

BOYS AND GIRLS CLUB OF GREATER
SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

Years Ended June 30, 2024 and 2023

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Independent Auditors' Report

To the Board of Governors of
Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries
Scottsdale, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries (the Organization, a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries 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 Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 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 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 Organization's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position, consolidating statement of net assets, and 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*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Organization's internal control over financial reporting and compliance.

Fester & Chapman, PLLC

January 8, 2025

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash	\$ 3,289,029	\$ 3,321,672
Investments	27,003,811	21,403,672
Program receivables	23,076	84,884
Government grants receivable	804,008	279,932
Pledges receivable, current portion	145,000	284,450
Prepaid expenses	<u>8,362</u>	
Total current assets	31,273,286	25,374,610
Pledges receivable, noncurrent portion, net	210,389	286,716
Investments - endowment funds	2,287,829	2,202,818
457(b) plan investments	80,427	53,050
Property and equipment, net	12,774,682	12,960,808
Operating lease - right-of-use assets	<u>260,255</u>	<u>367,955</u>
 Total assets	 <u>\$ 46,886,868</u>	 <u>\$ 41,245,957</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 802,341	\$ 745,378
Other liabilities	120,860	146,821
Refundable advances	1,149,482	549,600
Finance lease obligation, current portion	45,660	45,660
Operating lease liabilities, current portion	113,970	106,438
Notes payable, current portion	3,683	18,562
Present value of annuity payments, current portion	<u>8,130</u>	<u>8,736</u>
Total current liabilities	2,244,126	1,621,195
Finance lease obligation, net of current portion	47,617	71,486
Operating lease liabilities, net of current portion	150,587	264,557
Notes payable, net of current portion		3,683
457(b) plan benefits payable	80,427	53,050
Present value of annuity payments, net of current portion	<u>60,913</u>	<u>67,464</u>
Total liabilities	2,583,670	2,081,435
Net assets:		
Without donor restrictions:		
Board designated for long-term investments	2,000,000	2,000,000
Unrestricted	<u>39,898,214</u>	<u>34,449,968</u>
Total without donor restrictions	41,898,214	36,449,968
With donor restrictions	<u>2,404,984</u>	<u>2,714,554</u>
Total net assets	44,303,198	39,164,522
 Total liabilities and net assets	 <u>\$ 46,886,868</u>	 <u>\$ 41,245,957</u>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support, revenue and gains:			
Contributions and grants	\$ 8,014,429	\$ 798,253	\$ 8,812,682
Program service fees, net	2,786,917		2,786,917
Special events, net of direct donor benefits of \$551,722	859,248		859,248
Contributions in-kind	58,447		58,447
Thrift store	191,642		191,642
Net investment gains	2,257,786	68,478	2,326,264
Miscellaneous	110,837		110,837
Net assets released from restrictions	<u>1,176,301</u>	<u>(1,176,301)</u>	
Total support, revenue and gains	15,455,607	(309,570)	15,146,037
Expenses:			
Comprehensive youth development	6,925,333		6,925,333
Management and general	2,129,582		2,129,582
Fundraising	<u>952,446</u>		<u>952,446</u>
Total expenses	<u>10,007,361</u>		<u>10,007,361</u>
Change in net assets	5,448,246	(309,570)	5,138,676
Net assets, beginning of year	<u>36,449,968</u>	<u>2,714,554</u>	<u>39,164,522</u>
Net assets, end of year	<u>\$ 41,898,214</u>	<u>\$ 2,404,984</u>	<u>\$ 44,303,198</u>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support, revenue and gains:			
Contributions and grants	\$ 4,662,369	\$ 1,350,737	\$ 6,013,106
Program service fees, net	3,185,644		3,185,644
Special events, net of direct donor benefits of \$475,978	786,676		786,676
Contributions in-kind	48,554		48,554
Thrift store	195,809		195,809
Net investment gains	1,302,046	12,329	1,314,375
Miscellaneous	189,857		189,857
Net assets released from restrictions	<u>1,132,228</u>	<u>(1,132,228)</u>	
Total support, revenue and gains	11,503,183	230,838	11,734,021
Expenses:			
Comprehensive youth development	7,089,558		7,089,558
Management and general	2,308,292		2,308,292
Fundraising	<u>1,060,568</u>		<u>1,060,568</u>
Total expenses	<u>10,458,418</u>		<u>10,458,418</u>
Change in net assets	1,044,765	230,838	1,275,603
Net assets, beginning of year	<u>35,405,203</u>	<u>2,483,716</u>	<u>37,888,919</u>
Net assets, end of year	<u>\$ 36,449,968</u>	<u>\$ 2,714,554</u>	<u>\$ 39,164,522</u>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Comprehensive Youth Development</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 2,933,733	\$ 1,226,174	\$ 667,424	\$ 4,827,331
Employee benefits	323,760	169,200	65,440	558,400
Payroll taxes	224,759	85,822	48,376	358,957
Contracted professional services	381,700	154,459	49,306	585,465
Occupancy	505,629	71,162	2,160	578,951
Contracted services/leases	303,043	89,000		392,043
Office supplies and equipment	135,157	74,578	21,705	231,440
Scholarships	42,192			42,192
Supplies and materials	750,585			750,585
Meetings and conferences	18,250	18,084	36,364	72,698
Travel and transportation	97,527	10,225		107,752
Dues, fees, and subscriptions	113,803	53,873	6,326	174,002
Insurance	236,358	24,149		260,507
Banking and merchant fees	84,852	53	47,314	132,219
Interest	6,408	15,918		22,326
In-kind	58,447			58,447
Miscellaneous	58,585	6,287	8,031	72,903
Depreciation and amortization	650,545	130,598		781,143
Total expenses	<u>\$ 6,925,333</u>	<u>\$ 2,129,582</u>	<u>\$ 952,446</u>	<u>\$ 10,007,361</u>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Services	Supporting Services		
	Comprehensive Youth Development	Management and General	Fundraising	Total
Salaries	\$ 3,031,829	\$ 1,138,029	\$ 627,019	\$ 4,796,877
Employee benefits	357,824	288,446	132,214	778,484
Payroll taxes	242,149	110,807	48,340	401,296
Contracted professional services	345,662	165,906	52,996	564,564
Occupancy	620,421	46,875	19,553	686,849
Contracted services/leases	277,205	92,402		369,607
Office supplies and equipment	55,495	52,035	22,109	129,639
Supplies and materials	710,656		41,226	751,882
Meetings and conferences	25,232	15,419	20,064	60,715
Travel and transportation	82,743	19,537		102,280
Dues, fees, and subscriptions	216,821	83,970	3,634	304,425
Insurance	242,206	24,746		266,952
Banking and merchant fees	3,339	38,565	61,787	103,691
Interest	9,885	15,651	1,922	27,458
In-kind	48,554			48,554
Miscellaneous	159,535	13,104	29,704	202,343
Depreciation and amortization	660,002	202,800		862,802
Total expenses	<u>\$ 7,089,558</u>	<u>\$ 2,308,292</u>	<u>\$ 1,060,568</u>	<u>\$ 10,458,418</u>

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30,

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,138,676	\$ 1,275,603
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	781,143	862,802
Noncash operating lease expense	107,700	(367,955)
Net gains on investments	(2,280,696)	(1,314,375)
Changes in assets and liabilities:		
Program receivables	61,808	(84,884)
Government grants receivable	(524,076)	(279,932)
Pledges receivable, net	215,777	40,442
Prepaid expenses	(8,362)	7,604
Accounts payable and accrued liabilities	56,963	190,201
Other liabilities	(25,961)	9,028
Refundable advances	599,882	(77,806)
Operating lease liability	(106,438)	370,995
Present value of annuity payments	(7,157)	(8,736)
Net cash provided by operating activities	<u>4,009,259</u>	<u>622,987</u>
Cash flows from investing activities:		
Purchases of property and equipment	(595,017)	(162,340)
Purchases of investments	(7,363,808)	(8,627,103)
Proceeds from sales of investments	<u>3,959,354</u>	<u>7,141,801</u>
Net cash used by investing activities	<u>(3,999,471)</u>	<u>(1,647,642)</u>
Cash flows from financing activities:		
Payments of finance lease obligations	(23,869)	(38,022)
Net payments on line of credit		(424,777)
Payments on notes payable	<u>(18,562)</u>	<u>(21,441)</u>
Net cash used by financing activities	<u>(42,431)</u>	<u>(484,240)</u>
Net change in cash	(32,643)	(1,508,895)
Cash, beginning of year	<u>3,321,672</u>	<u>4,830,567</u>
Cash, end of year	<u>\$ 3,289,029</u>	<u>\$ 3,321,672</u>
<u>Supplemental disclosure:</u>		
Cash paid for interest	\$ 22,326	\$ 27,458
<u>Noncash transactions:</u>		
Lease obtained in exchange for new operating lease liability		\$ 470,478

The accompanying notes are an integral part of these statements.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Boys and Girls Club of Greater Scottsdale, Inc. (the Clubs) is an Arizona Corporation formed in June 1954 to promote the physical, mental, and moral well-being of boys and girls by providing education, recreation, and guidance. On December 22, 2011, the Clubs formed Boys and Girls Clubs of Greater Scottsdale Youth, LLC, with the Clubs as the sole member, which was formed to hold certain club assets in order to qualify for the working poor tax credit. On January 5, 2018, the Clubs formed Boys and Girls Clubs of Greater Scottsdale Foster Children, LLC with the Clubs as the sole member, which was formed to hold certain club assets in order to be a qualifying foster care charitable organization and receive Arizona tax credit contributions. Boys & Girls Clubs of Greater Scottsdale serves thousands of boys and girls with youth development programs when school is out (after school, school breaks, and during summer camp) at nine Club locations within the communities of Scottsdale, North Phoenix, Fountain Hills, Mesa, the Salt River Pima-Maricopa Indian Community and Hualapai Nation. The Clubs serve approximately 8,100 boys and girls including approximately 5,200 in their after school and summer day camp programs. The Clubs also operate a thrift store in Scottsdale for fundraising purposes.

Boys and Girls Clubs of Greater Scottsdale Foundation (the Foundation) was incorporated in January 1994 with the Clubs as the sole member of the Foundation. The Foundation was organized to manage investment funds, with the income to be used for the benefit of the Clubs. On December 28, 2017, the Foundation formed BGCASF Apache Holdings, LLC with the Foundation as the sole member, which was formed to hold title to contributed land.

The significant policies followed by the Clubs, the Foundation, and wholly-owned subsidiaries (collectively referred to herein as the Organization) are as follows:

Consolidated Financial Statements

The consolidated financial statements include the accounts of the Boys and Girls Club of Greater Scottsdale, Inc.; Boys and Girls Club of Greater Scottsdale Youth, LLC; Boys and Girls Clubs of Greater Scottsdale Foster Children, LLC; BGCASF Apache Holdings, LLC; and Boys and Girls Clubs of Greater Scottsdale Foundation. All of the financial activities and balances of these organizations are included in these consolidated financial statements. All significant interorganization accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The Organization follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*, requiring the Organization to report information regarding its financial position and activities according into two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Organization has designated net assets without donor restrictions for endowment fund purposes. See Note 10.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the restricted stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as net assets without donor restrictions.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of 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.

Investments

Investments, consisting primarily of equities and mutual funds with readily determinable market values are measured at fair value as of each fiscal year-end in the consolidated statements of financial position. Investment income or losses (including realized and unrealized gains and losses on investments, interest, dividends and fees) are recognized in the consolidated statements of activities as net investment gains and losses.

Government Grants Receivable

The Organization recognizes government grants as revenue and receivables when conditions for earning grant awards are met. At June 30, 2024 and 2023, government grants receivable consisted amounts due from government agencies for awards under which the grant conditions have been substantially met.

Revenue Recognition - Contracts with Participants Accounted for in Accordance with FASB ASC 606

The Organization recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, the Clubs' participants. The amount of revenue recognized reflects the consideration that the Organization expects to receive in exchange for satisfying distinct performance obligations. Performance obligations are satisfied over time and the related revenue is recognized as services are rendered. The Organization's management expects that the period between when the Clubs transfer goods and services to their participants and when the participants pay for those goods and services will be one year or less. Therefore, the Organization elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component. Invoices resulting from the Clubs' contracts with participants are generally due within 30 days of the invoice date.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable, Net

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Monies received pursuant to conditional promises are reflected as refundable advances. Unconditional promises to give that are to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates as determined by management, applicable to the years in which the promises are received. Amortization of the discounts is included in contribution support.

The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. There was no allowance for doubtful accounts recorded for pledges receivable at June 30, 2024 and 2023, as amounts were considered to be fully collectible.

Refundable Advances

Refundable advances include payments received from conditional contributions prior to the Organization meeting the conditions required to earn the contribution or grant, in accordance with FASB ASC Subtopic 958-605.

Bequests

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

Special Events Revenue

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. 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 Organization. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits. All proceeds received in excess of the direct donor benefits are recorded as gross profit from special events in the accompanying consolidated statements of activities.

Grants

The Organization receives various grants from different sources to perform specific services. The Organization recognizes revenue from these grants as services are provided. Refundable advances are recorded when cash advances exceed amounts earned on conditional promises to give.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Purchased property and equipment costing \$2,500 or more are recorded at cost, or if donated, at the estimated fair value at the date of the gift to the Organization. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Maintenance and repairs are charged to operations when incurred.

The Organization depreciates its property and equipment over the estimated useful lives of the assets using the straight-line method as follows:

Buildings and building improvements	5-40 years
Leasehold improvements	Lesser of the estimated useful life or remaining lease term
Furniture and equipment	2-10 years
Vehicles	5 years
Assets held under finance lease obligations	Lesser of the estimated useful life or remaining lease term

Contributions

Contributions are reported in accordance with the FASB ASC subtopic of *Revenue Recognition for Not-for-Profit Entities*. Contributions received are recorded as net assets without donor restrictions or 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 depending on the nature of the restriction. When a donor 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 statement of activities as net assets released from restrictions.

Program Service Fees, Net

The Organization records revenues from program service fees over the applicable membership period. The unearned portion of the program service fees is recorded in other liabilities at June 30, 2024 and 2023, in the accompanying consolidated statements of financial position. Program service fees are presented net of scholarships provided to qualifying participants totaling \$1,462,438 and \$772,390, during the years ended June 30, 2024 and 2023, respectively.

Contributions In-kind

Donated materials are recognized as contributions 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. The Organization utilizes the services of volunteers to perform a variety of tasks that assist the Organization with specific programs. This support has not been recorded, as it does not meet the recognition criteria; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and fundraising campaigns.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities, and allocated among program and supporting services benefited in the consolidated statements of functional expenses. Expenses allocated on a square-footage proportional basis include occupancy, contracted services/leases, and depreciation and amortization. Expenses allocated on the basis of estimates of proportional use or time and effort are salaries and related expenses.

Income Tax Status

The Clubs and Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the Code), and accordingly, there is no provision for income taxes in the accompanying consolidated financial statements. In addition, the Clubs and Foundation qualify for the charitable contribution deduction under Section 170 of the Code and have been classified as organizations that are not private foundations. Income determined to be unrelated business taxable income (UBTI) would be taxable. The Organization's wholly-owned LLCs are considered disregarded entities for income tax purposes.

Market Risk

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

Concentrations

The Organization's cash and investments on deposit at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC), or covered under the Securities Investor Protection Corporation (SIPC). Balances may at times exceed insured amounts; however, the Organization manages the concentration of credit risk by maintaining deposits in multiple financial institutions.

During the year ended June 30, 2024, the Organization received approximately \$4,490,000 from one donor, which represented 29% of total revenue.

Subsequent Events

The Organization has evaluated subsequent events through January 8, 2025, the date the Organization's financial statements were issued, and has concluded that no events have occurred since the year ended June 30, 2024, that would require an adjustment to, or disclosure in the financial statements.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of its fiscal year end to fund expenses without limitations:

	<u>2024</u>	<u>2023</u>
Financial assets included in current assets:		
Cash	\$ 3,289,029	\$ 3,321,672
Investments	27,003,811	21,403,672
Program receivables, net	23,076	84,884
Government grants receivable	804,008	279,932
Pledges receivable, current portion	<u>145,000</u>	<u>284,450</u>
Total financial assets included in current assets	31,264,924	25,374,610
Less amounts unavailable for general expenditure within one year:		
Donor restricted for purpose or time	(2,117,155)	(2,511,736)
Donor restricted in perpetuity	<u>(287,829)</u>	<u>(202,818)</u>
Total donor restricted amounts	<u>(2,404,984)</u>	<u>(2,714,554)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 28,859,940</u>	<u>\$ 22,660,056</u>

In addition to financial assets available to meet general expenditures over the year, the Organization operates with a balanced budget and anticipates covering its general expenditures by collecting contributions, grants, and other revenues; by utilizing donor-restricted resources from current and prior years gifts; and by appropriating the investment return on its donor-restricted endowments, as needed. The Organization also has a line of credit available to cover operating expenditures (See Note 9).

NOTE 3 - PLEDGES RECEIVABLE, NET

The Organization's pledges receivable consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Due within one year	\$ 145,000	\$ 284,450
Due within two to five years	<u>141,950</u>	<u>395,000</u>
	286,950	679,450
Discount to adjust to net present value	<u>(76,561)</u>	<u>(108,284)</u>
Total pledges receivable, net	<u>\$ 210,389</u>	<u>\$ 571,166</u>

Pledges receivable due in more than one year are discounted at 5.0% in the year that the unconditional promise to give is made to the Organization. At June 30, 2024 and 2023, 96% and 85%, respectively, of the Organization's pledges receivable was due from another nonprofit organization.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2 - Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. At June 30, 2024 and 2023 the Organization did not have any financial instruments based on Level 2 inputs.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions. At June 30, 2024 and 2023 the Organization did not have any financial instruments based on Level 3 inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

Mutual funds / Fixed income securities / Hedge funds / Equities / Commodities / Alternative assets: Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

Bonds / Debt securities: Determined by the closing bid price on the last business day of the fiscal year if actively traded.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following were the fair value of assets measured at fair value on a recurring basis at June 30, 2024:

	<u>Total</u>	<u>Level 1</u>
<u>Investments:</u>		
Mutual funds:		
Emerging markets	\$ 782,250	\$ 782,250
International equities	2,211,740	2,211,740
Large cap	4,538,182	4,538,182
Mid cap	2,357,540	2,357,540
Other	128	128
Small cap	1,882,222	1,882,222
Fixed income:		
Investment grade taxable	7,299,044	7,299,044
International developed bonds	1,554,374	1,554,374
Global high yield taxable	1,313,265	1,313,265
Other	3,587	3,587
U.S. treasuries	1,683,398	1,683,398
Hedge funds specific strategy	1,589,274	1,589,274
Tangible assets - commodities	1,765,470	1,765,470
Real estate private ownership	537,303	537,303
Cash equivalents	<u>1,773,862</u>	
Total investments	<u>\$ 29,291,640</u>	<u>\$ 27,517,778</u>

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following were the fair value of assets measured at fair value on a recurring basis at June 30, 2023:

	<u>Total</u>	<u>Level 1</u>
<u>Investments:</u>		
Mutual funds:		
Emerging markets	\$ 756,460	\$ 756,460
International equities	2,092,167	2,092,167
Large cap	3,409,253	3,409,253
Mid cap	1,768,797	1,768,797
Small cap	1,522,688	1,522,688
Fixed income:		
Investment grade taxable	7,193,054	7,193,054
International developed bonds	856,978	856,978
Global high yield taxable	429,326	429,326
U.S. Treasuries	1,649,542	1,649,542
Hedge funds specific strategy	1,303,846	1,303,846
Tangible assets - commodities	1,324,473	1,324,473
Other	5,558	5,558
Cash equivalents	1,294,348	
Total investments	<u>\$ 23,606,490</u>	<u>\$ 22,312,142</u>

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,156,972	\$ 1,156,972
Buildings and building improvements	20,862,425	20,502,595
Leasehold improvements	149,850	149,850
Furniture and equipment	2,138,519	1,955,262
Vehicles	1,299,171	1,299,171
Assets held under finance lease obligation	142,301	142,301
Use of land	<u>56,972</u>	<u>56,972</u>
	25,806,210	25,263,123
Accumulated depreciation and amortization	<u>(13,031,528)</u>	<u>(12,302,315)</u>
Property and equipment, net	<u>\$ 12,774,682</u>	<u>\$ 12,960,808</u>

Depreciation and amortization expense was \$781,143 and \$862,802, for the years ended June 30, 2024 and 2023, respectively.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 6 - FINANCE LEASE OBLIGATIONS

The Organization has noncancelable, finance lease agreements for printers expiring in 2027. The leases require monthly principal and interest payments of \$3,805. The leased equipment had a cost of \$142,301 and accumulated depreciation of approximately \$37,948 as of June 30, 2024. Interest expense incurred for the finance lease was \$21,799 and \$26,179 during the years ended June 30, 2024 and 2023, respectively. The future minimum lease payments on finance lease obligations under the finance lease are as follows:

Years ending June 30:		
2025	\$	45,660
2026		45,660
2027		<u>30,440</u>
		121,760
Less: amount representing interest		<u>(28,483)</u>
Present value of net minimum lease payments	\$	<u><u>93,277</u></u>

NOTE 7 - OPERATING LEASES

The Organization leases facilities and equipment under noncancelable operating leases expiring through 2027. Lease expense for those leases was \$123,190 for the years ended June 30, 2024 and 2023, and is included in occupancy expense in the consolidated statement of functional expenses.

During the years ended June 30, 2024 and 2023 the components of the lease expense were as follows:

		<u>2024</u>		<u>2023</u>
Operating lease cost:				
Rent expense	\$	123,190	\$	123,190

Supplemental information for the consolidated statement of financial position for the years ended June 30, 2024 and 2023, related to the leases was as follows:

		<u>2024</u>		<u>2023</u>
Operating lease right-of-use assets	\$	260,255	\$	367,955
Operating lease liabilities:				
Current portion of long-term debt		113,970		106,438
Long-term debt		150,587		264,557
Weighted average remaining lease term:				
Operating leases		27.67 months		39.4 months

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 7 - OPERATING LEASES (CONTINUED)

During the years ended June 30, 2024 and 2023, the Organization had the following cash and non-cash activities associated with leases:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating lease	\$ 120,149	\$ 121,049
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for lease obligation:		
Operating lease		\$ 470,478

Because the Organization does not have access to the rate implicit in the leases, the Organization utilizes the appropriate US Treasury Bill rate relative to the lease terms as the discount rate. As of June 30, 2024, the weighted average discount rate on the operating leases was 4.94%.

The Organization also leases the land for four locations, the Virginia Piper and Administrative Center, Barker and Thunderbird branches from the City of Scottsdale with an additional lease for the McKee branch from the Town of Fountain Hills. The leases require payments \$1 each per year and expire at various dates through 2052. Certain land leases contain an option to renew for an additional term. At inception of each agreement, the Organization was required to construct new or refurbish existing buildings at the sole cost and expense of the Organization. Upon termination of the lease, all property constructed or improvements made by the Organization reverts to each lessor at no cost to the lessor.

The leases also include specific provisions granting the lessor access to and use of the constructed facilities at no cost to the lessor. The leases specifically contemplate the shared use of the facilities in exchange for the nominal cash rent payments. Based on the terms of the lease, the Organization is required to perform annually under the agreements. The Organization has recorded the fair value ascribed to the use of land over the term of the leases in the accompanying consolidated financial statements (See Note 5).

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 8 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
\$62,000 unsecured note payable to the City of Scottsdale for its share of a roof repair on the Colorado Community Center, due in 60 monthly principal and interest payments of \$1,033, including interest at 3.5%, maturing in December 2023.		\$ 4,133
\$125,000 unsecured note payable to the City of Scottsdale for the replacement of an HVAC system, due in 120 monthly principal and interest payments of \$1,236, including interest at 3.5%, maturing in August 2024.	\$ 3,683	18,112
	3,683	22,245
Less current maturities	<u>(3,683)</u>	<u>(18,562)</u>
	<u>\$</u>	<u>\$ 3,683</u>

Interest expense incurred for the Clubs' notes payable was \$404 and \$1,279 for the years ended June 30, 2024 and 2023, respectively.

NOTE 9 - LINE OF CREDIT

The Foundation has a revolving \$5 million line of credit with a financial institution, with interest due monthly at LIBOR plus .75% (6.21% and 5.92% at June 30, 2024 and 2023, respectively). The line is secured by deposits and equity investments held by the Foundation. There was no outstanding balance on the line of credit at June 30, 2024 and 2023.

NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 39,898,214	\$ 34,449,968
Board designated for long-term investments	<u>2,000,000</u>	<u>2,000,000</u>
Total net assets without donor restrictions	<u>\$ 41,898,214</u>	<u>\$ 36,449,968</u>

The bylaws of the Foundation designated \$2,000,000 of the net assets without donor restrictions to be used as an endowment. The designated amount is only to be used for investment purposes, the income of which is for the benefit of the Clubs. The amount can be changed only by a two-thirds vote of the Board of Trustees of the Foundation.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Purpose restrictions:		
Back to school shopping	\$ 86,274	\$ 28,900
Hualapai Club operation	64,952	37,946
STEAM Makerspace campaign	1,264,770	1,623,165
Scholarship funds	120,860	146,821
Improvements	12,688	24,384
Programs - other	155,422	66,972
Time restrictions:		
Other	412,189	583,548
Endowments	<u>287,829</u>	<u>202,818</u>
Total net assets with donor restrictions	<u>\$ 2,404,984</u>	<u>\$ 2,714,554</u>

Net assets of \$1,176,301 and \$1,132,228, were released from restrictions during the years ended June 30, 2024 and 2023, respectively, related to the fulfillment of program and time restrictions.

NOTE 12 - ENDOWMENTS

The Organization's endowments consists of one board designated fund and one individual donor-restricted fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. In September 2008, the State of Arizona enacted ARS§ 10-1180 et seq Management of Charitable Funds Act (MCFA).

The Organization follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Organization to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors, and the donor's intent that the fund continue in perpetuity.

The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MCFA.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 12 - ENDOWMENTS (CONTINUED)

In accordance with MCFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the Organization's other resources, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that consists of equity-based investments, corporate and municipal bonds, and money market accounts.

The Organization's annual appropriations are at the discretion of the Organization's Board of Governors unless specific instructions are provided by the endowment donors.

Endowment net asset composition by type of fund as of June 30, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board restricted	\$ 2,000,000		\$ 2,000,000
Donor-restricted		\$ 287,829	287,829
Total	<u>\$ 2,000,000</u>	<u>\$ 287,829</u>	<u>\$ 2,287,829</u>

The changes in endowment net assets for the year ended June 30, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 2,000,000	\$ 202,818	\$ 2,202,818
Contributions		27,105	27,105
Released from restrictions		(10,572)	(10,572)
Investment income	159,950	68,478	228,428
Appropriation of assets for expenditures	<u>(159,950)</u>		<u>(159,950)</u>
Endowment net assets - end of year	<u>\$ 2,000,000</u>	<u>\$ 287,829</u>	<u>\$ 2,287,829</u>

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 12 - ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board restricted	\$ 2,000,000		\$ 2,000,000
Donor-restricted		\$ 202,818	202,818
Total	<u>\$ 2,000,000</u>	<u>\$ 202,818</u>	<u>\$ 2,202,818</u>

The changes in endowment net assets for the year ended June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ 2,000,000	\$ 234,353	\$ 2,234,353
Contributions		17,500	17,500
Released from restrictions		(61,364)	(61,364)
Investment income	107,589	12,329	119,918
Appropriation of assets for reinvestment to endowments	<u>(107,589)</u>		<u>(107,589)</u>
Endowment net assets - end of year	<u>\$ 2,000,000</u>	<u>\$ 202,818</u>	<u>\$ 2,202,818</u>

NOTE 13 - RETIREMENT PLANS

The Organization sponsors a 401(k) plan (the Plan) covering substantially all employees who have completed 12 months of service and are age 21 or older. The Organization matches employee contributions at a rate of 100% up to 3% of their pay. The Organization contributed \$53,970 and \$104,552, for the years ended June 30, 2024 and 2023, respectively, to the Plan.

During the year ended June 30, 2023 the Organization established a 457(b) Plan (the 457 Plan), effective November 1, 2022. The Organization provides certain members of management and highly compensated employees the opportunity to defer compensation into the 457 Plan. Under the 457 Plan, the Organization may make discretionary nonelective contributions. During the years ended June 30, 2024 and 2023, the Organization contributed \$72,500 and \$80,000, respectively, to the 457 Plan. Contributions to the 457 Plan are fully vested upon five years of participation. Generally accepted accounting principles requires that 457(b) Plan assets and liabilities be presented on the statement of financial position at fair value.

BOYS AND GIRLS CLUB OF GREATER SCOTTSDALE, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 14 - CONTRIBUTIONS IN-KIND

During the years ended June 30, 2024 and 2023, the Organization received the following in-kind donations:

	<u>Used for:</u>	<u>2024</u>	<u>2023</u>
Materials, supplies and services	Programs	\$ 58,447	\$ 48,554

Donated materials, property and equipment are valued based on the estimated retail value of the items on the date received. Donated materials primarily consist of supplies used for programs during the years ended June 30, 2024 and 2023.

NOTE 15 - CONDITIONAL CONTRIBUTIONS

The Organization received conditional contributions during the fiscal year ended June 30, 2024. Conditional contributions are recorded when the donor-imposed conditions are substantially met.

Certain conditions are required to be met by the Organization in order to earn and receive these amounts. As of June 30, 2024, amounts awarded but not yet received or earned totaled \$10,268. While management believes that the Organization will meet these conditions, they had not been met as of the year ended June 30, 2024. Accordingly, no amounts have been recorded as revenue for these conditional contributions in these financial statements. The Organization had \$891,821 in conditional contributions as of June 30, 2023, which was recognized as income during the year ended June 30, 2024.

SUPPLEMENTARY INFORMATION

Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2024

ASSETS	Clubs and Subsidiaries	Foundation	Eliminations	Total
Current assets:				
Cash	\$ 3,102,507	\$ 186,522		\$ 3,289,029
Investments	1,765,603	25,238,208		27,003,811
Program receivables	23,076			23,076
Due from related party	206,030		\$ (206,030)	
Government grants receivable	804,008			804,008
Pledges receivable, current portion	145,000			145,000
Prepaid expenses	8,362			8,362
Total current assets	<u>6,054,586</u>	<u>25,424,730</u>	<u>(206,030)</u>	<u>31,273,286</u>
Pledges receivable, noncurrent portion, net	210,389			210,389
Investments - endowment funds		2,287,829		2,287,829
457(b) plan investments	80,427			80,427
Property and equipment, net	12,774,682			12,774,682
Operating lease - right-of-use assets	260,255			260,255
Total assets	<u>\$ 19,380,339</u>	<u>\$ 27,712,559</u>	<u>\$ (206,030)</u>	<u>\$ 46,886,868</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 759,304	\$ 43,037		\$ 802,341
Due to related party		206,030	\$ (206,030)	
Other current liabilities	120,860			120,860
Refundable advances	1,149,482			1,149,482
Finance lease obligation, current portion	45,660			45,660
Operating lease liabilities, current portion	113,970			113,970
Notes payable, current portion	3,683			3,683
Present value of annuity payments, current portion		8,130		8,130
Total current liabilities	<u>2,192,959</u>	<u>257,197</u>	<u>(206,030)</u>	<u>2,244,126</u>
Finance lease obligation, net of current portion	47,617			47,617
Operating lease liabilities, net of current portion	150,587			150,587
457(b) plan benefits payable	80,427			80,427
Present value of annuity payments, net of current portion		60,913		60,913
Total liabilities	<u>2,471,590</u>	<u>318,110</u>	<u>(206,030)</u>	<u>2,583,670</u>
Net assets:				
Without donor restrictions:				
Board designated for long-term investments	2,000,000			2,000,000
Unrestricted	<u>13,586,784</u>	<u>26,311,430</u>		<u>39,898,214</u>
Total without donor restrictions	15,586,784	26,311,430		41,898,214
With donor restrictions	<u>1,321,965</u>	<u>1,083,019</u>		<u>2,404,984</u>
Total net assets	<u>16,908,749</u>	<u>27,394,449</u>		<u>44,303,198</u>
Total liabilities and net assets	<u>\$ 19,380,339</u>	<u>\$ 27,712,559</u>	<u>\$ (206,030)</u>	<u>\$ 46,886,868</u>

The accompanying notes are an integral part of these statements.

Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

	Clubs and Subsidiaries		Foundation		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
Support, revenue and gains:						
Contributions and grants	\$ 3,982,270	\$ 623,070	\$ 4,591,114	\$ 175,183	\$ (558,955)	\$ 8,812,682
Program service fees, net	2,786,917					2,786,917
Special events, net of direct donor benefits of \$551,722	859,248					859,248
Contributions in-kind	58,447					58,447
Thrift store	191,642					191,642
Net investment income	84,165		2,173,621	68,478		2,326,264
Miscellaneous	110,628		209			110,837
Net assets released from restrictions	954,507	(954,507)	221,794	(221,794)		
Total support, revenue and gains	<u>9,027,824</u>	<u>(331,437)</u>	<u>6,986,738</u>	<u>21,867</u>	<u>(558,955)</u>	<u>15,146,037</u>
Expenses:						
Comprehensive youth development	6,869,209		615,079		(558,955)	6,925,333
Management and general	2,120,862		8,720			2,129,582
Fundraising	547,900		404,546			952,446
Total expenses	<u>9,537,971</u>		<u>1,028,345</u>		<u>(558,955)</u>	<u>10,007,361</u>
Change in net assets	(510,147)	(331,437)	5,958,393	21,867		5,138,676
Net assets, beginning of year	<u>16,096,931</u>	<u>1,653,402</u>	<u>20,353,037</u>	<u>1,061,152</u>		<u>39,164,522</u>
Net assets, end of year	<u>\$ 15,586,784</u>	<u>\$ 1,321,965</u>	<u>\$ 26,311,430</u>	<u>\$ 1,083,019</u>	<u>\$</u>	<u>\$ 44,303,198</u>

The accompanying notes are an integral part of these statements.

Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Federal Assistance Listings Number	Federal Program Name	Cluster Title	Pass-Through Grantor	Pass-Through Grantor's Number	Program Expenditures	Amount Provided to Subrecipient
U.S. Department of Justice:						
16.726	Juvenile Mentoring Program	N/A	Boys & Girls Clubs of America	15PJDP-21-GG-02763-MENT	\$ 83,305	
U.S. Department of Education:						
84.425	COVID-19: Education Stabilization Fund	N/A	Arizona Alliance of Boys & Girls Clubs	GR-ARPA-10202-52	744,316	
84.425C	COVID-19: Education Stabilization Fund	N/A	State of Arizona, Office of the Governor	GR-GEER-SEP-DGCSCOTTSDALE-47	61,039	
	Total 84.425				<u>805,355</u>	
	Total U.S. Department of Education				<u>805,355</u>	
U.S. Department of Health and Human Services						
93.933	Demonstration Projects for Indian Health	N/A	National Congress of American Indians	H1H4-HIS-0004-06-00	47,224	
93.933	Demonstration Projects for Indian Health	N/A	Boys & Girls Clubs of America	H1H4IHS0006-02-00	57,232	
	Total 93.933				<u>104,456</u>	
	Total U.S. Department of Health and Human Services				<u>104,456</u>	
	Total Expenditures of Federal Awards				<u>\$ 993,116</u>	<u>\$</u>

The accompanying notes are an integral part of this schedule.

Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA, the schedule) includes the federal grant activity of Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries (the Organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 - FEDERAL ASSISTANCE LISTING NUMBERS

The program titles and Federal Assistance Listing (FAL) numbers were obtained from federal or pass-through grantors or the *2024 Federal Assistance Listings*. When no Federal Assistance Listing numbers had been assigned to a program, the two digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the 2-digit federal agency identifier and the word "unknown" were used.

NOTE 3 - INDIRECT COST RATE

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - SUBRECIPIENTS

The Organization did not pass pass through federal funding to subrecipients during the year ended June 30, 2024.



**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Consolidated Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of
Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries
Scottsdale, Arizona

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 and Girls Club of Greater Scottsdale, Inc. and Subsidiaries (the Organization, a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, statement of functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 8, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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. 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 may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 audit, and accordingly, we do not express such an opinion.

Purpose of this Report

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

Fester & Chapman, PLLC

January 8, 2025



**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

To the Board of Directors of
Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries
Scottsdale, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries's (the Organization) 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 each of the Organization's major federal programs for the year ended June 30, 2024. The Organization's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 Organization's 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 Organization's federal programs.

Auditor's 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 due to fraud or error, and express an opinion on the Organization's 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting 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 Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Organization's 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 Organization's 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 Organization's 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 a 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 Auditor's Responsibilities for the 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.

Fester & Chapman, PLLC

January 8, 2025

Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditors' Report issued:	Unmodified	
	<u>Yes</u>	<u>No</u>
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	_____	<u>X</u>
Internal control over financial reporting:		
Material weaknesses identified?	_____	<u>X</u>
Significant deficiencies identified?	_____	<u>X</u>
Noncompliance material to the financial statements noted?	_____	<u>X</u>

Federal Awards

Internal control over major programs:		
Material weakness identified?	_____	<u>X</u>
Significant deficiencies identified?	_____	<u>X</u>
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	_____	<u>X</u>

Identification of major programs:

<u>Federal Assistance Listings Number</u>	<u>Name of Federal Program or Cluster</u>
84.425/84.425C	COVID-19: Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<u>X</u> _____

Other Matters:

Auditee's Summary Schedule of Prior Findings required to be reported in accordance with 2 CFR §200.511(b)?	<u>X</u> _____
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Boys and Girls Club of Greater Scottsdale, Inc. and Subsidiaries

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

Section II - Financial Statement Findings

None noted.

Section III - Findings and Questioned Costs - Major Federal Award Programs' Audit.

None noted.



BOYS & GIRLS CLUBS
OF GREATER SCOTTSDALE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2024

Status of Financial Statement Findings:

Finding No.: 2023-001: Significant Deficiency in Financial Statements Presented in Accordance with GAAP

Status: Fully corrected

ADMINISTRATIVE OFFICES

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