

**BOYS & GIRLS CLUBS OF THE VALLEY, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND UNIFORM GUIDANCE  
SUPPLEMENTARY REPORTS**

Year Ended June 30, 2024

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS AND UNIFORM GUIDANCE SUPPLEMENTARY REPORTS

Year Ended June 30, 2024

### CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities and Change in Net Assets	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 21
UNIFORM GUIDANCE SUPPLEMENTARY REPORTS	
Schedule of Expenditures of Federal Awards	22
Notes to the Schedule of Expenditures of Federal Awards	23
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	24 - 25
Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	26 - 28
Schedule of Findings and Questioned Costs	29 - 30

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

### **BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES**

#### **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. and Subsidiaries*** (the "Clubs") which comprise the consolidated statement of financial position as of June 30, 2024, 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. and Subsidiaries*** as of June 30, 2024, 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with 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 5, 2024 on our consideration of the Clubs' internal control over financial reporting and on our tests of their 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.

*CBIZ CPAs P.C.<sup>1</sup>*

December 5, 2024

<sup>1</sup> In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2024

### ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 3,441,084
Receivables	5,485,871
Current portion of donated facilities receivable	490,530
Other current assets	<u>282,928</u>
TOTAL CURRENT ASSETS	9,700,413
CASH RESTRICTED FOR INVESTMENT IN PROPERTY AND EQUIPMENT	283,317
LONG-TERM RECEIVABLES, net of discount	549,725
INVESTMENTS	9,503,671
PROPERTY AND EQUIPMENT, net	19,278,477
INTEREST IN FOUNDATION NET ASSETS	23,385,030
CASH SURRENDER VALUE OF LIFE INSURANCE	156,433
PREPAID RENT	1,616,666
UNAMORTIZED DONATED FACILITIES RECEIVABLE, net of unamortized discount of \$550,416, less current portion	1,494,578
OPERATING LEASE RIGHT-OF-USE ASSETS	669,232
OTHER ASSETS	<u>106,911</u>
TOTAL ASSETS	<u>\$ 66,744,453</u>

### LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 1,357,878
Accrued expenses	780,132
Deferred revenues	527,844
Current maturities of long-term debt	36,644
Current maturities of finance lease liabilities	41,751
Current maturities of operating lease liabilities	<u>183,536</u>
TOTAL CURRENT LIABILITIES	2,927,785
LONG-TERM DEBT, less current maturities	182,611
OPERATING LEASE LIABILITIES, less current maturities	482,747
FINANCE LEASE LIABILITIES, less current maturities	<u>59,382</u>
TOTAL LIABILITIES	<u>3,652,525</u>
NET ASSETS	
Net assets without donor restriction	42,177,495
Net assets with donor restriction	<u>20,914,433</u>
TOTAL NET ASSETS	<u>63,091,928</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 66,744,453</u>

See Notes to Consolidated Financial Statements

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2024

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>			
Contributions and grants	\$ 15,158,930	\$ 6,517,768	\$ 21,676,698
Governmental fees	2,450,048	-	2,450,048
Program service fees	3,017,391	-	3,017,391
Change in interest in Foundation net assets	4,775,262	373,716	5,148,978
Donated facilities, materials and services	1,692,841	-	1,692,841
Investment income, net	318,082	-	318,082
Net realized and unrealized gains on investments	537,968	-	537,968
Other	429,837	-	429,837
Total support and revenues before special events and net assets released from restrictions	28,380,359	6,891,484	35,271,843
Special events revenues	3,037,732	-	3,037,732
Less costs of direct donor benefits	(809,488)	-	(809,488)
Gross profit on special events	2,228,244	-	2,228,244
Net assets released from restrictions	6,464,409	(6,464,409)	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>37,073,012</b>	<b>427,075</b>	<b>37,500,087</b>
<b>EXPENSES</b>			
Personnel costs	17,111,015	-	17,111,015
Professional fees	3,636,723	-	3,636,723
Supplies	3,299,924	-	3,299,924
Telephone	164,192	-	164,192
Postage/Printing/Publications	89,159	-	89,159
Occupancy	4,433,006	-	4,433,006
Equipment	366,093	-	366,093
Transportation	450,435	-	450,435
Conferences, conventions and meetings	293,173	-	293,173
Professional dues	318,210	-	318,210
Youth assistance	271,507	-	271,507
Insurance	494,556	-	494,556
Other	24,032	-	24,032
Depreciation	1,699,323	-	1,699,323
<b>TOTAL EXPENSES</b>	<b>32,651,348</b>	<b>-</b>	<b>32,651,348</b>
<b>CHANGE IN NET ASSETS</b>	<b>4,421,664</b>	<b>427,075</b>	<b>4,848,739</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>37,755,831</b>	<b>20,487,358</b>	<b>58,243,189</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 42,177,495</b>	<b>\$ 20,914,433</b>	<b>\$ 63,091,928</b>

See Notes to Consolidated Financial Statements

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs:				
Salaries	\$ 11,726,092	\$ 1,285,385	\$ 1,337,137	\$ 14,348,614
Employee benefits	1,279,373	173,706	171,920	1,624,999
Payroll taxes	<u>952,068</u>	<u>95,808</u>	<u>89,523</u>	<u>1,137,399</u>
Total personnel costs	13,957,533	1,554,899	1,598,580	17,111,012
Professional fees	2,702,349	300,132	1,120,988	4,123,469
Occupancy	4,022,762	328,750	63,650	4,415,162
Supplies	3,240,002	41,347	344,566	3,625,915
Equipment	150,665	158,757	56,671	366,093
Telephone	144,159	10,014	10,019	164,192
Postage/printing/publications	48,438	10,141	37,903	96,482
Transportation	427,592	7,275	15,568	450,435
Conferences, conventions and meetings	193,235	42,523	57,416	293,174
Professional dues	151,460	66,914	99,836	318,210
Youth assistance	271,507	-	-	271,507
Insurance	437,474	29,313	27,770	494,557
Other	<u>9,127</u>	<u>1,996</u>	<u>20,182</u>	<u>31,305</u>
Total expenses before depreciation expense	25,756,303	2,552,061	3,453,149	31,761,513
Depreciation expense	<u>1,656,866</u>	<u>23,048</u>	<u>19,409</u>	<u>1,699,323</u>
 TOTAL EXPENSES	 <u>\$ 27,413,169</u>	 <u>\$ 2,575,109</u>	 <u>\$ 3,472,558</u>	 <u>\$ 33,460,836</u>

See Notes to Consolidated Financial Statements

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 4,848,739
Adjustment to reconcile change in net assets to net cash provided operating activities:	
Depreciation	1,699,323
Unrealized and realized gains on investments	(537,968)
Amortization of donated facilities receivable	937,970
Noncash lease expense of operating leases	228,568
Amortization of finance lease assets	49,942
Donated property and equipment	(208,909)
Change in interest in Foundation net assets	(5,148,978)
Forgiveness of CDBG debt	(45,644)
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Receivables	(1,282,450)
Prepaid rent	191,667
Other assets	(42,770)
Increase (decrease) in:	
Accounts payable	(76,118)
Accrued expenses	134,256
Deferred revenues	(401,568)
Lease liabilities	(229,863)
Net cash provided by operating activities	<u>116,197</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	(1,437,642)
Purchases of investments	(7,942,272)
Change in cash surrender value of life insurance	2,041
Proceeds from sales of investments	9,670,311
Net cash provided by investing activities	<u>292,438</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on finance leases	(52,559)
Net cash used by financing activities	<u>(52,559)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	356,076
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>3,368,325</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 3,724,401</u>
Cash and cash equivalents	3,441,084
Cash restricted for investment in property and equipment	283,317
Total cash and cash equivalents and restricted cash	<u>\$ 3,724,401</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Cash paid for interest	<u>\$ 2,968</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>	
Purchases of property and equipment in accounts payable	<u>\$ 153,349</u>
Right of use assets gained in exchange for lease liabilities	<u>\$ 51,283</u>

See Notes to Consolidated Financial Statements

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

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

**Nature of operations** - The *Boys & Girls Clubs of the Valley, Inc. and Subsidiaries* (the "Clubs"), an Arizona nonprofit corporation, is affiliated with the Boys & Girls Clubs of America, a national organization. The Clubs operate thirty one 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 16,000 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.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

### (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. and Subsidiaries* include the accounts of *Boys & Girls Clubs of the Valley, Inc.* and its wholly-owned subsidiaries, BG Development, LLC, BGC Managers, LLC, and AZ Youthforce, LLC (collectively, the "Clubs"). 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 \$1,493,809 for which revenue had not yet been recognized as of June 30, 2024 as the conditions had not yet been satisfied. Of this balance, \$493,809 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.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

### (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 convention 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 stand 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.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

### (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, 2024, exchange transaction revenue recognized under a point in time convention totaled approximately \$2,752,000 and revenue recognized under an over time convention totaled approximately \$2,715,000.

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 \$325,600 and \$137,900 as of June 30, 2024 and July 1, 2023, 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, 2024 and July 1, 2023. There are no material contract liabilities as of June 30, 2024 and July 1, 2023.

The Clubs does not have a significant financing component 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.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

### (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:

Buildings and improvements	3 to 30 years
Furniture and equipment	3 to 7 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, 2024.

**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 change in net assets.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

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

**Donated facilities, materials and services (in-kinds)** - 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, 2024, 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 \$380,283 for the year ended June 30, 2024.

The Clubs received the following donated materials and services for the year ended June 30, 2024:

	<u>Used for</u>	<u>Amount</u>
Donated leased land	Programs	\$ 1,122,760
Other	Various	570,081
		<u>\$ 1,692,841</u>

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:

<u>Expense</u>	<u>Method of Allocation</u>
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.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

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

The Clubs' federal Return of Organizations Exempt from Income Tax (Form 990) for the year ended June 30, 2024 has not yet been filed. The Clubs' federal Return of Organizations Exempt from Income Tax (Form 990) for the fiscal periods ending June 30, 2021, 2022 and 2023 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.

**Leases** - The Clubs accounts for leases as required by ASC Topic 842, *Leases*. The Clubs determine if a contract or arrangement is, or contains, a lease at inception. Right of Use ("ROU") assets represent the Clubs' right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Clubs elected the private company accounting alternative to use a risk-free discount rate for all classes of underlying assets based on the information available at commencement date in determining the present value of lease payments. The ROU assets include any prepaid lease payments and additional direct costs and excludes lease incentives. The Clubs' lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. The Clubs has made an accounting policy election to not record ROU assets and lease liabilities for leases with an initial term of twelve months or less on the accompanying consolidated statement of financial position.

**Recent accounting pronouncements** - In June 2016, the FASB issued ASU No. 2016-02 – *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13), which replaces the incurred loss method of estimating credit losses with an expected loss method referred to as the current expected loss ("CECL") model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. Under the CECL model, an entity measures all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The standard expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and leases losses. The Clubs adopted Topic 326 in 2024 with no significant impact on the consolidated financial statements.

**Subsequent events** - The Clubs have evaluated events through December 5, 2024, which is the date the consolidated financial statements were available to be issued.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

### (2) Liquidity and availability of resources

The following represents the Clubs financial assets at June 30, 2024:

Cash and cash equivalents and restricted cash	\$ 3,724,401
Receivables	5,485,871
Investments	<u>9,503,671</u>
Total financial assets	18,713,943
Less contractual or donor-imposed restrictions:	
Capital campaign and facilities remodel	(283,317)
Restricted for specific clubs or programs not expected to be used within the next twelve months	(4,416,024)
Board designated net assets without donor restrictions	(260,121)
Scholarship fund	<u>(263,040)</u>
Total financial assets available for general expenditure within the next twelve months	<u>\$ 13,491,441</u>

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 (see Note 8).

### (3) Receivables

Receivables consist of the following as of June 30, 2024:

Unconditional promises to give due in less than one year	\$ 1,621,337
Unconditional promises to give due in two to five years	549,725
Grants and contracts	1,409,933
Event receivables	3,151
Receivables from the Foundation	<u>2,451,450</u>
Total receivables	<u>\$ 6,035,596</u>

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, 2024 are considered fully collectible by management and, accordingly, an allowance for doubtful account has not been provided. The discount on long-term receivables does not have a significant impact to the financial statements.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

### (4) Investments

Investments consist of the following as of June 30, 2024:

Capital appreciation mutual funds:	
Asset allocation funds	\$ 4,584,265
Exchange traded funds	464,627
Capital preservation funds:	
Fixed income bond mutual funds-short term	491,434
Money market funds	2,127,747
Other capital preservation fund	6,001
Total capital preservation funds	<u>2,625,182</u>
Certificates of deposit	<u>1,829,597</u>
Total investments	<u>\$ 9,503,671</u>

### (5) Property and equipment

Property and equipment consist of the following as of June 30, 2024:

Cost and donated value:	
Land	\$ 3,062,495
Buildings and improvements	42,319,954
Furniture and equipment	7,412,066
Construction in progress	74,610
Total cost and donated value	52,869,125
Accumulated depreciation	<u>(33,590,648)</u>
Property and equipment, net	<u>\$ 19,278,477</u>

Depreciation expense charged to operations was \$1,699,323 for the year ended June 30, 2024.

### (6) Donated facilities receivable

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, 2024, the Clubs recognized \$997,378 of amortization on this donated facilities receivable. As of June 30, 2024, the unamortized balance of the donated facilities receivable and accompanying discount, of \$550,416, totaled approximately \$1,985,000.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

(6) **Donated facilities receivable (continued)**

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

<b><u>Years Ending June 30,</u></b>	
2025	\$ 490,530
2026	173,384
2027	151,910
2028	151,910
2029	151,910
Thereafter	865,464
Total unamortized lease receivable	<u>\$ 1,985,108</u>

(7) **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.

(8) **Long-term debt**

Long-term debt includes interest free notes payable to the City of Phoenix, procured via the U.S. Department of Housing and Urban Development – Community Development Block Grant, for various maintenance and improvement projects at branch locations. The principal balance of the notes is forgiven from the certificate of completion date (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, 2024, \$219,255 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 December 30, 2024. Interest will be the indexed rate of the lender, which is their prime rate. The indexed rate was approximately 9% at June 30, 2024. No amounts are outstanding under this line of credit as of June 30, 2024.

The Clubs also has a \$500,000 operating line of credit with a bank, with interest payable at 8.25% with no maturity date. At June 30, 2024, no amounts are outstanding under this line of credit.

At June 30, 2024, estimated annual maturities of long-term debt outstanding are as follows:

<b><u>Years Ending June 30,</u></b>	
2025	\$ 36,644
2026	50,274
2027	43,134
2028	34,734
2029	34,734
Thereafter	19,735
Total annual debt maturities	<u>\$ 219,255</u>

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

### (9) 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 \$12,500 were released for the purposes of staffing, the purchase of supplies, special projects, and changes in operating reserves during the year ended June 30, 2024. The remaining board designated net assets totaled \$260,121 as of June 30, 2024.

### (10) Net assets with donor restrictions

Net assets with donor restrictions as of June 30, 2024 were as follows:

Purpose restrictions:	
Restricted for specific clubs or programs	\$ 8,407,582
Capital campaign and facilities remodel	2,083,317
Scholarship fund	263,040
Time restrictions:	
Donated land and space leases	3,096,873
Collection on future pledges receivable	887,887
Leadership professional development	3,667
Perpetually restricted interest in Foundation net assets (Note 15)	<u>6,172,067</u>
Total net assets with donor restriction	<u>\$ 20,914,433</u>

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, 2024, \$1,111,765 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, 2024 were as follows:

Purpose restrictions:	
Scholarship	\$ 279,910
Capital	775,806
Operations of specific clubs	3,991,558
Time restrictions:	
Donated land and space leases	1,096,794
Collection of pledges receivable	314,008
Leadership professional development	<u>6,333</u>
Total releases from net assets with donor restrictions	<u>\$ 6,464,409</u>

### (11) 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.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

**(11) Commitments and contingencies (continued)**

**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, 2024. The agreement has been extended through March 31, 2025.

**(12) Leases**

The Clubs has operating and finance leases of facilities, solar panels and equipment. The Clubs assesses whether the arrangement qualifies as a lease (i.e. conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the consolidated statement of financial position. The Clubs' building leases often contain the option to renew the lease after the conclusion of the initial term. Renewal options are only included in the assessment of the lease and estimate of the right-of-use asset and lease liability when the Clubs is reasonably certain that it will exercise the options to renew the lease.

The right-of-use asset and lease liability, current and long-term are recorded as individual, separate items in the consolidated statement of financial position as of June 30, 2024. The assets associated with finance leases of the Clubs, totaling approximately \$101,000 at June 30, 2024, are recorded within property and equipment in the accompanying consolidated statement of financial position. As of June 30, 2024, the weighted average remaining lease term of the Clubs' lease obligations is 5.90 years and 2.85 years for operating and finance leases, respectively. The weighted average discount rate of the Clubs' lease obligations is 2.88% and 1.64% for operating and finance leases, respectively. The lease cash flows for the year ended June 30, 2024 were \$252,388 and \$51,403 for operating and finance leases, respectively.

Rent expense associated with leases with noncancellable terms in excess of one year was \$343,187 during the year ended June 30, 2024.

Minimum future rental payments under these noncancellable leases are as follows:

<u>Years Ending June 30,</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
2025	199,991	\$ 45,605
2026	110,525	37,371
2027	110,176	12,667
2028	89,705	10,885
2029	49,119	3,628
Thereafter	165,264	-
Total minimum future rental payments	\$ 724,780	\$ 110,156
Less: interest	(58,497)	(9,023)
Present value of lease liabilities	<u>\$ 666,283</u>	<u>\$ 101,133</u>

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

### (12) Leases (continued)

On July 1, 2022, the Clubs entered into a lease agreement with a lessor for the use of facility space. The lease agreement terminates on June 30, 2032 with the option to extend after the initial term for two additional five year terms. Under the lease agreement, the Clubs is obligated to pay the lessor certain operating costs incurred by the lessor to maintain, repair and operate the facility, including, but not limited to, maintenance and repair costs, utilities, insurance and taxes. The operating costs to be paid by the Clubs are set at the discretion of the landlord and are able to be reset throughout the lease term at the discretion of the lessor. The rent expense from this lease is variable and thus it is recorded as incurred. The future payments of the operating costs associated with this lease are not included in the right-of-use assets and lease liabilities above. In December 2022, the Clubs paid the lessor \$2,000,000 as an advance payment for future costs to be incurred in connection with the lease agreement. The Clubs' annual expense for use of the facility, approximately \$190,000, is charged to occupancy expense in the accompanying consolidated statement of activities. As of June 30, 2024, the Clubs recorded prepaid rent for the remaining advance of approximately \$1,617,000, with the expected expense to be incurred for fiscal 2025 being presented as a current asset of \$200,000, included in other current assets in the accompanying consolidated statement of financial position.

### (13) 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, 2024. Total pension expense was \$407,920 during the year ended June 30, 2024.

### (14) Related party transactions

The Clubs received contributions from board of director members of \$646,481 during the year ended June 30, 2024.

The Clubs received revenues from their national affiliate, The Boys and Girls Clubs of America, of \$1,043,448 during the year ended June 30, 2024.

The Clubs paid dues to their national affiliate, The Boys and Girls Clubs of America, of \$72,291 during the year ended June 30, 2024.

The Clubs recognized contributions from a related organization, Boys & Girls Clubs of the Valley Foundation (the "Foundation") totaling \$917,603 and reimbursable operational activity costs that were conducted by staff of the Clubs totaling \$519,750 during the year ended June 30, 2024. As of June 30, 2024, \$2,451,450 in receivables from the Foundation is included in the accompanying consolidated statement of financial position.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024

### (15) 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 \$23,385,030 as of June 30, 2024.

Summarized financial information of the Foundation as of June 30, 2024 is as follows:

Total assets	\$ 25,836,480
Total liabilities	<u>\$ 2,451,450</u>
Net assets	
Net assets without donor restrictions	17,212,963
Net assets with perpetual donor restrictions	<u>6,172,067</u>
Total net assets	<u>\$ 23,385,030</u>
Total revenue	\$ 6,502,021
Total expenses and losses	<u>(1,353,043)</u>
Change in Foundation net assets	<u>\$ 5,148,978</u>

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.

### (16) 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, 2024:

	Total	Level 1	Level 2	Level 3
Capital appreciation mutual funds:				
Asset allocation funds	\$ 4,584,265	\$ 4,584,265	\$ -	\$ -
Exchange traded funds	464,627	464,627	-	-
Capital preservation funds:				
Fixed income bond mutual funds-short term	491,434	491,434	-	-
Money market funds	2,127,747	2,127,747	-	-
Other capital preservation fund	6,001	6,001	-	-
Total capital preservation funds	<u>2,625,182</u>	<u>2,625,182</u>	-	-
Certificates of deposit	<u>1,829,597</u>	-	<u>1,829,597</u>	-
Total investments at fair value	<u>\$ 9,503,671</u>	<u>\$ 7,674,074</u>	<u>\$ 1,829,597</u>	<u>\$ -</u>

**UNIFORM GUIDANCE  
SUPPLEMENTARY REPORTS**

**BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2024

<u>Federal Grantor / Pass-Through Agency / Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Contract Number</u>	<u>Pass-Through Grantor's Identifying Number</u>	<u>Passed to Subrecipients</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>					
Child Nutrition Cluster					
Passed through Arizona Department of Education					
Summer Food Service Program for Children	10.559	Unknown	Unknown	\$ -	\$ 335,449
National School Lunch Program	10.555	07-86-13	Unknown	-	136,690
Fresh Fruit and Vegetable Program	10.582	24FNFFVP-410117-12A	Unknown	-	1,254
Fresh Fruit and Vegetable Program	10.582	24FFVPP2-410117-01A	Unknown	-	8,095
Total Child Nutrition Cluster (10.555, 10.559 and 10.582)				-	481,488
Passed through Arizona Department of Education					
Child and Adult Care Food Program	10.558	Unknown	Unknown	-	779,854
<b>Total U.S. Department of Agriculture</b>				-	<u>1,261,342</u>
<b>U.S. Department of Housing and Urban Development</b>					
Passed through City of Glendale					
Community Development Block Grants / Entitlement Grants	14.218	C22-1042	Unknown	-	15,000
Passed through City of Phoenix					
Community Development Block Grants / Entitlement Grants	14.218	144193	Unknown	-	33,600
Community Development Block Grants / Entitlement Grants	14.218	141741	Unknown	-	21,420
Community Development Block Grants / Entitlement Grants	14.218	139791-0	Unknown	-	12,208
Community Development Block Grants / Entitlement Grants	14.218	136847-0	Unknown	-	24,000
Community Development Block Grants / Entitlement Grants	14.218	148940-0	Unknown	-	75,000
Community Development Block Grants / Entitlement Grants	14.218	152009-0	Unknown	-	98,671
<b>Total U.S. Department of Housing and Urban Development</b>				-	<u>279,899</u>
<b>U.S. Department of Education</b>					
Passed through Arizona Department of Education					
Title I Grants to Local Educational Agencies	84.010A	24FT1TTI-410117-01A	Unknown	-	91,737
Title I Grants to Local Educational Agencies	84.010A	24FETSIG-410117-01A	Unknown	-	15,000
Title I Grants to Local Educational Agencies	84.010A	24FSLDCO-410117-01A	Unknown	-	24,481
Higher Education Institutional Aid	84.031	2023 Consortium	Unknown	-	8,831
Supportive Effective Instruction State Grants	84.367A	24FT1TII-410117-03A	Unknown	-	10,692
Student Support and Academic Enrichment Program	84.424A	24FT4TIV-410117-01A	Unknown	-	10,000
Passed through Arizona Department of Education					
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U	CTR060348	Unknown	-	392,622
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U	21FESIII-110117-01A	Unknown	-	433,275
Total Education Stabilization Fund (84.425)				-	<u>825,897</u>
Special Education Cluster (IDEA)					
Passed through Arizona Department of Education					
Special Education - Grants to States (IDEA, Part B)	84.027A	24ICSGBA-410117-01A	Unknown	-	44,526
Special Education - Preschool Grants (IDEA Preschool)	84.173A	24ICSGPR-410117-01A	Unknown	-	811
Total Special Education Cluster (84.027 and 84.173)				-	<u>45,337</u>
<b>Total U.S. Department of Education</b>				-	<u>1,031,975</u>
<b>Corporation for National and Community Service</b>					
Passed through Arizona Department of Education					
Americorps	94.006	AC-FOR-21-090121-08Y2	Unknown	-	87,092
<b>Total Corporation for National and Community Service</b>				-	<u>87,092</u>
<b>U.S. Department of Treasury</b>					
Passed through Arizona Alliance of Boys & Girls Clubs					
COVID-19 - Coronavirus State & Local Fiscal Recovery Funds	21.027	GR-ARPA-10202-52	Unknown	-	1,453,687
Passed through City of Avondale					
COVID-19 - Coronavirus State & Local Fiscal Recovery Funds	21.027	Unknown	Unknown	-	8,000
<b>Total U.S. Department of Treasury</b>				-	<u>1,461,687</u>
<b>U.S. Department of Health &amp; Human Services</b>					
Passed through Substance Abuse and Mental Health Services Administration					
Congressional Directives	93.493	Unknown	Unknown	444,538	714,830
<b>Total U.S. Department of Health &amp; Human Services</b>				<u>444,538</u>	<u>714,830</u>
<b>U.S. Department of Homeland Security</b>					
Passed through Arizona Department of Homeland Security					
Non-Profit Security Program	97.008	230951-01	Unknown	-	84,014
<b>Total U.S. Department of Homeland Security</b>				-	<u>84,014</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 444,538</b>	<b>\$ 4,920,839</b>

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

**(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 and Subsidiaries**, under programs of the federal government for the year ended June 30, 2024. 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. and Subsidiaries**, 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. and Subsidiaries**.

**(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. and Subsidiaries** 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. and Subsidiaries** 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, 2024, are included in the federal expenditures presented in the accompanying schedule of expenditures of federal awards. The balance of loans outstanding at June 30, 2024 consists of:

<b>Federal Grantor/Program/ Pass-Through Agency</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantors Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the City of Phoenix Community Development Block Grant/Entitlement Grants	14.218		
City of Phoenix		144193	\$ 25,200
City of Phoenix		141741	14,280
City of Phoenix		139791-0	6,104
City of Phoenix		148940-0	75,000
City of Phoenix		152009-0	98,671
Total loans outstanding			<u>\$ 219,255</u>



**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. AND SUBSIDIARIES**

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. and Subsidiaries** (the "Clubs"), which comprise the consolidated statement of financial position as of June 30, 2024, 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 5, 2024

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit 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. However, material weaknesses or significant deficiencies in internal control over financial reporting may exist that were not identified.

### ***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 their 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*CBIZ CPAs P.C.<sup>1</sup>*

December 5, 2024

<sup>1</sup> In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.



**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. AND SUBSIDIARIES**

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited ***Boys & Girls Clubs of the Valley, Inc. and Subsidiaries'*** (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. and Subsidiaries'*** major federal programs for the year ended June 30, 2024. ***Boys & Girls Clubs of the Valley, Inc. and Subsidiaries'*** 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 their 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.

*CBIZ CPAs P.C.<sup>1</sup>*

December 5, 2024

<sup>1</sup> In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

### 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? No

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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 - Coronavirus State & Local Fiscal Recovery Funds
93.493	Congressional Directives
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**BOYS & GIRLS CLUBS OF THE VALLEY, INC. AND SUBSIDIARIES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2024

**Section II – Financial Statement Findings**

None noted

**Section III – Federal Awards Findings**

None noted

**Section IV – Status of Prior Years Findings**

None noted