

**BOYS & GIRLS CLUB OF BURBANK
AND GREATER EAST VALLEY, INC.**

Financial Statements and
Independent Auditor's Report

June 30, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors of
Boys & Girls Club of Burbank and Greater East Valley, Inc.

Opinion

We have audited the accompanying financial statements of Boys & Girls Club of Burbank and Greater East Valley, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its 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. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements.

In performing an audit in accordance with generally accepted 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 Organizations 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.

JLK Rosenberger, LLP

Glendale, California
January 23, 2024

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Financial Position
As of June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 548,186	\$ 324,659
Equity securities	-	5,606
Promises to give, net of allowance for doubtful accounts of \$22,082 and \$22,082	1,302,407	673,283
Refund receivable - ERC	608,431	931,546
Prepaid expenses and other assets	47,585	58,901
Total current assets	<u>2,506,609</u>	<u>1,993,995</u>
Property and equipment, net	6,078,119	6,129,670
Beneficial interest in endowment fund	61,609	57,495
Total assets	<u>\$ 8,646,337</u>	<u>\$ 8,181,160</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 290,501	\$ 228,641
Compensated absences	73,694	58,678
Deferred support	71,734	74,740
Current portion of notes payable	73,903	32,214
Total current liabilities	<u>509,832</u>	<u>394,273</u>
Notes payable, less current portion	650,143	968,531
Total liabilities	<u>1,159,975</u>	<u>1,362,804</u>
Net assets:		
Without donor restrictions	7,424,435	6,542,267
With donor restrictions	61,927	276,089
Total net assets	<u>7,486,362</u>	<u>6,818,356</u>
Total liabilities and net assets	<u>\$ 8,646,337</u>	<u>\$ 8,181,160</u>

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

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Activities
For the Years Ended June 30, 2023 and 2022

	2023	2022
Changes in unrestricted net assets:		
Unrestricted support:		
Contributions	\$ 990,181	\$ 247,328
Program services	3,400,529	2,497,146
Special events revenue, net	135,036	169,125
Fundraising revenue	131,007	112,897
Donated materials, services and facilities	259,871	209,674
Gain on disposal of property and equipment	-	11,000
Net appreciation (depreciation) in beneficial interest endowment fund	4,113	(9,603)
Net investment income (loss)	21,158	(3,405)
Total unrestricted support	<u>4,941,895</u>	<u>3,234,162</u>
Net assets released from donor restrictions:		
Satisfaction of program restrictions	<u>1,112,983</u>	<u>3,203,791</u>
Total unrestricted support and other support	<u>6,054,878</u>	<u>6,437,953</u>
Expenses:		
Program services	4,331,951	3,348,950
Support services:		
Management and general	437,427	418,345
Fundraising	403,332	360,375
Total unrestricted expenses	<u>5,172,710</u>	<u>4,127,670</u>
Increase in unrestricted net assets	<u>882,168</u>	<u>2,310,283</u>
Changes in donor restricted net assets:		
Capital campaign contributions, net of discount	262,642	1,320,456
Contributions, net	636,179	442,363
PPP grant revenue	-	503,916
Net assets released from donor restrictions	<u>(1,112,983)</u>	<u>(3,203,791)</u>
Decrease in donor restricted net assets	<u>(214,162)</u>	<u>(937,056)</u>
Increase in net assets	668,006	1,373,227
Net assets, beginning of year	<u>6,818,356</u>	<u>5,445,129</u>
Net assets, end of year	<u>\$ 7,486,362</u>	<u>\$ 6,818,356</u>

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

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Functional Expenses
For the Year Ended June 30, 2023

	2023			
	Program Services	Management and General	Fundraising	Total
Personnel expenses:				
Salaries	\$ 2,575,748	\$ 292,614	\$ 198,433	\$ 3,066,795
Payroll taxes and employee benefits	306,847	34,859	23,639	365,345
Total personnel expenses	<u>2,882,595</u>	<u>327,473</u>	<u>222,072</u>	<u>3,432,140</u>
Operating expenses:				
Facilities rent	159,858	6,135	4,161	170,154
Facilities operating	194,329	22,076	14,971	231,376
Supplies and materials	339,460	-	87,443	426,903
Membership and dues	23,503	2,431	3,750	29,684
Insurance	56,828	6,456	4,378	67,662
Professional services	160,981	18,288	19,357	198,626
Vehicle expense	17,732	-	-	17,732
Postage and printing	1,497	170	403	2,070
Telephone	13,532	1,537	1,042	16,111
Office supplies	-	12,379	982	13,361
Workshops and training	29,120	3,308	2,243	34,671
Other	170,012	10,304	24,309	204,625
Depreciation	282,504	26,870	18,221	327,595
Total expenses	<u>\$ 4,331,951</u>	<u>\$ 437,427</u>	<u>\$ 403,332</u>	<u>\$ 5,172,710</u>

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

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Functional Expenses (Continued)
For the Year Ended June 30, 2022

	2022			
	Program Services	Management and General	Fundraising	Total
Personnel expenses:				
Salaries	\$ 1,927,093	\$ 271,356	\$ 177,973	\$ 2,376,422
Payroll taxes and employee benefits	250,179	35,228	23,105	308,512
Total personnel expenses	2,177,272	306,584	201,078	2,684,934
Operating expenses:				
Facilities rent	174,228	10,080	6,611	190,919
Facilities operating	154,686	21,782	14,286	190,754
Supplies and materials	220,016	-	74,789	294,805
Membership and dues	18,085	2,199	3,908	24,192
Insurance	38,747	5,456	3,578	47,781
Professional services	147,794	20,811	15,049	183,654
Vehicle expense	22,749	-	-	22,749
Postage and printing	1,814	255	226	2,295
Telephone	15,451	2,176	1,427	19,054
Office supplies	-	10,805	955	11,760
Workshops and training	28,399	3,999	2,623	35,021
Other	115,652	4,455	16,338	136,445
Depreciation	234,057	29,743	19,507	283,307
Total expenses	\$ 3,348,950	\$ 418,345	\$ 360,375	\$ 4,127,670

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

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Increase in net assets	\$ 668,006	\$ 1,373,227
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contribution of investments	(75,266)	(90,050)
(Gain) loss on disposal of investments	(4,930)	13,793
Gain on disposal of property and equipment	-	(11,000)
Community fund endowment return	(912)	(744)
Depreciation and amortization	327,595	283,307
Changes in assets and liabilities:		
Promises to give	(629,124)	(66,511)
Refund receivable - ERC	323,115	-
Prepaid expenses and other assets	11,316	1,738
Accounts payable and accrued expenses	61,860	53,771
Compensated absences	15,016	12,469
Deferred support	(3,006)	22,033
Refundable advance - PPP loan	-	(503,916)
Net cash provided by operating activities	<u>693,670</u>	<u>1,088,117</u>
Cash flows from investing activities:		
Proceeds on sale of property and equipment	-	11,000
Purchase of property and equipment	<u>(276,044)</u>	<u>(463,285)</u>
Net cash used in investing activities	<u>(276,044)</u>	<u>(452,285)</u>
Cash flows from financing activities:		
Repayment of notes payable	(276,699)	(1,780,226)
Proceeds on sale of investments	<u>82,600</u>	<u>80,997</u>
Net cash used in financing activities	<u>(194,099)</u>	<u>(1,699,229)</u>
Net increase (decrease) in cash	223,527	(1,063,397)
Cash and cash equivalents at beginning of year	<u>324,659</u>	<u>1,388,056</u>
Cash and cash equivalents at end of year	<u>\$ 548,186</u>	<u>\$ 324,659</u>
Supplemental disclosures about cash flows:		
Interest paid	<u>\$ 26,638</u>	<u>\$ 65,580</u>

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

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements June 30, 2023 and 2022

1. Summary of Significant Accounting Policies

Nature of Activities

The Boys & Girls Club of Burbank and Greater East Valley, Inc. (the “Organization”), headquartered in Burbank, California, is a member of Boys & Girls Clubs of America (“BGCA”). The primary mission of BGCA is to assure and enhance the quality of life for youth as participating members of a richly diverse urban society. With special concern for the disadvantaged, Boys & Girls Clubs help youths realize their potential for growth and development. The Organization is concentrated in Burbank, California, and the surrounding communities. The Organization provides services based on principles and behavioral guidance, which will achieve the health, social, educational, vocational, character, and leadership development of their members. The Organization is supported primarily through program services, donor contributions, and fundraising events.

The Organization has a policy where no child is turned away for an inability to pay. Low income families can apply for financial aid and may qualify for a reduced tuition. For the years ended June 30, 2023 and 2022, the Organization offered approximately \$133,000 and \$128,000, respectively, of financial aid in the form of reduced tuition to families in need, which is recorded as a reduction of program services in the statements of activities.

Basis of Presentation

These financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. These assets are available to support the Organization’s activities and operations at the direction of the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that will be met by actions of the donor, the Organization, and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued)
June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash equivalents consist of treasury bills with original maturities of three months or less at the date of purchase, and are carried at cost, which approximates fair value.

Equity Securities

Equity securities are reported at fair value with changes in unrealized gains and losses recognized in earnings.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. An allowance for doubtful accounts is established when events or changes in circumstances indicate that specific receivable balances may be uncollectible.

Fair Value Measurements

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Accordingly, when market observable data is not readily available, the Organization's own assumptions are set to reflect those that market participants would be presumed to use in pricing the asset or liability at the measurement date. Financial assets and financial liabilities recorded in the balance sheets at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

Level 1 - Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets that the Organization can access.

Level 2 - Financial assets and financial liabilities whose values are based on (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in non-active markets, or (c) valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the Organization's estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

Property and Equipment

Property and equipment are carried at cost if purchased and estimated fair market value if contributed, less accumulated depreciation and amortization. Property and equipment are depreciated or amortized on a straight-line basis over their estimated service lives, which range from five to twenty years. Expenditures for major improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense when incurred. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the remaining lease term.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued)
June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Deferred Support

The Organization recognizes support revenues with respect to fundraising events in the period the event occurs. Accordingly, payments received in advance are deferred until the time of the event.

Contributions

Contributions received are recorded as unrestricted or restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Conditional contributions received prior to incurring qualifying expenditures are reported as refundable advances and recognized in contributions upon satisfaction of donor-imposed conditions. Revenue from contributions subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments), are recognized when the barrier is satisfied.

Program Services

The Organization collects registration and other fees from its members to help offset the costs associated with the registration process and certain elective programs. Such fees are recorded as unrestricted support and reported as program services in the statement of activities when services are rendered. Payments received in advance are deferred until earned.

Donated Assets and Services

Donations of non-cash assets are recorded as contributions at their estimated fair value at the date of donation and reported as expense when utilized or monetized. Such donations are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Donated assets are either distributed for program use or monetized during the Organization's special events. The donations are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions.

Donated services 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 by the Organization.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued)
June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Organization is a public charity that has obtained an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for federal or state income taxes. The Organization is subject, however, to Federal and California income taxes on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. For the fiscal year ended June 30, 2023, the Organization had no unrelated business income.

Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in ASU 2016-02 created FASB Accounting Standard Codification (“ASC”) Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU was effective for the fiscal year ending June 30, 2023. The standard did not have a material impact on the financial statements.

New Accounting Standards Not Yet Adopted

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The current expected credit loss, or CECL, model established by ASU 2016-13, requires the immediate recognition of estimated expected credit losses over the life of financial instruments such as accounts receivable or notes receivable. The model takes into consideration historical as well as current and future economic conditions and events. The ASU is effective for the fiscal year ending June 30, 2024 and is not expected to have a material impact on the financial statements.

Reclassifications

Certain balances in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements. These reclassifications had no effect on net assets.

2. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, equity securities and promises to give. The Organization maintains most of its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash, cash equivalents and equity securities.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2023 and 2022

2. Concentration of Credit Risk (Continued)

Concentration of credit risk with respect to promises to give are limited generally due to no right of return on the asset after it has been pledged to the Organization. During fiscal year 2018, the Organization started a capital campaign to raise \$6 million for a new main facility. For the years ending June 30, 2023 and 2022, four donors accounted for approximately 96% and three donors accounted for approximately 74% of total capital campaign contribution, respectively. As of June 30, 2023 and 2022, three donors accounted for approximately 94% and 86% of the capital campaign receivable, respectively.

For the years ending June 30, 2023 and 2022, three donors accounted for approximately 71% and two donors accounted for approximately 29% of contributions, other than capital campaign contributions, respectively. As of June 30, 2023 and 2022, two and four donors accounted for approximately 76% of the pledged receivable, respectively.

3. Investments

The following schedule summarizes the investment income (loss) and its classification in the statements of activities for the years ended June 30:

	2023	2022
Interest and dividends	\$ 4,236	\$ 219
Interest on refund receivable	17,245	-
Realized gains (losses)	1,728	(1,963)
Unrealized losses	(2,051)	(1,661)
Total	\$ 21,158	\$ (3,405)

4. Fair Value Measurements

The following table sets forth by level within fair value hierarchy the Organization's invested assets as of June 30:

	Level 1	Level 2	Level 3	Total
2023				
Beneficial interest in endowment fund	\$ -	\$ -	\$ 61,609	\$ 61,609
2022				
Equity securities	\$ 5,606	\$ -	\$ -	\$ 5,606
Beneficial interest in endowment fund	-	-	57,495	57,495
Total	\$ 5,606	\$ -	\$ 57,495	\$ 63,101

See Note 8 for summary of changes in the fair value of the endowment fund (level 3 asset) for the years ended June 30, 2023 and 2022.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2023 and 2022

5. Promises to Give

Unconditional promises to give are due in one year and consisted of the following as of June 30:

	2023	2022
Unrestricted, net of allowance for doubtful accounts of \$9,210 and \$9,210	\$ 1,246,892	\$ 619,294
Donor restricted - Social recreation program	39,725	-
Donor restricted - Capital campaign, net of discount of \$6,554 and \$6,554 and allowance for doubtful accounts of \$12,872 and \$12,872	15,790	53,989
Total	\$ 1,302,407	\$ 673,283

During fiscal year 2018, the Organization started a capital campaign to raise \$6 million for a new main facility. Certain promises to give were commitments over time (3 – 5 years) and as such the donations were discounted using the Organization’s cost of funds (as determined by the line of credit interest of 9.25% and 5.75% at June 30, 2023 and 2022, respectively). Additionally, an allowance for doubtful accounts was recorded against these receivables for donations that may not be received for various reasons. The gross amount of the capital campaign receivable was \$35,216 and \$73,415 on June 30, 2023 and 2022, respectively.

6. Conditional Promises to Give

The Organization was selected by BCGA to participate in a federally funded project known as Mentoring at Boys & Girls Clubs. The Organization is reimbursed for allowable expenses associated with the initiative, which is awarded on a calendar year basis. For the years ended June 30, 2023 and 2022, the Organization incurred allowable expenses of \$97,571 and \$34,149, respectively, and was reimbursed \$97,571 and \$47,500, respectively.

The Organization was selected by the California Alliance of Boys & Girls Clubs to participate in a California Violence Intervention & Prevention Grant. The Organization is to be reimbursed for allowable expenses associated with the program in the amount of \$179,484 per year for three years between July 1, 2022 and June 20, 2025. For the year ended June 30, 2023, the Organization incurred allowable expenses of \$168,326 and was reimbursed \$77,893.

The Organization was selected by the U.S. Department of Education to participate in a federally funded project for education technology. The Organization is to be reimbursed for allowable expenses associated with the project in the amount of \$250,000. The performance period is from September 1, 2022 through September 1, 2023. For the year ended June 30, 2023, the Organization incurred allowable expenses of \$225,157 and was reimbursed \$225,157.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2023 and 2022

7. Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Land	<u>\$ 1,037,796</u>	<u>\$ 1,037,796</u>
Bungalows	412,752	393,492
Sports equipment	2,550	2,550
Computer equipment	223,227	170,721
Office equipment	83,819	83,819
Vehicles	220,751	173,719
Building	4,316,128	4,316,128
Building improvements	<u>810,934</u>	<u>653,688</u>
	6,070,161	5,794,117
Accumulated depreciation and amortization	<u>(1,029,838)</u>	<u>(702,243)</u>
Property and equipment, net	<u>5,040,323</u>	<u>5,091,874</u>
Total property and equipment, net	<u>\$ 6,078,119</u>	<u>\$ 6,129,670</u>

Depreciation and amortization for the years ended June 30, 2023 and 2022 were \$327,595 and \$283,307, respectively.

8. Beneficial Interest in Endowment Fund

On September 19, 2011, the Organization received an unrestricted contribution from a member of the local community. The board of the Organization sought to preserve the assets of the contribution and irrevocably gifted \$85,526 to the Community Foundation of the Verdugos (the "Foundation") which created the Boys & Girls Club of Burbank and Greater East Valley Endowment (the "Fund"). The purpose of the Fund is "to provide financial support to the Boys & Girls Club of Burbank and Greater East Valley or for its specific programs or projects."

Variance power has been granted to the Foundation protecting the Fund from obsolescence. If, in the sole judgment of the Board of Directors of the Foundation, the purpose for which the Fund was created ever becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by the Foundation, the Foundation's Board of Directors shall modify any restriction or condition on the use or distribution of the income and principal of the Fund.

Of the average Fund balance of the preceding 12 quarters, 4.5% may be distributed to the Organization, subject to the Foundation's discretion. No amounts over 4.5% were distributed during 2023 or 2022. The Fund is invested by the Foundation in a pool with similar funds. The Organization is credited its share of earnings from the pool and charged fees for administration of the fund. Net earnings of the Fund are included in investment return in the accompanying statement of activities.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2023 and 2022

8. Beneficial Interest in Endowment Fund (Continued)

The Foundation has employed a total return investment policy with an objective of preserving the endowment capital, protecting the purchasing power of the funds, and providing cash flows to assist in the funding of the Foundation's grants and expenses. The Foundation invests funds in a diversified portfolio of cash, bonds, common stocks, preferred stocks, mutual funds, exchange traded funds, and where appropriate, alternative investments. The investments are further diversified within asset classes such as by economic sectors, industry, quality, and capitalization.

The Fund had \$0 and \$10,963 available for use by the Organization at June 30, 2023 and 2022, respectively. Management elected to reinvest available funds.

The Fund activities for the years ended June 30 are as follows:

	2023	2022
Balance, beginning of year	\$ 57,495	\$ 67,097
Earnings:		
Interest and dividends	1,467	1,394
Realized gains	488	529
Unrealized gains (losses)	3,202	(10,346)
Expenses charged to the Fund:		
Administrative fees	(736)	(124)
Other	(307)	(1,055)
Net appreciation (depreciation) of the Fund	4,114	(9,602)
Distributions	-	-
Balance, end of year	\$ 61,609	\$ 57,495

9. Line of Credit

The Organization maintains a one year revolving line of credit with a financial institution that renews annually. The line of credit is for \$100,000, expires on January 28, 2024, and bears interest at the bank's prime rate (8.25% and 4.75% at June 30, 2023 and 2022, respectively) plus 1%. As of June 30, 2023 and 2022, there was no outstanding balance on the line of credit.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30:

	2023	2022
Capital campaign for new facility	\$ 15,790	\$ 265,914
Consulting for merger opportunities	6,412	6,412
Purchase of vehicle	-	3,763
Social recreation program	39,725	-
Total net assets with donor restrictions	\$ 61,927	\$ 276,089

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2023 and 2022

11. Donated Materials, Services and Facilities

The value of donated materials, services, and facilities included as contributions in the statements of activities and the corresponding expenses for the years ended June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Facility rental	\$ 37,663	\$ 22,701
Materials and supplies	<u>222,208</u>	<u>186,973</u>
Total donated materials, services and facilities	<u>\$ 259,871</u>	<u>\$ 209,674</u>

The Organization rents its facilities for \$1 a year on a month-to-month basis. For the year ended June 30, 2023, the estimated rental value for three facilities: St. Bridget, St. Patrick Catholic Church, and St. Elisabeth, was \$4,902, \$26,363, and \$6,398, respectively. For the year ended June 30, 2022, the estimated rental value for two facilities: Our Lady of Holy Rosary and St. Patrick Catholic Church, was \$4,746 and \$17,955, respectively.

12. Defined Contribution Plan

The Organization has elected to be part of the BGCA's 401(k) Safe Harbor Master Plan ("the Plan") whereby employees and employer can make contributions to the Plan up to the maximum allowed by law. The Organization may elect to contribute a Safe Harbor Matching Contribution to the Trust Fund on behalf of each eligible participant in a uniform percentage equal to 100% of a participant's elective deferrals which do not exceed 3% of compensation, plus 50% of elective deferrals which exceed 3%, but do not exceed 5% of compensation. The defined contribution plan expense for the years ended June 30, 2023 and 2022 were \$21,181 and \$25,253, respectively.

13. Commitments

An annual lease with the Burbank Unified School District is paid monthly. Rent expense paid for the years ended June 30, 2023 and 2022 was \$105,246 and \$101,326, respectively.

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Notes to Financial Statements (Continued) June 30, 2023 and 2022

14. Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of June 30:

	2023	2022
Cash and cash equivalents	\$ 548,186	\$ 324,659
Donor-imposed restrictions	(6,412)	(156,258)
Cash and cash equivalents available for general expenditures	541,774	168,401
Equity securities	-	5,606
Promises to give, net of allowance for doubtful accounts of \$9,210 and \$9,210	1,246,892	619,294
Refund receivable – ERC	608,431	931,546
Total financial assets	2,397,097	1,724,847
Amounts not available to be used within one year	-	-
Financial assets available to meet general expenditures over the next twelve months	\$ 2,397,097	\$ 1,724,847

The Organization is substantially supported by program revenues. The Organization reviews its liquidity monthly with the board of directors. In the event of an unanticipated liquidity need, the Organization also has \$100,000 available on its line of credit at June 30, 2023.

15. Notes Payable

Notes payable consist of the following at June 30:

	2023	2022
Gain Federal Credit Union, secured by vehicle, imputed interest of 9.25%, payable in monthly installments, due October 2023	\$ 1,203	\$ 5,934
Gain Federal Credit Union, secured by real property, bears interest at 3.435%, payable in monthly installments, due January 2036	722,843	994,811
Total	724,046	1,000,745
Less current portion	(73,903)	(32,214)
Total net of current portion	\$ 650,143	\$ 968,531

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Notes to Financial Statements (Continued) June 30, 2023 and 2022

15. Notes Payable (Continued)

The following is a schedule by years of the future minimum payments on the Organization's notes payable:

Years ended June 30,	
2024	\$ 73,903
2025	24,080
2026	24,921
2027	25,790
2028	26,690
Thereafter	<u>548,662</u>
Total	<u>\$ 724,046</u>

For the years ended June 30, 2023 and 2022, interest expense on the notes payable was \$26,638 and \$68,798, respectively.

16. Refundable Advance – PPP Loan

On February 2, 2021, the Organization received a second loan administered by the Small Business Administration in the amount of \$503,916 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The loan was fully forgiven during 2022 and accounted for as conditional contribution revenue.

17. Refund Receivable - ERC

The Employee Retention Credit ("ERC") was established by the CARES Act. It was intended to help organizations retain their workforces and avoid layoff during the coronavirus pandemic. It provides a per employee credit to eligible organizations based on a percentage of qualified wages and health insurance benefits paid to employees. Two critical tests for eligibility exist - a partial or total government-ordered shutdown, or a decline in gross receipts. The decline in gross receipts test is based on a significant decline in gross receipts in any one quarter of 2020 (more than 50%) and 2021 (more than 20%) compared with the same quarters in 2019. The credit is recorded as a refund receivable and revenue is recognized in the period the Organization determines the conditions have been substantially met. The Organization was eligible to receive a credit of \$931,546 for qualified wages and health insurance benefits paid to employees from January 2021 through June 2022. As of June 30, 2023 and 2022, the refund receivable balance was \$608,431 and \$931,546, respectively. Subsequent to the 2023 fiscal year end, the refund receivable balance was fully collected.

Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

18. Related-Party Transactions

The Organization uses IT technical support services of a company whose chief executive officer is on the Organization's advisory board of directors. For the years ended June 30, 2023 and 2022, the Organization paid \$108,190 and \$85,821, respectively, for IT technical support services.

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Notes to Financial Statements (Continued)
June 30, 2023 and 2022

19. Subsequent Events

Management has evaluated subsequent events through January 23, 2024 which is the date the financial statements were available to be issued. Except as discussed elsewhere in the financial statements, no events have occurred subsequent to June 30, 2023 requiring recording or disclosure in these financial statements.