

Boys & Girls Club of Rochester

Financial Report
December 31, 2022

Contents

| | |
|--|-------|
| Independent auditor's report | 1-2 |
| <hr/> | |
| Financial statements | |
| Statements of financial position | 3-4 |
| Statements of activity and changes in net assets | 5-6 |
| Statements of cash flows | 7 |
| Statements of functional expenses | 8-9 |
| Notes to financial statements | 10-18 |



RSM US LLP

Independent Auditor's Report

Board of Directors
Boys & Girls Club of Rochester

Opinion

We have audited the financial statements of Boys & Girls Club of Rochester (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activity and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As described in Note 1, on January 1, 2022, the Organization adopted new accounting standard guidance, Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

Rochester, Minnesota
September 27, 2023

Boys & Girls Club of Rochester

**Statements of Financial Position
December 31, 2022 and 2021**

| | 2022 | 2021 |
|---------------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,088,604 | \$ 1,088,506 |
| Cash and cash equivalents, restricted | 26,486 | 5,357 |
| Accounts receivable, net | 132,543 | 224,807 |
| Pledges receivable | 4,200 | 6,700 |
| Prepaid expenses | 18,891 | 5,117 |
| Total current assets | 1,270,724 | 1,330,487 |
| Other assets: | | |
| Right-of-use asset | 245,165 | - |
| Investment in The Place | 4,621,641 | 4,703,825 |
| Total other assets | 4,866,806 | 4,703,825 |
| Total assets | \$ 6,137,530 | \$ 6,034,312 |

See notes to financial statements.

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 37,655 | \$ 19,736 |
| Payroll liabilities | 65,489 | 49,764 |
| Deferred revenue | 20,000 | - |
| Operating lease obligation | 245,165 | - |
| Accrued retirement plan expense | - | 121,000 |
| Total current liabilities | 368,309 | 190,500 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 861,608 | 895,878 |
| Board-designated | 259,486 | 238,752 |
| Net investment in The Place | 4,621,641 | 4,703,825 |
| With donor restrictions | 26,486 | 5,357 |
| Total net assets | 5,769,221 | 5,843,812 |
| Total liabilities and net assets | \$ 6,137,530 | \$ 6,034,312 |

See notes to financial statements.

Boys & Girls Club of Rochester

**Statements of Activity and Changes in Net Assets
Years Ended December 31, 2022 and 2021**

| | 2022 | | |
|--|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Public support and revenue: | | | |
| Grants | \$ 746,619 | \$ - | \$ 746,619 |
| Contributions | 532,686 | 21,129 | 553,815 |
| In-kind donations | 40,051 | - | 40,051 |
| Paycheck Protection Program | - | - | - |
| Special events, net of related expenses of (2022—\$27,261; 2021—\$24,848) | 32,305 | - | 32,305 |
| Other | 108,463 | - | 108,463 |
| Total public support and revenue | 1,460,124 | 21,129 | 1,481,253 |
| Functional expenses: | | | |
| Program activities | 1,130,694 | - | 1,130,694 |
| Management and general | 154,907 | - | 154,907 |
| Fundraising | 188,059 | - | 188,059 |
| Total functional expenses | 1,473,660 | - | 1,473,660 |
| Operating (loss) income | (13,536) | 21,129 | 7,593 |
| Nonoperating expense: | | | |
| Investment loss | (82,184) | - | (82,184) |
| Nonoperating loss | (82,184) | - | (82,184) |
| Changes in net assets | (95,720) | 21,129 | (74,591) |
| Net assets, beginning of year | 5,838,455 | 5,357 | 5,843,812 |
| Net assets, end of year | \$ 5,742,735 | \$ 26,486 | \$ 5,769,221 |

See notes to financial statements.

2021

| Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------|----------------------------|---------------------|
| \$ 1,077,787 | \$ - | \$ 1,077,787 |
| 440,004 | 2,695 | 442,699 |
| 15,306 | - | 15,306 |
| 158,800 | - | 158,800 |
| 45,564 | - | 45,564 |
| 128,121 | - | 128,121 |
| <u>1,865,582</u> | <u>2,695</u> | <u>1,868,277</u> |
| 1,134,350 | - | 1,134,350 |
| 184,824 | - | 184,824 |
| 143,273 | - | 143,273 |
| <u>1,462,447</u> | <u>-</u> | <u>1,462,447</u> |
| <u>403,135</u> | <u>2,695</u> | <u>405,830</u> |
| (85,866) | - | (85,866) |
| <u>(85,866)</u> | <u>-</u> | <u>(85,866)</u> |
| 317,269 | 2,695 | 319,964 |
| <u>5,521,186</u> | <u>2,662</u> | <u>5,523,848</u> |
| <u>\$ 5,838,455</u> | <u>\$ 5,357</u> | <u>\$ 5,843,812</u> |

Boys & Girls Club of Rochester

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|--|---------------------|--------------|
| Cash flows from operating activities: | | |
| Cash received from contributors and grantors | \$ 1,485,054 | \$ 1,692,567 |
| Cash (paid) received from other sources | (26,311) | 126,824 |
| Cash paid to suppliers | (517,895) | (607,772) |
| Cash paid to and on behalf of employees | (922,121) | (836,175) |
| Net cash provided by operating activities | 18,727 | 375,444 |
| Cash flows from financing activities: | | |
| Change in pledges receivable | 2,500 | 5,250 |
| Net cash provided by financing activities | 2,500 | 5,250 |
| Net increase in cash and cash equivalents | 21,227 | 380,694 |
| Cash, cash equivalents and restricted cash beginning of year | 1,093,863 | 713,169 |
| Cash, cash equivalents and restricted cash end of year | \$ 1,115,090 | \$ 1,093,863 |

See notes to financial statements.

Boys & Girls Club of Rochester

**Statements of Functional Expenses
Years Ended December 31, 2022 and 2021**

| | 2022 | | | |
|---|-----------------------|---------------------------|-------------------------|---------------------|
| | Program Activities | Support Services | | Total |
| | | Management and General | Fundraising Expenses | |
| Personnel costs | \$ 671,295 | \$ 116,322 | \$ 150,229 | \$ 937,846 |
| Insurance | 13,447 | 723 | 289 | 14,459 |
| Program supplies and transportation | 64,029 | - | - | 64,029 |
| Donated goods and services | 33,338 | 5,777 | 7,460 | 46,575 |
| Professional fees | 37,629 | 6,520 | 8,421 | 52,570 |
| Repairs, maintenance and supplies | 3,093 | 166 | 67 | 3,326 |
| Advertising, printing and publications | 349 | 60 | 78 | 487 |
| Conferences, training and travel | 8,758 | 1,518 | 1,960 | 12,236 |
| Dues and subscriptions | 19,442 | 3,369 | 4,350 | 27,161 |
| Communications | 15,157 | 2,626 | 3,392 | 21,175 |
| Postage | 1,454 | 252 | 325 | 2,031 |
| Utilities | - | - | - | - |
| Rent | 233,786 | 12,569 | 5,028 | 251,383 |
| Development/recognition events | 1,152 | 200 | 258 | 1,610 |
| Miscellaneous | 27,711 | 4,802 | 6,201 | 38,714 |
| Total expenses before depreciation expense | 1,130,640 | 154,904 | 188,058 | 1,473,602 |
| Depreciation expense | 54 | 3 | 1 | 58 |
| Total expenses | <u>\$ 1,130,694</u> | <u>\$ 154,907</u> | <u>\$ 188,059</u> | <u>\$ 1,473,660</u> |

(Continued)

Boys & Girls Club of Rochester

**Statements of Functional Expenses (Continued)
Years Ended December 31, 2022 and 2021**

| | 2021 | | | |
|---|-----------------------|---------------------------|-------------------------|---------------------|
| | Program Activities | Support Services | | Total |
| | | Management and General | Fundraising Expenses | |
| Personnel costs | \$ 599,754 | \$ 131,872 | \$ 119,899 | \$ 851,525 |
| Insurance | 13,541 | 728 | 291 | 14,560 |
| Program supplies and transportation | 142,267 | - | - | 142,267 |
| Donated goods and services | 11,976 | 2,633 | 2,393 | 17,002 |
| Professional fees | 51,656 | 15,188 | 6,429 | 73,273 |
| Repairs, maintenance and supplies | 2,195 | 118 | 47 | 2,360 |
| Advertising, printing and publications | 303 | 89 | 38 | 430 |
| Conferences, training and travel | 7,633 | 2,244 | 950 | 10,827 |
| Dues and subscriptions | 16,905 | 4,970 | 2,104 | 23,979 |
| Communications | 17,330 | 5,095 | 2,157 | 24,582 |
| Postage | 382 | 112 | 48 | 542 |
| Utilities | 402 | 22 | 9 | 433 |
| Rent | 239,797 | 12,892 | 5,157 | 257,846 |
| Development/recognition events | 4,081 | 1,200 | 508 | 5,789 |
| Miscellaneous | 26,040 | 7,656 | 3,241 | 36,937 |
| Total expenses before depreciation expense | 1,134,262 | 184,819 | 143,271 | 1,462,352 |
| Depreciation expense | 88 | 5 | 2 | 95 |
| Total expenses | <u>\$ 1,134,350</u> | <u>\$ 184,824</u> | <u>\$ 143,273</u> | <u>\$ 1,462,447</u> |

See notes to financial statements.

Boys & Girls Club of Rochester

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of activities: Boys & Girls Club of Rochester (the Organization) is a nonprofit charitable organization organized under the laws of the state of Minnesota. The Organization was founded and incorporated in 1999 and provides youth development services to youth between the ages of six and 17. Youth development is focused on the following core program areas: Character and Leadership Development, Education and Career Development, Health and Life Skills, The Arts, Sports, Fitness and Recreation. The Organization operates a boys and girls club in Rochester, Minnesota.

Basis of accounting: These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, revenue and assets are recognized when earned, and expenses and liabilities are recognized when incurred. The Organization follows accounting and reporting standards applicable to nonprofit organizations.

For financial reporting purposes, the Organization classifies its activities as net assets without donor restrictions or net assets with donor restrictions based on the existence or absence of donor-imposed restrictions, as follows:

Without donor restrictions: Net assets without donor-imposed restrictions are those funds presently available for use by or on behalf of the Organization, including amounts available for management and general expenses. These net assets may also include board-designated funds.

With donor restrictions: Net assets with donor-imposed restrictions are contributions that have donor-imposed stipulations that can be fulfilled by certain actions of the Organization. When the donor-imposed restriction is accomplished, these donor-restricted assets are reclassified to without donor restrictions and reported on the statements of activity and changes in net assets as net assets released from restrictions. If the restriction is met in the period the related revenue is recognized, the amounts are reported within the without donor restrictions activity.

Accounts receivable: Accounts receivable are stated at the amount management expects to collect on balances outstanding at year-end. An allowance of \$4,950 was established at December 31, 2022 and 2021. The Organization uses the reserve for bad debt method of valuing accounts receivable, which is based on historical experience and a review of the current status of existing receivables. Accounts in excess of 30 days are considered past due.

Pledges receivable: Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts not expected to be collected within one year are reported at the present value of projected future cash flows. Management determines the need for a bad debt allowance by specific identification through review of outstanding balances and a general estimate based on past experience. Pledges receivable are written off when deemed uncollectible. Recoveries of pledges receivable previously written off are recorded when received.

Donated services: Many individuals have contributed a significant amount of time to the activities of the Organization. The Organization does not recognize these contributed services as revenues unless the services received (1) create or enhance existing facilities or (2) require specialized skills and are provided by individuals possessing those skills. The Organization recognized contributed services of \$21,710 and \$2,630 in the years ended December 31, 2022 and 2021, respectively.

Boys & Girls Club of Rochester

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Contributions: The Organization reports contributions at fair value when received or unconditionally pledged. Contributions recognized are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor's restriction. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other 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 a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activity and changes in net assets as net assets released from restrictions. Contributions of noncash assets are recorded at fair value in the period received. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of noncash assets are recorded as support without donor restrictions.

The Organization evaluates if resource providers receive commensurate value in a transfer of resources and if resources received are conditional or unconditional. If commensurate value is received by the resource provider, the Organization accounts for the transaction under the guidance provided in Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. If commensurate value is not received by the resource provider, the Organization accounts for the transaction under contribution guidance provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Contribution and grant funds received by the Organization are primarily accounted for under the guidance provided in ASC 958.

Grant revenue: Grants arise under agreements with public and private agencies. These agreements normally represent nonexchange transactions between the Organization and the grantors and, most commonly, are included in net assets without donor restrictions. Revenue from grants is recognized according to the terms of the agreements, which commonly is when expenditures are incurred.

Special event revenue: Special event revenue is derived through events hosted by the Organization and is reported net of related expenses. Revenues from special events is generated through auctions, sponsorships and ticket sales.

The Organization reports revenue from contracts with customers using a five-step model as follows:

- Identify the contract with the customer.
- Identify the performance obligation(s) in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligation(s) in the contract.
- Recognize revenue when or as performance obligations are satisfied.

The Organization assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. Revenue from the exchange of resources of a commensurate value is recognized at a point in time, upon transfer of control or satisfaction of the obligation to the customer.

Boys & Girls Club of Rochester

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring resources or satisfying an obligation to the customer. For the Organization, resources to be transferred or obligations to be satisfied include auctioned items, tickets for special events and sponsorship acknowledgment. Revenue is recorded based on the transaction price, which is a fixed consideration.

Payment terms on contracts are typically 30 days. As these payment terms are less than one year, the Organization has elected the practical expedient to not consider the time value of money for its contracts.

The Organization has elected to apply the practical expedient to expense associated costs to obtain a contract as incurred when the expected amortization period is one year or less.

Property and equipment: Purchased property and equipment is stated at cost. Donated property is stated at fair value at the date of donation. Maintenance and repairs are charged directly to expense. Improvements that extend the useful lives of equipment are capitalized. Depreciation is recorded using the straight-line method over periods based on the estimated useful lives shown below. The Organization capitalizes all property and equipment with a cost in excess \$2,500.

Estimated useful lives are as follows:

| | <u>Years</u> |
|--------------------|--------------|
| Office equipment | 5-7 |
| Program equipment | 5 |
| Vehicles | 5 |
| Computer equipment | 5 |

Investment in The Place: The Organization owns a nonprofit partnership interest in the 1026 East Center Street LLC. The investment in the 1026 East Center Street LLC is being accounted for by the equity method of accounting under which the Organization's share of net income or net loss is recognized in the Organization's statements of activity and changes in net assets and added to or subtracted from the investment account. Any distributions or dividends received from the investments are treated as a reduction of the investment account. The investment is evaluated for indications of impairment on a regular basis.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP 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 financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from the estimates.

Cash and cash equivalents: For purposes of reporting cash flows, the Organization considers all its demand accounts, money market accounts and any investment securities with an original maturity of three months or less to be cash and cash equivalents. The Organization maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts.

Restricted cash and cash equivalents: The Organization maintains cash reserves related to the net assets with donor restrictions.

Boys & Girls Club of Rochester

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

| | December 31 | |
|---------------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Cash and cash equivalents | \$ 1,088,604 | \$ 1,088,506 |
| Cash and cash equivalents, restricted | 26,486 | 5,357 |
| | <u>\$ 1,115,090</u> | <u>\$ 1,093,863</u> |

Income taxes: The Organization is exempt from federal and state income taxes as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, except for income on certain unrelated business income. Therefore, no provision for income taxes has been made in these financial statements. There was no material unrelated business income for the years ended December 31, 2022 and 2021. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private organization under Section 509(a)(2).

The Organization files federal exempt income tax returns. Generally, the Organization is no longer subject to tax examinations by tax authorities beyond three years. Management is not aware of any uncertain income tax positions.

Leases: Leases, as of December 31, 2022, are presented in accordance with Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and operating lease obligation on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease obligation represents the requirement to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date, based on the present value of lease payments over the lease term. The Organization has elected to use the risk-free interest rate at the commencement date in determining the present value of lease payments.

The Organization defines a short-term lease as any lease arrangement with a lease term of 12 months or less that does not include an option to purchase the underlying asset. Short-term lease payments are recognized as expense on a straight-line basis over the lease term and any variable lease payments are recognized in the period in which the obligation is incurred.

Recent adopted accounting standards: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities.

Boys & Girls Club of Rochester

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Organization applied certain practical expedients released in ASU 2018-11 *Leases (Topic 842) Targeted Improvements* and other practical expedients identified in ASC 842. The Organization elected to recognize and measure leases on January 1, 2022 the period of adoption, rather than the earliest period presented. The Organization's financial statements prior to fiscal year 2022 have not been modified for the adoption of ASU 2016-02. The Organization elected to apply the package of three transition practical expedients under ASC 842-10-65-1(f), which allow the Organization to not reassess whether an expired or existing contract are or contain a lease; to not reassess the lease classification for any expired or existing leases; and to not reassess the initial direct costs for any existing leases. The implementation of the new standard included recognition of a ROU asset and lease liability as of January 1, 2022. The 2021 presentation follows FASB ASC Topic 840, *Leases*, in effect at December 31, 2021.

On January 1, 2022, the Organization adopted FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which addresses the presentation and disclosure requirements for not-for-profit entities for contributed nonfinancial assets. The adoption of this standard did not have a material impact on the Foundation's financial statements.

Recent accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available for sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held to maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The standard becomes effective for the Organization in the fiscal year beginning January 1, 2023. The Organization is currently evaluating the effect that the standard will have on the financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses; Topic 815, Derivatives and Hedging; and Topic 825, Financial Instruments*, which clarifies and improves guidance related to the recently issued standards on credit losses, hedging and recognition and measurement of financial instruments. The standard becomes effective for the Organization in the fiscal year beginning January 1, 2023. The Organization is currently evaluating the impact of this new guidance on the financial statements.

Boys & Girls Club of Rochester

Notes to Financial Statements

Note 2. Liquidity and Availability

Financial assets available for general operating use without donor or other restrictions limiting their use within one year of the statement of financial position date comprise the following for the Organization's fiscal years ended December 31, 2022 and 2021:

| | December 31 | |
|---|-------------------|---------------------|
| | 2022 | 2021 |
| Cash and cash equivalents | \$ 1,115,090 | \$ 1,093,863 |
| Accounts receivable | 132,543 | 224,807 |
| Pledges receivable | 4,200 | 6,700 |
| | <u>1,251,833</u> | <u>1,325,370</u> |
| Less those unavailable for general expenditures due to: | | |
| Donor-imposed restrictions | (26,486) | (5,357) |
| Board-designated restrictions | (259,486) | (238,752) |
| | <u>\$ 965,861</u> | <u>\$ 1,081,261</u> |

As part of the Organization's internal cash management process, the Organization aims to maintain operating liquidity balances of at least three months of operating expenses. In addition, the Organization regularly monitors the availability of resources required to manage liquidity.

Management of the timing of commitments and the use of financial assets available to the Organization is reviewed monthly by the finance committee to manage liquidity. The Organization prepares annual budgets to support this review process.

Note 3. Leases

The Organization has an operating lease agreement for their facility. The lease was most recently modified in November 2022 to extend the lease term through December 2023.

Total lease expense for the year ended December 31, 2022, consisted of the following:

| | |
|-------------------------|------------|
| Operating lease expense | \$ 251,383 |
|-------------------------|------------|

Supplemental cash flow information related to leases for the year ended December 31, 2022, consisted of the following:

| | |
|---|------------|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | \$ 251,383 |
| ROU assets obtained in exchange for lease obligations: | |
| Operating leases upon adoption | 250,928 |
| Operating leases upon modification | 243,139 |

Boys & Girls Club of Rochester

Notes to Financial Statements

Note 3. Leases (Continued)

Supplemental information related to leases as of December 31, 2022, consisted of the following:

| | |
|--|-------|
| Weighted-average remaining lease term: | |
| Operating leases | 1 |
| Weighted-average discount rate: | |
| Operating leases | 4.80% |

Maturities of operating lease liabilities are as follows:

| | | |
|-----------------------------------|----|----------------|
| Year ending December 31: | | |
| 2023 | \$ | 250,584 |
| Less amount representing interest | | (5,419) |
| Net minimum lease payments | \$ | <u>245,165</u> |

Note 4. Net Assets

Net assets with donor-imposed restrictions are restricted for the following purposes as of December 31:

| | 2022 | 2021 |
|-------------------|------------------|-----------------|
| Scholarship funds | \$ 26,486 | \$ 5,357 |
| | <u>\$ 26,486</u> | <u>\$ 5,357</u> |

Net assets released from restrictions: No net were assets released from donor-imposed restrictions during the years ended December 31, 2022 and 2021.

Note 5. Affiliated Organization

The Organization is an independent affiliate of the Boys & Girls Club of America. As part of this relationship, the Organization is required to pay annual dues in an amount based on annual operating revenues. For the years ended December 31, 2022 and 2021, the Organization incurred dues expense of \$6,894 and \$7,118, respectively.

Note 6. Line of Credit

At December 31, 2022 and 2021, the Organization had a \$100,000 unsecured line of credit with a bank. Interest is based on the Prime Rate, which was 7.5% at December 31, 2022, and the line has a maturity date of December 1, 2023. As of December 31, 2022 and 2021, the Organization had \$0 outstanding on this line of credit.

The Organization entered into a loan agreement with the Small Business Administration (SBA) through Think Mutual Bank on January 28, 2021, for \$158,800 as part of the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Organization has elected to account for the loan under ASC 958 to account for the loan as a conditional contribution and recognized as a refundable advance until the conditions for forgiveness have been substantially met or explicitly waived. On July 20, 2021, the Organization received notification from the SBA the loan had been forgiven and has recognized the proceeds from the loan as contribution revenue within the statements of activity and changes in net assets.

Boys & Girls Club of Rochester

Notes to Financial Statements

Note 7. Concentration of Support

The Organization received 35% and 44% of its support and revenues from multiple government agencies, including federal, state and local governments, for the years ended December 31, 2022 and 2021, respectively. Each agency's support is not dependent upon the other. Receivables from governmental units at December 31, 2022 and 2021, totaled \$136,725 and \$224,807, respectively. A material change in this level of support would likely result in a corresponding change in the level of program activity of the Organization.

Note 8. Special Events

A summary of the Organization's annual resource development events, included as part of special event revenue, net, on the statements of activity and changes in net assets, is as follows for the years ended December 31, 2022 and 2021:

| | 2022 | 2021 |
|--|------------------|------------------|
| Gross revenues | \$ 59,566 | \$ 70,412 |
| Less direct benefits to donors—purchased | (27,261) | (24,848) |
| Special event revenue, net | <u>\$ 32,305</u> | <u>\$ 45,564</u> |

Note 9. Retirement Plan

The Organization has a defined contribution 401(k) plan that is available to employees who are at least 21 years of age and have worked for the Organization for more than one year. The Organization contributes 3% for all eligible employees and matches up to 2% of participant deferrals, which vest over a six-year period. Additionally, the plan provides an additional discretionary matching contribution if the employee meets requirements and the Organization decides to give a discretionary match. Contributions by the Organization to this plan amounted to \$14,643 and \$10,962 for the years ended December 31, 2022 and 2021, respectively.

During the year ended December 31, 2020, the Organization became aware of certain issues related to the retirement plan sponsored by the Organization including, but not limited to, missed matching contributions, missed deferral opportunities and untimely enrollment of plan participants dating back several years. During December 2022, contributions were made to the plan to correct the issues.

Boys & Girls Club of Rochester

Notes to Financial Statements

Note 10. Pledges Receivable

In 2019, the Organization solicited pledges to establish a reserve fund. The reserve fund was established to assist the Organization in a time of financial strain. There were multiple pledges received during the year and over a three-year period to go towards the reserve fund.

Long-term pledges receivable are recognized at fair value, and all have been determined to be collectible by the Organization. The discounted present value is not materially different from the recorded fair value.

| | December 31 | |
|-------------------------------|-----------------|-----------------|
| | 2022 | 2021 |
| Total pledges | \$ 53,000 | \$ 53,000 |
| Received prior to December 31 | (48,800) | (46,300) |
| | <u>\$ 4,200</u> | <u>\$ 6,700</u> |

Pledges expected to be received in the year ending December 31, 2023, is \$4,200.

Note 11. Related-Party Transactions and Investments

The Organization owns 50.0% of the nonprofit partnership interest in the 1026 East Center Street LLC. The investment is accounted for by the equity method and carried on the books at its net book value.

A rollforward of the equity method activity for the year ended December 31, 2022, is as follows:

| | |
|---------------------------|---------------------|
| Beginning balance | \$ 4,703,825 |
| Equity in earnings (loss) | (82,184) |
| Ending balance | <u>\$ 4,621,641</u> |

Condensed unaudited financial information of the equity method investment at December 31, 2022, is as follows:

| | |
|---------------------------------------|----------------------|
| Total assets | <u>\$ 10,401,823</u> |
| Total liabilities | \$ 1,326,123 |
| Members' equity | 9,075,700 |
| Total liabilities and members' equity | <u>\$ 10,401,823</u> |
| Total revenue | <u>\$ 504,937</u> |
| Net loss | <u>\$ (164,368)</u> |

Note 12. Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through September 27, 2023, the date these financial statements were available to be issued.