

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

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

Year Ended June 30, 2021

**BOYS & GIRLS CLUBS OF THE VALLEY, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND UNIFORM GUIDANCE SUPPLEMENTARY REPORTS**

Year Ended June 30, 2021

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of **Boys & Girls Clubs of the Valley, Inc.** which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Boys & Girls Clubs of the Valley, Inc.** as of June 30, 2021, and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

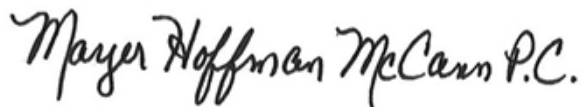
## **Other Matters**

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with 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 March 30, 2022 on our consideration of **Boys & Girls Clubs of the Valley, Inc.'s** internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 **Boys & Girls Clubs of the Valley, Inc.'s** internal control over financial reporting and compliance.



March 30, 2022

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2021

### ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 5,416,342
Receivables	5,061,321
Other current assets	<u>152,878</u>
TOTAL CURRENT ASSETS	10,630,541
CASH RESTRICTED FOR INVESTMENT IN PROPERTY AND EQUIPMENT	80,141
INVESTMENTS	6,189,082
PROPERTY AND EQUIPMENT, net	19,358,129
INTEREST IN FOUNDATION NET ASSETS	11,659,621
CASH SURRENDER VALUE OF LIFE INSURANCE	156,897
UNAMORTIZED DONATED LEASE RECEIVABLE, net of unamortized discount of \$724,408	4,532,860
OTHER ASSETS	<u>37,900</u>
TOTAL ASSETS	<u>\$ 52,645,171</u>

### LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 1,030,489
Accrued expenses	847,545
Deferred revenues	385,368
Current maturities of long-term debt	48,398
Current maturities of capital leases	<u>39,023</u>
TOTAL CURRENT LIABILITIES	2,350,823
LONG-TERM DEBT, less current maturities	322,892
CAPITAL LEASE OBLIGATIONS, less current maturities	<u>127,419</u>
TOTAL LIABILITIES	<u>2,801,134</u>
NET ASSETS	
Net assets without donor restriction	33,300,059
Net assets with donor restriction	<u>16,543,978</u>
TOTAL NET ASSETS	<u>49,844,037</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 52,645,171</u>

See Notes to Consolidated Financial Statements

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

### CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUES</b>			
Contributions and grants	\$ 14,401,790	\$ 1,547,778	\$ 15,949,568
Governmental fees	1,891,532	-	1,891,532
Program service fees	2,175,251	-	2,175,251
Change in interest in Foundation net assets	728,422	1,260,236	1,988,658
Donated facilities, materials and services	947,702	-	947,702
Investment income, net	114,121	-	114,121
Change in cash surrender value of life insurance	2,896	-	2,896
Net realized and unrealized investment gains	568,421	-	568,421
Other	68,282	-	68,282
Total support and revenues before special events and net assets released from restrictions	20,898,417	2,808,014	23,706,431
Special events revenues	2,117,376	-	2,117,376
Less costs of direct donor benefits	(450,978)	-	(450,978)
Gross profit on special events	1,666,398	-	1,666,398
Net assets released from restrictions	3,471,103	(3,471,103)	-
<b>TOTAL SUPPORT AND REVENUES</b>	26,035,918	(663,089)	25,372,829
<b>EXPENSES</b>			
Personnel costs	12,311,086	-	12,311,086
Professional fees	1,314,830	-	1,314,830
Supplies	1,330,641	-	1,330,641
Telephone	160,418	-	160,418
Postage	11,683	-	11,683
Occupancy	3,004,123	-	3,004,123
Equipment	639,966	-	639,966
Public relations/Printing	404,061	-	404,061
Transportation	112,254	-	112,254
Conferences, conventions and meetings	63,586	-	63,586
Professional dues	41,542	-	41,542
National dues	24,304	-	24,304
Youth assistance	115,660	-	115,660
Insurance	376,517	-	376,517
Interest	17,116	-	17,116
Other	112,829	-	112,829
Depreciation	1,879,113	-	1,879,113
<b>TOTAL EXPENSES</b>	21,919,729	-	21,919,729
GAIN ON FORGIVENESS OF PPP LOAN	2,413,900	-	2,413,900
LOSS ON SALE OF PROPERTY AND EQUIPMENT	(346,052)	-	(346,052)
<b>CHANGE IN NET ASSETS</b>	6,184,037	(663,089)	5,520,948
NET ASSETS, BEGINNING OF PERIOD	27,116,022	17,207,067	44,323,089
NET ASSETS, END OF PERIOD	\$ 33,300,059	\$ 16,543,978	\$ 49,844,037

See Notes to Consolidated Financial Statements

**BOYS & GIRLS CLUBS OF THE VALLEY, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2021

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs:				
Salaries	\$ 8,376,056	\$ 639,325	\$ 1,131,818	\$ 10,147,199
Employee benefits	1,075,458	95,660	150,526	1,321,644
Payroll taxes	<u>688,958</u>	<u>57,006</u>	<u>96,278</u>	<u>842,242</u>
Total personnel costs	10,140,472	791,991	1,378,622	12,311,085
Professional fees	995,555	188,129	149,958	1,333,642
Supplies	1,345,892	15,180	302,937	1,664,009
Telephone	135,676	12,383	12,359	160,418
Postage	759	5,587	5,337	11,683
Occupancy	2,781,101	119,579	116,318	3,016,998
Equipment	522,666	58,816	71,316	652,798
Public relations/Printing	210,441	13,378	254,464	478,283
Transportation	110,012	1,378	805	112,195
Conferences, conventions and meetings	38,350	3,955	19,629	61,934
Professional dues	10,386	12,469	18,687	41,542
National dues	24,304	-	-	24,304
Youth assistance	115,660	-	-	115,660
Insurance	351,097	12,808	12,612	376,517
Interest	55,110	15,880	42,419	113,409
Other	<u>3,139</u>	<u>8,045</u>	<u>5,933</u>	<u>17,117</u>
Total expenses before depreciation expense	16,840,620	1,259,578	2,391,396	20,491,594
Depreciation expense	<u>1,840,892</u>	<u>19,389</u>	<u>18,832</u>	<u>1,879,113</u>
 TOTAL EXPENSES	 <u>\$ 18,681,512</u>	 <u>\$ 1,278,967</u>	 <u>\$ 2,410,228</u>	 <u>\$ 22,370,707</u>

See Notes to Consolidated Financial Statements

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 5,520,948
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,879,113
Unrealized gain on investments	(342,616)
Realized gain on investments	(225,805)
Amortization of donated lease receivable	994,748
Loss on disposal of property	346,052
Change in discount on donated lease receivable	(56,777)
Contributions restricted to investment in property and equipment	45,000
Change in interest in Foundation net assets	(1,988,658)
Forgiveness of PPP loan	(2,413,900)
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Receivables	(839,430)
Other assets	(23,063)
Increase (decrease) in:	
Accounts payable	113,927
Accrued expenses	(150,151)
Deferred revenues	233,882
Net cash provided by operating activities	<u>3,093,270</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(906,623)
Transfer of assets to Boys & Girls Clubs of the Valley Foundation	(2,000,000)
Purchases of investments	(4,746,461)
Change in cash surrender value of life insurance	(2,896)
Proceeds from sales of investments	<u>2,128,406</u>
Net cash used in investing activities	<u>(5,527,574)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collection of contributions restricted to investment in property and equipment	355,000
Payments on term loan	(499,857)
Payments on capital lease obligations	(20,078)
Proceeds from forgivable loan	<u>98,671</u>
Net cash used in financing activities	<u>(66,264)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(2,500,568)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	<u>7,997,051</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	<u>\$ 5,496,483</u>
Cash and cash equivalents	5,416,342
Cash restricted for investment in property and equipment	<u>80,141</u>
Total cash and cash equivalents and restricted cash	<u>\$ 5,496,483</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	<u>\$ 17,116</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:	
Purchases of property and equipment in accounts payable	<u>\$ 79,091</u>
Purchase of property and equipment through capital lease	<u>\$ 138,164</u>

See Notes to Consolidated Financial Statements

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

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

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

On January 1, 2020 (inception), Boys & Girls Clubs of Metropolitan Phoenix, Inc. ("Metro Phoenix") and Boys & Girls Clubs of the East Valley ("East Valley") entered into an Agreement and Plan of Merger whereby the Metro Phoenix and East Valley combined their resources into a single organization named Boys & Girls Clubs of East Valley – Metro Phoenix, Inc., which was renamed to Boys & Girls Clubs of the Valley, Inc. in March 2020. The Board of Directors of both Metro Phoenix and East Valley ceded control and the two organizations merged together under the "carryover method" pursuant to FASB ASC 958-805 effective January 1, 2020.

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

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

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

#### Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Clubs. These net assets may be used at the discretion of the Clubs' management and the board of directors.

#### Net assets with donor restrictions

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

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

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

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

**Management's use of estimates** - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

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

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

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

**Revenue recognition and adoption of ASC Topic 606** - In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The Clubs recognize exchange transaction revenue under both a point in time and over time conventions as further disclosed below.

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

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

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

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

For the year ended June 30, 2021, revenue recognized under a point in time convention totaled approximately \$1,970,000 and revenue recognized under an over time convention totaled approximately \$2,097,000.

Accounts receivable for revenue recognized under Topic 606 are due to the Clubs unconditionally and thus are not contract assets. Accounts receivable for revenue recognized under Topic 606 totaled approximately \$180,600 and \$84,800 as of June 30, 2021 and July 1, 2020, respectively. The Clubs does not incur significant costs to obtain contracts as defined in ASC 340. The Clubs does incur costs to fulfill contracts, but these costs do not meet the capitalization criteria as defined in ASC 340 and are expensed as incurred. There are no contract assets as of June 30, 2021 and July 1, 2020. There are no material contract liabilities as of June 30, 2021 and 2020.

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

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

**Promises to give** - Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Clubs' past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the pledge's collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Clubs received conditional contributions of \$716,398 for which revenue had not yet been recognized as of June 30, 2021 as the conditions had not yet been satisfied.

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

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

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

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect account balances and the amounts in the accompanying consolidated financial statements.

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

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

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

**Impairment of long-lived assets** - The Clubs account for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded for the year ended June 30, 2021.

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

**Donated facilities, materials and services** - Donated facilities and materials are reflected as contributions in the consolidated statement of activities and change in net assets at their estimated fair values at the date of receipt. Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. No amounts have been reflected in the consolidated financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605; however, a substantial number of volunteers have donated significant amounts of their time in the Clubs' program services and fundraising campaigns. Management estimates that the unrecorded value of donated services was \$296,551 for the year ended June 30, 2021.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

The Clubs received the following donated materials and services for the year ended June 30, 2021:

	<u>Used for</u>	<u>Amount</u>
Donated leased land and space	Program	\$ 563,052
Other	Various	<u>384,650</u>
		<u>\$ 947,702</u>

Donated leased space includes annual agreements between the Clubs and lessors where the Clubs lease shared space for nominal rent. The annual value of the donated leased space is determined through estimates of fair market rent based on observable market inputs.

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

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

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

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

The Club's federal Return of Organizations Exempt from Income Tax (Form 990) for the year ended June 30, 2021 has not yet been filed. The Clubs federal Return of Organizations Exempt from Income Tax (Form 990) for the fiscal periods ending June 30, 2018, 2019 and 2020 are subject to examination by the IRS, generally for the three years after they were filed.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

**Risks and uncertainties** - On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic”. First identified in late 2019 and known now as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. As of the date of issuance of the consolidated financial statements, the Clubs’ operations have not been significantly impacted; however, the Clubs did temporarily close certain individual clubs as a requirement of governmental orders in the State of Arizona. No impairments were recorded as of the date of the consolidated statement of financial position as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management’s judgment regarding this could change in the future. Depending on the severity and duration of the pandemic, the Clubs could experience a material impact to operations if further decisions to close certain clubs are made by management. The pandemic could impact the Clubs ability to serve members, receive contributions and also could impact the performance of the Clubs’ investment portfolio.

**Paycheck protection program loan** - In April 2020, the Clubs applied for and received a forgivable Paycheck Protection (“PPP”) Loan of \$2,413,900 as provided under the Federal Coronavirus Aid, Relief and Economic Security (“CARES”) Act and the loan was funded in April 2020. Under the terms of the loan, the balance may be forgivable to the extent the proceeds are used for certain qualified costs for the 24-week period through October 2020 and that certain employment levels are maintained. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due in April 2022 and carries an interest rate of 1.00%. Monthly principal and interest payments are due beginning seven months after receipt of the proceeds. The Clubs accounted for this agreement in accordance with FASB ASC 470 as debt as of June 30, 2020. Forgiveness of the loan is to be recognized when the debtor is legally released from being the primary obligor under the liability, either judicially or by the creditor. This is to occur immediately once the debtor is legally released. In June 2021, the Clubs received notice from the Small Business Administration that the loan had been fully forgiven and the forgiveness payment had been remitted to the lender of record. The full balance of the PPP loan was forgiven and is presented on the consolidated statement of activities and change in net assets as a gain on forgiveness of PPP loan.

**Employee retention credit** - As part of the CARES Act, the Clubs qualified for an employee retention tax credit (“ERTC”). The Clubs account for the ERTC in accordance with FASB ASC 958-605 as a conditional contribution and recognize contribution revenue when the conditions associated with the credits are met. For the year ended June 30, 2021, the Clubs recorded approximately \$2,284,000 in contribution revenue for the ERTC. As of June 30, 2021, the Clubs recorded approximately \$1,851,000 in accounts receivable in the accompanying consolidated statement of financial position for credits earned but not yet received.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

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

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

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

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires the entity to present contributed nonfinancial assets in a separate line item in the statement of activities and changes in net assets and disclose qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. Additionally, the entity must disclose a description of the valuation techniques and inputs used to arrive at a fair value measure at initial recognition. The ASU is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Clubs is currently evaluating the impact adoption would have on the financial statements.

**Subsequent events** - The Clubs have evaluated events through March 30, 2022, which is the date the consolidated financial statements were available to be issued.

### (2) Liquidity and availability of resources

The following represents the Clubs financial assets at June 30, 2021:

Cash and cash equivalents	\$ 5,496,483
Receivables	5,061,321
Investments	<u>6,189,082</u>
Total financial assets	16,746,886
Less contractual or donor-imposed restrictions:	
Capital campaign and facilities remodel	(80,141)
Restricted for specific clubs or programs not expected to be used within the next twelve months	(4,358,115)
Scholarship fund	<u>(341,524)</u>
Total financial assets available for general expenditure within the next twelve months	<u>\$ 11,967,106</u>

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

### (2) Liquidity and availability of resources (continued)

The Clubs goal is generally to maintain financial assets to meet 90 days of cash operating expenses (approximately \$9.5 million). As part of its liquidity plan, excess cash is invested in short-term investments, including asset allocation mutual funds and short-term fixed income mutual funds. Although investments are classified as long-term based on management's intent, the investments held by the Clubs can be readily liquidated to support general expenditures within the next twelve months. The Clubs has a \$300,000 line of credit and a \$500,000 line of credit available to meet cash flow needs.

### (3) Receivables

Receivables consist of the following as of June 30, 2021:

Unconditional promises to give due in two to five years	\$ 60,000
Unconditional promises to give due in less than one year	1,184,236
Grants and contracts	3,245,045
Event receivables	527,040
Pledges restricted for investment in property and equipment	45,000
Total receivables	<u>\$ 5,061,321</u>

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

All receivable balances at June 30, 2021 are considered fully collectible by management and, accordingly, an allowance for doubtful account has not been provided.

### (4) Investments

Investments consist of the following as of June 30, 2021:

Capital appreciation mutual funds:	
Asset allocation funds	\$ 2,472,157
Capital preservation funds:	
Fixed income bond mutual funds-short term	3,710,924
Other capital preservation fund	6,001
Total capital preservation funds	<u>3,716,925</u>
Total investments	<u>\$ 6,189,082</u>

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

### (5) Property and equipment

Property and equipment consist of the following as of June 30, 2021:

Cost and donated value:	
Land	\$ 3,037,495
Buildings and improvements	39,143,445
Furniture and equipment	<u>7,017,754</u>
Total cost and donated value	49,198,694
Accumulated depreciation	<u>(29,840,565)</u>
Property and equipment, net	<u>\$ 19,358,129</u>

Depreciation expense charged to operations was \$1,879,113 for the year ended June 30, 2021.

### (6) Cash surrender value of life insurance

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

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

Long-term debt includes interest free notes payable to the City of Phoenix for various maintenance and improvement projects at branch locations. The principal balance of the notes is forgiven from the certificate of completion date (November 19, 2009, March 19, 2010, June 30, 2011, January 31, 2013, February 24, 2014, May 28, 2015, May 24, 2016, May 8, 2017, November 1, 2018 and September 3, 2020, respectively) over 10 years, at 20 percent per year over the last five years of the term of the notes, provided the properties are used exclusively for low and moderate income persons or eligible programs. If the Clubs fail to comply with the grant restrictions, the Clubs will be required to repay the full amount of the notes on demand. During fiscal 2021, the Clubs entered into another contract with the City of Phoenix in the amount of \$98,671 to support property improvements. At June 30, 2021, \$371,290 was outstanding under these notes.

The Clubs entered into a \$1,500,000 note payable during fiscal 2016. The note was for a period of 5 years, carried a fixed 3.50% interest rate, and was amortized over a 7-year term. The note was collateralized by securities of the Foundation. In December 2020, the Clubs paid the full outstanding balance of the note.

During fiscal 2016, the Clubs obtained a \$300,000 line of credit which has a maturity date of July 1, 2020. The maturity date has been extended through November 1, 2022. Interest will be the indexed rate of the lender, which is their prime rate. The indexed rate was approximately 4.50% at June 30, 2021. No amounts are outstanding under this line of credit as of June 30, 2021.

The Clubs has a \$500,000 operating line of credit with a bank, with interest payable at 3.28% with no maturity date. At June 30, 2021, no amounts are outstanding under this line of credit.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

At June 30, 2021, estimated annual maturities of long-term debt outstanding are as follows:

<u>Year Ending June 30,</u>			
2022	\$	48,398	
2023		45,818	
2024		45,818	
2025		33,644	
2026		33,644	
Thereafter		163,968	
Total annual debt maturities	\$	<u>371,290</u>	

Capital lease obligations consist of the following as of June 30, 2021:

Capital lease obligation payable to TFS Leasing; original amount of \$12,000; payable in monthly installments of \$446 including interest of 0.62% through January 2024, secured by equipment.	\$	8,767
Capital lease obligation payable to Ricoh USA; original amount of \$64,585; payable in monthly installments of \$1,249 including interest of 0.5% through March 2023, secured by equipment.		24,832
Capital lease obligation payable to Pacific Office Automation; original amount of \$138,164; payable in monthly installments of \$2,982 including interest of 10.51% through April 2026, secured by equipment.		<u>132,843</u>
Total		166,442
Less current maturities		<u>39,023</u>
Long-term maturities of capital lease obligations	\$	<u>127,419</u>

Future minimum capital lease payments are as follows:

<u>Year Ending June 30,</u>			
2022	\$	39,023	
2023		39,754	
2024		30,813	
2025		31,207	
2026		25,645	
Total minimum lease payments	\$	<u>166,442</u>	

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

### (8) Board designated net assets without donor restrictions

The board of directors has designated portions of the net assets without donor restrictions for various purposes, including staffing, the purchase of supplies, special projects, and operating reserves. Board designations of \$31,388 were released for the purposes of staffing, the purchase of supplies, special projects, and changes in operating reserves during the year ended June 30, 2021. The remaining board designated net assets totaled \$55,139 as of June 30, 2021.

### (9) Net assets with donor restrictions

Net assets with donor restrictions as of June 30, 2021 were as follows:

Purpose restrictions:	
Restricted for specific clubs or programs	\$ 5,973,756
Capital campaign and facilities remodel	80,141
Scholarship fund	341,524
Foundation endowment accumulated earnings	760,236
Time restrictions:	
Donated land and space leases	4,532,860
Perpetually restricted interest in Foundation net assets (Note 13)	<u>4,855,461</u>
Total net assets with donor restriction	<u>\$ 16,543,978</u>

The Clubs account for donated land received in July 2014 as restricted for specific clubs or programs in accordance with specific restrictions placed on the land usage pursuant to a quit-claim deed from the City of Mesa to the Club. The restriction is in place for a 17-year period, expiring in June 2031. As of June 30, 2021, \$1,588,235 is included as net assets restricted for specific clubs or programs. The Clubs releases this asset from restriction over the specified period.

Net assets released from net assets with donor restrictions during the year ended June 30, 2021 were as follows:

Purpose restrictions:	
Scholarship	\$ 114,046
Capital	693,445
Operations	1,615,641
Time restrictions:	
United Way	110,000
Donated land and space leases	<u>937,971</u>
Total releases from net assets with donor restrictions	<u>\$ 3,471,103</u>

### (10) Commitments and contingencies

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

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

### (10) Commitments and contingencies (continued)

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

<u>Years Ending June 30,</u>	
2022	\$ 313,019
2023	278,872
2024	216,985
2025	156,290
2026	68,992
Thereafter	<u>297,877</u>
Total minimum future rental payments	<u>\$ 1,332,035</u>

The operating leases make no provisions for renewal options, however, in the normal course of business the Clubs will either renew the leases or seek other arrangements. Rent expense associated with leases with noncancellable terms in excess of one year was \$294,576 during the year ended June 30, 2021.

The Clubs is a party to various long-term land lease agreements and shared use lease agreements with school districts and municipalities whereby the Clubs is provided access to land and/or space in a building for nominal rent. The land leases range from 30 to 99 years and the shared use leases range from 4 to 6 years, generally with options to renew. The leases are noncancellable except for matters of default by the Clubs. The Clubs recognizes a receivable for the donated use of the land and shared use buildings, an unconditional contribution by the donors. To determine the value of the receivable, the Clubs uses the lesser of the fair value of the leased premises or the fair value rent payments discounted over the lease term using a discount rate. Amortization of the receivable is recognized as rent expense on an annual basis. For the year ended June 30, 2021, the Clubs recognized \$937,971 of amortization on this receivable. As of June 30, 2021, the unamortized balance of the donated leases receivable and accompanying discount totaled \$4,532,860.

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

<u>Years Ending June 30,</u>	
2022	\$ 937,970
2023	937,970
2024	937,970
2025	804,785
2026	478,991
Thereafter	<u>435,174</u>
Total minimum future rental payments	<u>\$ 4,532,860</u>

**Contractual commitment** - The Clubs entered into an agreement with another organization to manage their dental clinic beginning July 1, 2019. The contractually obligated payments include monthly payments of \$37,500 through June 30, 2021. The agreement has been extended through March 31, 2022.

### (11) Retirement plan

The Clubs have a non-contributory defined contribution pension plan for all employees who meet specified age and service requirements. The plan is administered by the Clubs. The Clubs made annual contributions in the amount of 5% of eligible salaries during the year ended June 30, 2021. Total pension expense was \$319,157 during the year ended June 30, 2021.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

### (12) Related party transactions

The Clubs received contributions from board of director members of \$1,073,407 during the year ended June 30, 2021.

The Clubs received revenues from their national affiliate, The Boys and Girls Clubs of America, of \$1,062,276 during the year ended June 30, 2021.

The Clubs paid dues to their national affiliate, The Boys and Girls Clubs of America, of \$24,304 during the year ended June 30, 2021.

The Clubs recognized contributions from a related organization, Boys & Girls Clubs of the Valley Foundation (the "Foundation") totaling \$405,645 during the year ended June 30, 2021. As of June 30, 2021, \$405,645 in receivables is included in the accompanying consolidated statement of financial position.

The Foundation reimbursed the Clubs \$197,062 for operational activity costs that were conducted by staff of the Clubs during the period. These revenues are included in the accompanying statement of activities and change in net assets within other support and revenues. Accounts receivable from the Foundation related to reimbursement of operational activity costs was \$107,621 at June 30, 2021 and is included in receivables in the accompanying consolidated statement of financial position.

### (13) Interest in Foundation net assets

The Clubs and the Foundation, a separate 501(c)(3) organization, are financially interrelated organizations as defined by FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. The Foundation has a separate Board of Trustees of which the Clubs do not have a controlling interest. The Foundation collects and manages funds exclusively for the benefit of the Clubs. As such, the Clubs are the beneficiary of and have an explicit ongoing economic interest in the net assets of the Foundation. The economic interest recorded in the accompanying consolidated statement of financial position represents the Clubs' beneficial interest in the net assets of the Foundation. The Clubs' beneficial interest in the net assets of the Foundation totaled \$11,659,621 as of June 30, 2021.

Summarized financial information of the Foundation as of June 30, 2021 is as follows:

Total assets	<u>\$ 12,180,958</u>
Total liabilities	<u>\$ 521,337</u>
Net assets	
Net assets without donor restrictions	6,043,924
Net assets with perpetual donor restrictions	<u>5,615,697</u>
Total net assets	<u>\$ 11,659,621</u>
Total revenue	<u>\$ 761,461</u>
Investment gain	<u>\$ 1,865,438</u>
Total expense	<u>\$ 638,241</u>
Change in Foundation net assets	<u>\$ 1,988,658</u>

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2021

### (13) Interest in Foundation net assets(continued)

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

In fiscal 2021, the Board of Directors of the Clubs approved a \$2,000,000 transfer of assets from the Clubs to the Foundation to be invested at the discretion of the Foundation. The \$2,000,000 transfer is included in the interest in the net assets of the Foundation as of June 30, 2021 in the accompanying consolidated statement of financial position.

### (14) Fair value measurements

The following table summarizes the valuation of the Clubs' assets and liabilities subject to recurring fair value measurement by the above FASB ASC 820 categories as of June 30, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Capital appreciation mutual funds:				
Asset allocation funds	\$ 2,472,157	\$ 2,472,157	\$ -	\$ -
Capital preservation funds:				
Fixed income bond mutual funds-short term	3,710,924	3,710,924	-	-
Other capital preservation fund	<u>6,001</u>	<u>6,001</u>	<u>-</u>	<u>-</u>
Total capital preservation funds	<u>3,716,925</u>	<u>3,716,925</u>	<u>-</u>	<u>-</u>
Total investments at fair value	<u>\$ 6,189,082</u>	<u>\$ 6,189,082</u>	<u>\$ -</u>	<u>\$ -</u>

**UNIFORM GUIDANCE  
SUPPLEMENTARY REPORTS**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2021

<u>Federal Grantor / Pass-Through Agency / Program or Cluster Title</u>	<u>Asset Listing Number</u>	<u>Contract Number</u>	<u>Pass-Through Grantor's Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster				
Passed through Arizona Department of Education				
Summer Food Service Program for Children	10.559	Unknown	Unknown	\$ 696,059
Summer Food Service Program for Children	10.559	07-86-13-101	Unknown	117,292
National School Lunch Program	10.555	07-86-13	Unknown	<u>3,454</u>
Total Child Nutrition Cluster (10.555 and 10.559)				816,805
Passed through Arizona Department of Education				
Child and Adult Care Food Program	10.558	Unknown	Unknown	43,303
<b>Total U.S. Department of Agriculture</b>				<u>860,108</u>
<b>U.S. Department of Housing and Urban Development</b>				
Passed through City of Glendale				
Community Development Block Grants / Entitlement Grants	14.218	C21-0154	Unknown	15,000
Passed through City of Phoenix				
Community Development Block Grants / Entitlement Grants	14.218	144193-0	Unknown	42,000
Community Development Block Grants / Entitlement Grants	14.218	141741	Unknown	35,700
Community Development Block Grants / Entitlement Grants	14.218	139791-0	Unknown	30,519
Community Development Block Grants / Entitlement Grants	14.218	136847-0	Unknown	60,000
Community Development Block Grants / Entitlement Grants	14.218	148940-0	Unknown	75,000
Community Development Block Grants / Entitlement Grants	14.218	129690	Unknown	21,960
Community Development Block Grants / Entitlement Grants	14.218	132809	Unknown	48,697
Community Development Block Grants / Entitlement Grants	14.218	127427	Unknown	10,200
COVID-19 - Community Development Block Grants / Entitlement Grants	14.218	153025-0	Unknown	50,000
Community Development Block Grants / Entitlement Grants	14.218	152009-0	Unknown	<u>98,671</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<u>487,747</u>
<b>U.S. Department of Justice</b>				
Passed through Boys and Girls Clubs of America				
Juvenile Mentoring Program	16.726	OJP 2019-46613	Unknown	14,781
Juvenile Mentoring Program	16.726	OJP 2019-46638	Unknown	15,930
Juvenile Mentoring Program	16.726	OJP 2019-46639	Unknown	10,075
Juvenile Mentoring Program	16.726	OJP 2019-46640	Unknown	14,000
Juvenile Mentoring Program	16.726	OJP 2019-46647	Unknown	7,024
Juvenile Mentoring Program	16.726	OJP 2019-46648	Unknown	15,592
Juvenile Mentoring Program	16.726	OJP 2019-46649	Unknown	17,000
Juvenile Mentoring Program	16.726	OJP 2019-47704	Unknown	<u>16,000</u>
<b>Total U.S. Department of Justice</b>				<u>110,402</u>
<b>U.S. Department of Education</b>				
Passed through Arizona Department of Education				
Title I Grants to Local Educational Agencies	84.010	21FT1TTI-110117-01A	Unknown	103,383
Supportive Effective Instruction State Grants	84.367	21FT1TII-110117-03A	Unknown	9,882
Higher Education Institutional Aid	84.031	Consortium	Unknown	4,907
Student Support and Academic Enrichment Program	84.424	21FT4TIV-110117-01A	Unknown	10,010
Twenty-First Century Community Learning Centers	84.287	Unknown	Unknown	105,695
Passed through Arizona Department of Education				
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	20FESSER-010117-01A		85,121
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	CTR-051174	Unknown	588,662
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	CTR-053590	Unknown	555,000
Passed through Arizona Alliance of Boys & Girls Clubs				
COVID-19 - Governor's Emergency Economic Relief (GEER)	84.425C	ERMT-21-5013	Unknown	874,823
Total Economic Stabilization Fund (84.425)				<u>2,103,606</u>
Special Education Cluster (IDEA)				
Special Education - Grants to States (IDEA, Part B)	84.027	21FESCBG-110117-09A		42,326
Special Education - Preschool Grants (IDEA Preschool)	84.173	21FECCBP-110117-37A		1,126
Total Special Education Cluster (84.027 and 84.173)				<u>43,452</u>
<b>Total U.S. Department of Education</b>				<u>2,380,935</u>
<b>U.S. Department of Treasury</b>				
COVID-19 - Coronavirus Relief Fund	21.019	Various		<u>290,283</u>
<b>Total U.S. Department of Treasury</b>				<u>290,283</u>
<b>U.S. Department of Health and Human Services</b>				
Demonstration Projects for Indian Health	93.933	NCAI-19-013-EV-AZ		4,637
National Collaboration to Support Health, Wellness and Academic Success of School-Age Children	93.858	CDC-19-COW-03		<u>10,146</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>14,783</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 4,144,258</u>

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

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

**(1) Basis of presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of **Boys & Girls Clubs of the Valley, Inc.** under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of **Boys & Girls Clubs of the Valley, Inc.**, it is not intended to and does not present the consolidated financial position, change in net assets or cash flows of **Boys & Girls Clubs of the Valley, Inc.** **Boys & Girls Clubs of the Valley, Inc.** did not provide federal awards to sub-recipients during the year ended June 30, 2021.

**(2) Summary of significant accounting policies**

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

**(3) Loans outstanding**

**Boys & Girls Clubs of the Valley, Inc.** has loans outstanding for various maintenance and improvement projects at branch locations which are funded through Community Development Block Grants. Loans outstanding at the beginning of the year, as well as new loans established during the year ended June 30, 2021, are included in the federal expenditures presented in the accompanying schedule of expenditures of federal awards. The balance of loans outstanding at June 30, 2021 consists of:

<u>Federal Grantor/Program/ Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the City of Phoenix			
Community Development Block Grant/Entitlement Grants			
	14.218		
City of Phoenix		144193-0	\$ 42,000
City of Phoenix		141741	35,700
City of Phoenix		139791-0	30,519
City of Phoenix		136847-0	60,000
City of Phoenix		132809	48,698
City of Phoenix		127427	10,200
City of Phoenix		129690	21,960
City of Phoenix		148940	75,000
City of Phoenix		152009-0	98,671
Total loans outstanding			<u>\$ 422,748</u>



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

To the Board of Directors of

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of **Boys & Girls Clubs of the Valley, Inc.** (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated March 30, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered **Boys & Girls Clubs of the Valley, Inc.'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 **Boys & Girls Clubs of the Valley, Inc.'s** internal control. Accordingly, we do not express an opinion on the effectiveness of **Boys & Girls Clubs of the Valley, Inc.'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 entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

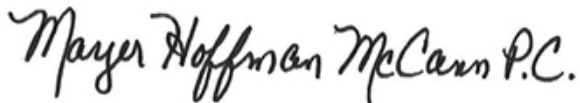
As part of obtaining reasonable assurance about whether **Boys & Girls Clubs of the Valley, Inc.'s** consolidated financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance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

### **Boys & Girls Clubs of the Valley, Inc.'s Response to Finding**

**Boys & Girls Clubs of the Valley, Inc.'s** response to the finding identified in our audit is described in the accompanying corrective action plan. **Boys & Girls Clubs of the Valley, Inc.'s** response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

### **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 **Boys & Girls Clubs of the Valley, Inc.'s** internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Boys & Girls Clubs of the Valley, Inc.'s** internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive script.

March 30, 2022



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

To the Board of Directors of

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

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

We have audited ***Boys & Girls Clubs of the Valley, Inc.'s*** compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Compliance Supplement that could have a direct and material effect on ***Boys & Girls Clubs of the Valley, Inc.'s*** major federal programs for year ended June 30, 2021. ***Boys & Girls Clubs of the Valley, Inc.'s*** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for ***Boys & Girls Clubs of the Valley, Inc.'s*** major federal programs based on our audit of the types of compliance requirements referred to above. 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 requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program occurred. An audit includes examining, on a test basis, evidence about ***Boys & Girls Clubs of the Valley, Inc.'s*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ***Boys & Girls Clubs of the Valley, Inc.'s*** compliance.

## Opinion on Major Federal Programs

In our opinion, **Boys & Girls Clubs of the Valley, Inc.** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

Management of **Boys & Girls Clubs of the Valley, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Boys & Girls Clubs of the Valley, Inc.'s** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Boys & Girls Clubs of the Valley, Inc.'s** internal control over compliance.

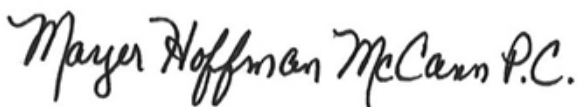
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-002, that we consider to be a significant deficiency.

## Boys & Girls Clubs of the Valley, Inc.'s Response to Finding

**Boys & Girls Clubs of the Valley, Inc.'s** response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. **Boys & Girls Clubs of the Valley, Inc.'s** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



March 30, 2022

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2021

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the consolidated financial statements noted?	No

**Federal Awards**

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of Auditors’ Report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.425	Elementary and Secondary School Emergency Relief (ESSER) Fund
21.019	Coronavirus Relief Fund
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

### Section II – Financial Statement Findings

<b>Item:</b>	<b>2021-001</b>
<b>Subject:</b>	Contribution revenue recognition
<b>Criteria or Specific Requirement:</b>	Management is responsible for preparing financial statements that comply with U.S. Generally Accepted Accounting Principles and to maintain internal controls that provide for the proper recognition of revenue in accordance with FASB ASC Topic 958.
<b>Condition:</b>	Certain contributions received by <b>Boys &amp; Girls Clubs of the Valley, Inc.</b> included conditions stipulated by the donor that were not met as of June 30, 2021 but were recorded by management as revenue for the year ended June 30, 2021.
<b>Context:</b>	An internal control was not properly designed to ensure conditional contributions were properly recognized in accordance with FASN ASC Topic 958.
<b>Effect:</b>	The consolidated financial statements were misstated and not presented in accordance with U.S. Generally Accepted Accounting Principles. Accordingly, audit adjustments were proposed to correct the misstatements. The cumulative impact of the errors was a reduction in the change in net assets for the year ended June 30, 2021 of \$650,000. This is deemed to be a material weakness in internal control over financial reporting.
<b>Cause:</b>	<b>Boys &amp; Girls Clubs of the Valley, Inc.</b> does not have a control in place related to the proper evaluation of conditions within received contributions pursuant to ASC Topic 958.
<b>Identification as a Repeat Finding:</b>	Not a repeat finding
<b>Recommendation</b>	We recommend that <b>Boys &amp; Girls Clubs of the Valley, Inc.</b> examine the policies and procedures surrounding the recognition of contribution revenue and the evaluation of the status of conditional contributions. Each contribution received should be reviewed for the existence of barriers to entitlement and rights of return by the donor to determine if a condition exists. Each conditional contribution should be tracked and evaluated regularly to determine whether the conditions have been met such that revenue should be recognized.
<b>View of Responsible Officials and Corrective Action Plan:</b>	Management of <b>Boys &amp; Girls Clubs of the Valley, Inc.</b> concurs with the finding. See Corrective Action Plan.

# BOYS & GIRLS CLUBS OF THE VALLEY, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

### Section III – Federal Awards Findings

**Item:** 2021-002

**Assistance Listing Number:**

21.019

**Program:**

Coronavirus Relief Fund

**Federal Agency:**

U.S. Department of the Treasury

**Award Period:**

July 1, 2020 – June 30, 2021

**Compliance Requirement:**

Allowable Activities & Costs

**Type of Finding:**

Significant deficiency in internal control over compliance

**Criteria:**

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

**Condition and Context:**

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

**Questioned Cost:**

None

**Cause:**

**Boys & Girls Clubs of the Valley, Inc.** did not adhere to the control activities in place related to record retention to support the supervisory approval and allowable nature of the program expenditures.

**Identification as a Repeat Finding:**

Not a repeat finding

**Recommendation:**

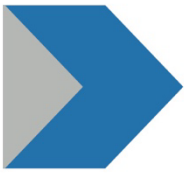
**Boys & Girls Clubs of the Valley, Inc.** should establish a consistent control procedure to be applied to all types of program expenditures. The approval of the expenditure should consistently be completed by a supervisor and retained with all related expenditure documentation.

**View of Responsible Officials and Corrective Action Plan:**

Management of **Boys & Girls Clubs of the Valley, Inc.** concurs with the finding. See Corrective Action Plan.

### Section IV – Status of Prior Years Findings

None



**BOYS & GIRLS CLUBS  
OF THE VALLEY**

**2021-2022  
OFFICERS**

**Glynis A. Bryan**  
BOARD CHAIR  
**Amy E. Patel**  
VICE CHAIR/TREASURER  
**Bart Patterson**  
VICE CHAIR/SECRETARY  
**Cullen Maxey**  
VICE CHAIR/BOARD  
DEVELOPMENT  
**Kevin McHolland**  
PAST BOARD CHAIR  
**Marcia Mintz**  
CEO

Audit Finding Number: 2021-001

Criteria: Management is responsible for preparing financial statements that comply with U.S. Generally Accepted Accounting Principles and to maintain internal controls that provide for the proper recognition in accordance with FASB ASC Topic 958.

Condition and Context: Certain contributions received by Boys & Girls Clubs of the Valley, Inc. included conditions by the donor that were not met as of June 30, 2021 but were recorded by management as revenue for the year ended June 30, 2021. An internal control was not properly designed to ensure conditional contributions were properly recognized in accordance with FASB ASC Topic 958.

Responsible Person: Swati Webb, Chief Financial Officer

Anticipated Completion Date: 3/31/2022

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

- Develop Standard Operating Procedures outlining steps to determine if revenue received is conditional and/or restricted. Completed February 28, 2022
- Create a revenue tracking worksheet that will evaluate all grants and contracts and be reviewed regularly to determine whether the conditions have been met such that revenue can be recognized. Created December 15, 2021 and reviewed and updated regularly.

Audit Finding Number: 2021-002

Assistance Listing Number: 21.019

Program: Coronavirus Relief Fund

Federal Agency: U.S. Department of the Treasury

Type of Finding: Significant deficiency in internal control over compliance

Compliance Requirement: Allowable Activities & Costs

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

Condition and Context: During testing of a non-statistical sample of 40 non-payroll expenditures, from a population of over 250, we noted 3 instances in which the contemporaneous documentation evidencing supervisory review and compliance with the allowable cost provisions were not

**BOARD OF DIRECTORS**

**Dale R. Adams**  
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**Michael J. Basil**  
**James G. Bazlen**  
**David A. Bloss, Sr.**  
**James Bosserman**  
**James F. Brewer**  
**Maria Brink**  
**Glynis A. Bryan**  
**Clarissa Cerda**  
**Thomas A. Collins, Sr.**  
**Neal S. Crapo**  
**David Crummey**  
**Alan Detata**  
**Freddie Dobbins**  
**Robert E. Dubberly**  
**Mark S. El-Tawil**  
**Patrick O. Epum**  
**Thomas J. Fletcher**  
**Dion Geary**  
**David S. Gifford**  
**Amy J. Gittler**  
**Darius A. Green**  
**Kami Hoskins**  
**Jackie Hunter**  
**James C. Katzman**  
**Linda Little**  
**Charles W. Lotzar**  
**Jeffrey D. Lowe**  
**Michael S. Melaragni**  
**Cullen Maxey**  
**Kevin W. McHolland**  
**Robert J. Micera**  
**James R. Moffett Jr.**  
**Tim Richards**  
**Muehlhausen**  
**Steven L. Ortega**  
**Glenn A. Pahnke**  
**Amy E. Patel**  
**Bart Patterson**  
**Michael S. Romano**  
**David W. Ralls**  
**William Rau**  
**Steve Ryan**  
**Jody R. Sarchett**  
**Meg T. Sassaman**  
**Mark W. Schouten**  
**Shelly L. Sexton**  
**Kimberly D. Shepard**  
**George Spelius**  
**Jim C. Stabilito**  
**Diana L. Vowels**  
**Sean R. Waltz**  
**Basil S. Zaidi**

retained by Boys & Girls Clubs of the Valley, Inc. Management was able to provide alternative evidence for the testing selections to support compliance with the allowable cost provisions.

Responsible Person: Swati Webb, Chief Financial Officer

Anticipated Completion Date: 4/30/2022

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

- Develop Standard Operating Procedures on the approval process of scholarships awarded for Members to include setting separate functions in the approval process to provide separation of duties and record retention guidelines.
- Require monthly reports to be reviewed in the system to ensure accurate entering of scholarship levels and payments. These reports should be retained for review by the Branch Director and follow record retention guidelines.