

Audited Financial Statements



**BOYS & GIRLS CLUB
OF HOLLYWOOD**

December 31, 2023

Quigley & Miron

**Boys and Girls Club of Hollywood
Audited Financial Statements
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Independent Auditor's Report

Board of Directors
Boys and Girls Club of Hollywood
Hollywood, California

Opinion

We have audited the accompanying financial statements of Boys and Girls Club of Hollywood (Club), a nonprofit organization, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Club as of December 31, 2023, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Club and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Club's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor 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 GAAS 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.

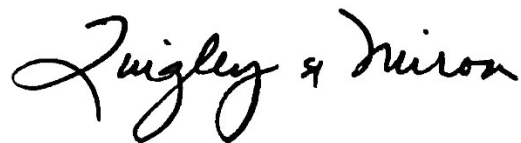
In performing an audit in accordance with GAAS, we:

- 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 Club’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 Club’s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the financial statements of the Boys and Girls Club of Hollywood as of December 31, 2022, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Los Angeles, California
July 25, 2024

Boys and Girls Club of Hollywood
Statement of Financial Position
December 31, 2023
(with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,751,435	\$ 1,392,308
Restricted cash—cash held for future club renovation	174,919	174,919
Investments—Note 3	1,420,781	1,329,656
Beneficial interest in funds held by PCF—Note 3	3,956,819	3,503,792
Grants and contributions receivable—Note 4	26,566	106,916
Prepaid expenses and other assets	5,934	6,156
Operating lease right-of-use asset—Note 13	424	2,879
Property and equipment, net—Note 5	6,339,197	6,544,544
Total Assets	<u>\$ 13,676,075</u>	<u>\$ 13,061,170</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 3,028	\$ 57,475
Salaries and employee benefits payable	57,830	44,717
Operating lease liability—Note 13	422	2,879
Deposits	5,500	5,500
Total Liabilities	<u>66,780</u>	<u>110,571</u>
Net Assets		
Without donor restrictions	9,383,165	8,933,932
With donor restrictions—Note 6	4,226,130	4,016,667
Total Net Assets	<u>13,609,295</u>	<u>12,950,599</u>
Total Liabilities and Net Assets	<u>\$ 13,676,075</u>	<u>\$ 13,061,170</u>

See notes to financial statements.

Boys and Girls Club of Hollywood
Statement of Activities
Year Ended December 31, 2023
(with summarized comparative totals for 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Operating Activities				
Public Support and Revenue				
Contributions and grants	\$ 700,390	\$ 30,854	\$ 731,244	\$ 951,459
Government grants	22,520		22,520	3,000
ERC grants—Note 7	116,080		116,080	
Fundraising events				
Gross revenue	160,115		160,115	150,923
Less cost direct benefits to donors	(5,377)		(5,377)	(36,753)
Fundraising Events, Net	154,738		154,738	114,170
In-kind contributions—Note 9	26,842		26,842	46,814
Program revenue				9,300
Interest and dividend income	103,324		103,324	34,583
Other income	223		223	3,433
Net assets released from restriction	401,034	(401,034)		
Total Public Support and Revenue	1,525,151	(370,180)	1,154,971	1,162,759
Expenses				
Youth program services	1,042,790		1,042,790	1,071,509
Management and general	150,936		150,936	119,747
Fund development	156,014		156,014	160,971
Total Expenses	1,349,740		1,349,740	1,352,227
Change in Net Assets from Operations	175,411	(370,180)	(194,769)	(189,468)
Nonoperating Activities				
Investment return, net—Note 3	45,039	1,497	46,536	(117,918)
Change in value of beneficial interest of funds held at PCF—Note 8		578,146	578,146	(686,420)
Rental income, net of property taxes of \$19,689 and \$28,354 respectively—Note 10	228,783		228,783	240,315
Total Nonoperating Activities	273,822	579,643	853,465	(564,023)
Change in Net Assets	449,233	209,463	658,696	(753,491)
Net Assets at Beginning of Year	8,933,932	4,016,667	12,950,599	13,704,090
Net Assets at End of Year	\$ 9,383,165	\$ 4,226,130	\$ 13,609,295	\$ 12,950,599

See notes to financial statements.

Boys and Girls Club of Hollywood
Statement of Functional Expenses
Year Ended December 31, 2023
(with summarized comparative totals for 2022)

	Youth Program Services	Management and General	Fund Development	Fundraising Events	2023 Total	2022 Total
Salaries	\$ 463,228	\$ 76,179	\$ 66,056	\$	\$ 605,463	\$ 576,586
Employee benefits	66,029	10,859	9,416		86,304	77,095
Payroll taxes	31,802	5,230	4,535		41,567	38,967
Total Personnel Expenses	561,059	92,268	80,007		733,334	692,648
Depreciation	203,125	1,375	847		205,347	204,829
Professional fees	24,448	51,169	71,737		147,354	106,881
Repairs and maintenance	68,998	467	288		69,753	68,192
Insurance	42,224	4,062	176		46,462	42,502
Program supplies	42,061				42,061	68,287
Utilities	36,701	248	153		37,102	37,453
Scholarships	15,000				15,000	21,000
Collaborative programs	14,896				14,896	70,867
Other expenses	12,707				12,707	15,422
Membership dues	8,259				8,259	8,022
Equipment rental	6,697	45	28		6,770	5,116
Telephone	4,475	736	638		5,849	6,574
Cost of direct benefit to donors				5,377	5,377	36,753
Marketing and promotion	2,140		2,140		4,280	1,936
Merchant fees		566			566	2,498
Total Expenses by Function	1,042,790	150,936	156,014	5,377	1,355,117	1,388,980
Less expenses included with revenues on the statement of activities						
Less cost of direct to donors				(5,377)	(5,377)	(36,753)
Total Expenses	\$ 1,042,790	\$ 150,936	\$ 156,014	\$	\$ 1,349,740	\$ 1,352,227

See notes to financial statements.

Boys and Girls Club of Hollywood
Statement of Cash Flows
Year Ended December 31, 2023
(with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 658,696	\$ (753,491)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	205,347	204,829
Noncash lease expenses	2,455	(2,879)
Investment (gains) losses	(46,536)	117,918
Change in value of beneficial interest of funds held at PCF	(578,146)	686,420
Changes in operating assets and liabilities:		
Grants and contributions receivable	80,350	5,458
Prepaid expenses and other assets	222	
Accounts payable and accrued expenses	(54,447)	(1,324)
Salaries and employee benefits payable	13,113	(13,673)
Operating lease liability	(2,457)	2,879
Net Cash Provided by Operating Activities	<u>278,597</u>	<u>246,137</u>
Cash Flows from Investing Activities		
Purchase of property and equipment		(9,891)
Purchase of investments	(45,010)	(26,416)
Proceeds from sales of investments	125,540	119,252
Net Cash Provided by Investing Activities	<u>80,530</u>	<u>82,945</u>
Net Increase in Cash, Cash Equivalents, and Restricted Cash	359,127	329,082
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>1,567,227</u>	<u>1,238,145</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 1,926,354</u>	<u>\$ 1,567,227</u>
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

Boys and Girls Club of Hollywood
Notes to Financial Statements
December 31, 2023
(with comparative totals for 2022)

Note 1—Organization and Summary of Significant Accounting Policies

Organization—The Boys and Girls Club of Hollywood (Club) is a California not-for-profit public benefit corporation and a member of the Boys and Girls Club of America, Inc. The Club offers academic and youth development services to boys and girls at a facility located in Hollywood, California. The Club's principal funding sources are contributions, grants, government contracts, rentals and investment earnings.

The Club is affiliated with the Boys and Girls Club of Hollywood Foundation (Foundation), however, the Club does not have an economic interest in or control of the Foundation, and therefore the financial statements are not consolidated or combined. During the years ended December 31, 2023 and 2022, the Club received \$145,200 and \$215,200, respectively, in donations from the Foundation.

Program Service Accomplishments—The Boys and Girls Club of Hollywood contributes to the future of the community by building the leaders of tomorrow and preparing students for the workforce. Academic success is the cornerstone of the Club's programs and services. The Club provides its students a safe place to enjoy learning opportunities, promoting excellence in the areas of technology, math, science, fine arts and leadership. The Club ensures that its students advance to the next grade level on time, are prepared to graduate high school and have a plan for their future.

During the year ended December 31, 2023, the following positive outcomes were achieved:

- Education and Digital Equity—The Club enhances the lives of 340 students in 2023 through educational and youth development programs, reached 500 students through community outreach activities, and impacted 1,000 family members.
- Food Insecurity—The Club served 19,682 lunches/snacks onsite to students from the California Sunrise Foundation throughout the year providing youth with good nutrition to assist with sustaining and improving their health.
- Support for Working Families—The Club provided free programs and services to all students. Working parents were able to have access to programs and services at no charge as we continue to adhere to our core mission of serving those who need us most.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Club recognizes contributions, including unconditional promises to give, as revenue in the period received. The Club reports information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions. The net assets of the Club and changes therein are classified and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Club. These net assets may be used at the discretion of the Club's 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; such restrictions that may or will be met either by actions of the Club and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Club to use all or part of the income earned on related investments for general or specific purposes.

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of the Club to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period recognized.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of program fees, fundraising, and interest and dividend earned on investments. Nonoperating activities are limited to resources that generate return from investments, rental income, and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—The Club is a nonprofit entity, exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes in the financial statements. In addition, the Club has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered *'more likely than not'* to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2023 and 2022. Generally, the Club's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash, Cash Equivalents, and Restricted Cash—The Club considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash at December 31, 2023 and 2022 consists of cash held for future club renovations (see Note 6).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on the statement of financial position to the sum total of cash, cash equivalents, and restricted cash reported on the statement of cash flows at December 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash Accounts Reported in the Statement of Financial Position		
Cash and cash equivalents	\$ 1,751,435	\$ 1,392,308
Restricted cash held for future club renovations	174,919	174,919
Total Cash, Cash Equivalents, and Restricted Cash Reported in the Statement of Cash Flows	<u>\$ 1,926,354</u>	<u>\$ 1,567,227</u>

Investments—Investments are recorded at fair market value, based on investment prices provided by the broker-dealer investment custodian. Interest and dividends earned on investments is recognized when received and reported as interest and dividend income under public support and revenue in the statement of activities. Gains and losses on investments are recognized as changes in their fair market values occur in the period reported and are reported on the statement of activities under the investment return, net caption.

Property and Equipment—Property and equipment are stated at cost when purchased or estimated fair market value at the date of gift or bequest. Depreciation is provided on the straight-line method over the following estimated useful lives:

Building and improvements	39 years
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Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Furniture and equipment	5 years
Computer equipment and software	3 years

Individual property items value at less than \$2,500 are expensed when purchased or donated.

Recently Adopted Accounting Principles

Credit Losses—In June 2016 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Credit Losses (Topic 326)*. This standard requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. The standard affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income, including loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The Club adopted ASU No. 2016-13 on a retrospective basis for the year ended December 31, 2023 and noted that there was no material effect on the financial statements.

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard requires lessees to recognize the assets and liabilities that arise from the leases on the balance sheet. Additionally, in July 2018, the FASB issued ASU 2018-11 *Leases (Topic 842)—Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative effect adjust to the opening balance of net assets without donor restrictions in the period of adoption. The Club adopted ASU No. 2016-02 and its related amendments on a retrospective approach as of January 1, 2022, which resulted in the recognition of an operating right-of-use asset totaling \$5,216, as well as an operating lease liability totaling \$5,216. The Club elected to adopt the transition relief from provisions ASU 2018-11 as of January 1, 2022, without restating any prior year amounts or disclosures.

Gifts-in-Kind—In September 2020, 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 increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. Additional disclosures are required regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. The Club has adopted ASU No. 2020-07 for the year ended December 31, 2022 on a retrospective basis, which resulted in no change to revenue previously reported and no effect on revenue reported for the year ended December 31, 2022.

Concentration of Credit Risk—Financial instruments which potentially subject the Club to concentrations of credit risk consist of cash and cash equivalents, investments in securities, and receivables.

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

The Club places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Such cash balances may exceed FDIC insurance limits during the normal course of business. Cash held in investment accounts at investment custodians is insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000, per institution. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. At times, such balances are in excess of the SIPC coverage limits.

The Club is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. The Club's management has assessed the credit risk associated with its cash deposits and investments held at December 31, 2023 and 2022 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments, however, due to the current risk and uncertainties affecting financial institutions (see Note 14), the related impact cannot be reasonably estimated at this time.

Grants and contributions receivable are due from well-known charitable organizations with substantial assets, government entities and other entities well-known to the Club. The Club's management has assessed the credit risk associated with the cash and cash equivalents balances and receivables outstanding at December 31, 2023 and has determined that an allowance for potential uncollectible amounts is not necessary.

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted goods or service. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue Recognition—The Club's revenue recognition policies are as follows:

Government grants—Revenues from government grants are reported as increases in net assets without donor restrictions as allowable expenditures under such agreements as incurred. The amounts expended in excess of reimbursements are reported as grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.

Fundraising events—The Club conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of benefits received by the participants at the event. The Club values such benefits at actual cost.

Program revenue—Program revenues are recognized at the time services are provided.

Rental income—Rental income is recognized at the time services are provided.

In-Kind Contributions—The Club records the value of donated program supplies and services at their fair value at the date of donation. In-kind services are recognized only if they (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Salaries, employee benefits, and payroll taxes are allocated based on time and effort of employees and are used to allocate all indirect expenses. Collaborative programs, program expense, bad debt expense, membership dues, and bank charges are directly charged to the program or supporting service benefitted. Depreciation and amortization are allocated based on space estimates. All other expenses are allocated based on the time and effort of employees.

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

Reclassifications—Certain amounts in 2022 have been reclassified to conform with the 2023 financials statement presentation.

Note 2—Availability and Liquidity

The Club's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$300,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts, common stocks, and corporate bonds.

The following represents the availability and liquidity of the Club's financial assets at December 31, 2023 to cover operating expenses for the next fiscal year:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash, cash equivalents, and restricted cash	\$ 1,926,354	\$ 1,567,227
Investments	1,420,781	1,329,656
Grants and pledges receivable	26,566	106,916
	<u>3,373,701</u>	<u>3,003,799</u>
Total Financial Assets		
Less noncurrent net assets subject to purpose restrictions	(257,745)	(405,959)
	<u>(257,745)</u>	<u>(405,959)</u>
Current Availability of Financial Assets	<u><u>\$ 3,115,956</u></u>	<u><u>\$ 2,597,840</u></u>

Note 3—Investments and Fair Value

In determining the fair value of investments, the Club utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Club determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Club at the measurement date.

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 3—Investments and Fair Value—Continued

Level 2—Valuations based on observable inputs (other than Level 1), such as quoted prices for similar assets at the measurement date, quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

The Club may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Club to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. The Club had no assets or liabilities classified at NAV as a practical expedient during the years ended December 31, 2023 and 2022.

At December 31, 2023 and 2022, Club investments consist of endowment funds held in perpetuity with Pasadena Community Foundation totaling \$3,956,819 and, \$3,503,792 respectively (see Note 8), and funds held with various investment custodians totaling \$1,420,781 and \$1,329,656, respectively.

Fair values of investments measured on a recurring basis at are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in funds held by PCF	\$ 3,956,819	\$	\$	\$ 3,956,819
Corporate bonds	1,283,075		1,283,075	
Mutual funds	123,357	123,357		
Common stocks	14,349	14,349		
Totals	\$ 5,377,600	\$ 137,706	\$ 1,283,075	\$ 3,956,819

Fair values of investments measured on a recurring basis at December 31, 2022 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in funds held by PCF	\$ 3,503,792	\$	\$	\$ 3,503,792
Corporate bonds	1,208,236		1,208,236	
Mutual funds	105,719	105,719		
Common stocks	15,701	15,701		
Totals	\$ 4,833,448	\$ 121,420	\$ 1,208,236	\$ 3,503,792

Investment activity for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Investment gains (losses)	\$ 46,536	\$ (117,918)
Investment Return, Net	46,536	(117,918)
Interest and dividend income	103,324	34,583
Total Investment Return	\$ 149,860	\$ (83,335)

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 3—Investments and Fair Value—Continued

A reconciliation of the Club’s Level 3 assets at December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Balance at Beginning of Year	\$ 3,503,792	\$ 4,309,212
Interest and dividend income	144,610	173,216
Investment gains (losses)	460,163	(833,543)
Investment management fees	(26,627)	(26,093)
	<u>578,146</u>	<u>(686,420)</u>
Change in Value of Beneficial Interest in Funds Held at PCF		
Transfers out of Level 3	(125,119)	(119,000)
	<u>3,956,819</u>	<u>3,503,792</u>
Balance at End of Year	\$ 3,956,819	\$ 3,503,792

Note 4—Grants and Contributions Receivable

Grants and contributions receivable consist of amounts pledged by charitable organizations and individuals for general operations which amounted to \$26,566 and \$106,916 at December 31, 2023 and 2022, respectively.

Note 5—Property and Equipment, Net

Net property and equipment consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 7,269,583	\$ 7,269,583
Furniture and equipment	207,753	422,445
	<u>7,477,336</u>	<u>7,692,028</u>
Less accumulated depreciation and amortization	(2,117,139)	(2,126,484)
Depreciable Property and Equipment, Net	5,360,197	5,565,544
Land	979,000	979,000
	<u>6,339,197</u>	<u>6,544,544</u>
Property and Equipment, Net	\$ 6,339,197	\$ 6,544,544

Depreciation expense recorded during the years ended December 31, 2023 and 2022 totaled \$205,347 and \$204,829, respectively. During the year ended December 31, 2023, the Club disposed of \$214,692 of fully depreciated furniture and equipment.

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 6—Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Club renovation and enhancement	\$ 174,919	\$ 174,919
Scholarship fund	63,538	56,040
Other programs	4,288	20,000
R.E.A.D.S. literacy program		125,000
Health and Wellness programs		30,000
Total Subject to Purpose Restrictions	242,745	405,959
Subject to time restrictions:		
Girls only program	15,000	
General operations	11,566	106,916
Total Subject to Time Restrictions	26,566	106,916
Held in perpetuity:		
PCF endowment fund	3,956,819	3,503,792
Total Net Assets with Donor Restrictions	\$ 4,226,130	\$ 4,016,667

Net assets released from donor restrictions for the year ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
R.E.A.D.S. literacy program	\$ 125,000	\$ 356,750
Health and Wellness programs	30,000	
Other programs	13,999	
Total Satisfaction of Purpose Restrictions	168,999	356,750
Satisfaction of time restrictions:		
General operations	106,916	121,698
Total Satisfaction of Time Restrictions	106,916	121,698
Satisfaction of appropriation and expenditure:		
PCF endowment fund	125,119	119,000
Total Satisfaction of Appropriation and Expenditure	125,119	119,000
Total Net Assets Released from Donor Restrictions	\$ 401,034	\$ 597,448

In March 2017, the Club was notified of a \$3,000,000 gift to a community foundation for the benefit of the Club. The gift agreement provides for annual distributions to the Club of \$100,000, adjusted for inflation, until the funds are depleted. The annual distribution is restricted to the funding of programming, scholarships, and facility maintenance expenses at the Club. As required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Club has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted by the State of California, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 6—Net Assets with Donor Restrictions—Continued

As a result of this interpretation, the Club classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 7—ERC Grants

During the year ended December 31, 2023, the Club was eligible and applied for employee retention credits (ERC) in the amount of \$116,080, included in ERC grants in the statement of activities for the year then ended.

Note 8—Endowment Net Assets

In accordance with UPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Club and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Club
- 7) The investment policies of the Club

Return Objectives and Risk Parameters—The Club has adopted investment and spending policies for endowment assets set by the donor and the donor advised fund that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Club must hold in perpetuity.

Strategies Employed for Achieving Objectives—To satisfy its long-term rate-of-return objectives, the Club relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Club targets a diversified asset allocation to achieve its long-term return objectives within prudent risk restraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy—The Club currently seeks to promote growth of its endowment funds for the purpose of creating a fund that will generate income for support of the Club operations in the future. The gift agreement provides for annual distributions to the Club of \$100,000, adjusted for inflation, until the funds are depleted. The annual distribution is restricted to the funding of programing, scholarships, and facility maintenance expenses at the Club. The board-designated endowment spending policy authorizes the Board of Directors to distribute \$25,000 on a quarterly basis. In establishing these policies, the Club and donor considered the long-term expected return on its endowment, as well as the operational needs of the Club.

Accordingly, over the long term, the Club expects the current spending policy to allow its endowment to achieve annual growth above inflation. This is consistent with the Club's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 8—Endowment Net Assets—Continued

Funds held with the Pasadena Community Foundation (PCF) are subject to distribution and spending policies of PCF.

Changes in endowment net assets held in perpetuity for the years ended December 31, 2023 and 2022 were as follows:

Endowment Net Asset at December 31, 2021	\$ 4,309,212
Interest and dividend income	173,216
Realized and unrealized loss on investments	(833,543)
Investment management fees	(26,093)
Total Investment Return on Endowment Funds	(686,420)
Appropriation of expenditure pursuant to spending-rate policy	(119,000)
Endowment Net Assets at December 31, 2022	3,503,792
Interest and dividend income	144,610
Realized and unrealized gain on investments	460,163
Investment management fees	(26,627)
Total Investment Return on Endowment Funds	578,146
Appropriation of expenditure pursuant to spending-rate policy	(125,119)
Endowment Net Assets at December 31, 2023	\$ 3,956,819

Note 9—In-Kind Contributions

For the years ended December 31, 2023 and 2022, the Club recognized in-kind contributions included in the statement of activities under public support and revenue amounting to \$26,842 and \$46,814, respectively. These are included in the respective expense captions in the statement of functional expenses under the *program supplies* caption. The Club values snacks and lunches for program supplies at actual costs incurred by donor which are used for its youth program services.

Note 10—Rental Income, Net

The Club currently leases space to two tenants, requiring monthly payments of \$5,000 and \$14,300, plus applicable property taxes and utilities on leases through March 2033 and the other month-to-month. Total future rental income to be received is as follows:

<u>Year Ending December 31,</u>	
2024	\$ 60,000
2025	60,000
2026	60,000
2027	60,000
2028	60,000
Thereafter	285,000
Total	\$ 585,000

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 10—Rental Income, Net—Continued

Rental income net of property taxes associated with these leases amounted to \$228,783 and \$240,315, for the years ended December 31, 2023 and 2022, respectively.

Note 11—Pension Plan

A defined contribution pension plan of the Boys and Girls Clubs of America (Plan) provides pension coverage to participating Boys and Girls Clubs in the United States of America. The Plan covers qualified full-time and part-time employees with more than one year of service. Contributions are made to the Plan based upon a board-approved contribution rate applied to each employee's qualified salaries and wages. The contribution rate was 3% for each of the years ended December 31, 2023 and 2022. Plan contribution expense for the years ended December 31, 2023 and 2022 amounted to \$13,027 and \$5,967, respectively.

Note 12—Commitments and Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although it is considered a possibility, the Board deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of the grantor under the provisions of the gift.

Note 13—Operating Lease Liability

In February 2019, the Club signed a lease agreement for office equipment under a non-cancellable operating lease agreement which expires February 2024. The lease calls for monthly payments of \$212 over the term of the lease. Future minimum annual rental commitments by year for this operating lease with maturity greater than one year from December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 424
	<u>424</u>
	Gross Rental Payments
	424
Less effect of discounting	<u>(2)</u>
	Operating Lease Liability <u>\$ 422</u>

An operating lease right-of-use asset and an operating lease liability were recorded related to this operating lease using the lease term and monthly rental amounts and a discount rate of 5%. The operating lease liability amounted to \$422 and \$2,879 at December 31, 2022.

Equipment rental expense totaled \$2,545 for each of the years ended December 31, 2023 and 2022, respectively.

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 14—Risks and Uncertainties

In March 2023 the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As disclosed in Note 1, at times, the Club maintains cash and cash equivalents and investment balances in excess of federally insured limits. Given the uncertainty of the situation, the related financial impact cannot be reasonably estimated at this time.

Note 15—Subsequent Events

Management evaluated all activities of the Club through July 25, 2024, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.