Accounting Principles. Accordingly, audit adjustments were proposed to correct the misstatements. The cumulative impact of the errors was a reduction in the change in net assets for the year ended June 30, 2021 of $650,000. This is deemed to be a material weakness in internal control over financial reporting.
Cause:	***Boys & Girls Clubs of the Valley, Inc.*** has not designed and implemented internal controls to evaluate the terms and conditions within received contributions for proper accounting pursuant to ASC Topic 958.
Type of Finding:	Material weakness in internal control over financial reporting
Current Status:	Corrective action taken

BOYS & GIRLS CLUBS OF THE VALLEY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section IV – Status of Prior Years Findings (continued)

Item: **2021-002**

Assistance Listing Number: 21.019

Program: Coronavirus Relief Fund

Federal Agency: U.S. Department of the Treasury

Award Period: July 1, 2020 – June 30, 2021

Compliance Requirement: Allowable Activities & Costs

Type of Finding: Significant deficiency in internal control over compliance

Criteria: ***Boys & Girls Clubs of the Valley, Inc.*** is required to maintain adequate internal controls over compliance with all applicable compliance requirements of the program, including the retention of records supporting the approval of program expenditures.

Condition and Context: During testing of a non-statistical sample of 40 non-payroll expenditures, from a population of over 250, we noted 3 instances in which the contemporaneous documentation evidencing supervisory review and compliance with the allowable cost provisions were not retained by ***Boys & Girls Clubs of the Valley, Inc.*** Management was able to provide alternative evidence for the testing selections to support compliance with the allowable cost provisions.

Current Status: No amounts were expended under this Assistance Listing in fiscal 2022