



BOYS & GIRLS CLUBS
OF SOUTHEASTERN MICHIGAN

(A Michigan Non-Profit Corporation)

FINANCIAL STATEMENTS

December 31, 2022 and 2021

GJC

CPAs | ADVISORS

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

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INDEPENDENT AUDITOR'S REPORT

June 15, 2023

To the Board of Directors
Boys & Girls Clubs of Southeastern Michigan

Opinion

We have audited the financial statements of Boys & Girls Clubs of Southeastern Michigan ("B&GCSM", a Michigan non-profit Corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, as well as the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of B&GCSM 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 ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. 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 B&GCSM 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 — Adoption of New Accounting Pronouncements

As discussed in Note A, effective January 1, 2022, B&GCSM has adopted the provisions contained in Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, and ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to that matter.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management for the Financial Statements

B&GCSM's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 B&GCSM's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. *Reasonable assurance* is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. 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 U.S. GAAS:

- We exercise professional judgment and maintain professional skepticism throughout the audit.
- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and we 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.
- We 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 B&GCSM's internal control. Accordingly, no such opinion is expressed.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- We evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and we evaluate the overall presentation of the financial statements.
- We conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about B&GCSM'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.

GSC CPAs & Advisors

Detroit, Michigan

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 296,322	\$ 444,353
Contributions receivable – current portion (no allowance considered necessary) (Note C)	2,028,107	2,930,264
Accrued interest receivable	2,084	1,830
Prepaid expenses	<u>100,461</u>	<u>91,116</u>
Total Current Assets	<u>2,426,974</u>	<u>3,467,563</u>
Other Assets:		
Contributions receivable (net of current portion) (no allowance considered necessary) (Note C)	1,000,826	417,734
Investments (Note E)	1,349,776	1,728,481
Fixed assets (net of accumulated depreciation) (Note F)	5,778,756	6,007,249
Right-of-use assets under operating leases (Note I)	<u>15,043</u>	<u>28,874</u>
Total Other Assets	<u>8,144,401</u>	<u>8,182,338</u>
Total Assets	<u>\$ 10,571,375</u>	<u>\$ 11,649,901</u>

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 609,876	\$ 669,298
Accrued pension (Note L)	71,943	97,398
Note payable (Note G)	-0-	14,284
Operating lease liabilities – current portion (Note I)	10,527	14,205
Total Current Liabilities	692,346	795,185
Long-Term Liabilities:		
Operating lease liabilities (net of current portion (Note I))	4,142	14,669
Total Liabilities	696,488	809,854
Net Assets:		
Net assets without donor restrictions:		
Board-designated for endowment (Note D)	313,768	688,446
Undesignated	4,221,786	6,633,566
Total Net Assets without Donor Restrictions	4,535,554	7,322,012
Net assets with donor restrictions (Note B)	5,339,333	3,518,035
Total Net Assets	9,874,887	10,840,047
Total Liabilities and Net Assets	\$ 10,571,375	\$ 11,649,901

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in Net Assets without Donor Restrictions:		
Revenue and gains, net of investment losses:		
Direct contributions:		
Individuals	\$ 162,991	\$ 155,901
Corporations	827,594	703,754
Foundations	837,012	947,954
Bequests and other direct contributions	102,608	1,960
Indirect contributions:		
United Way affiliates	26,131	11,366
In-kind contributions (Note J)	306,851	1,364,283
Government grants:		
Passed through Boys & Girls Clubs of America	206,674	275,978
Other	410,364	1,983,165
Boys & Girls Clubs of America grant	191,700	649,996
Special events, net (Note K)	375,611	430,304
Other fundraising events, net (Note K)	17,895	4,913
Interest and dividend income, net	9,845	9,344
Net realized and unrealized gain (loss) on investments	(285,279)	279,891
Membership dues	99,088	77,254
Program revenue	112,743	170,101
Other revenue	188	145
	<hr/>	<hr/>
Total Revenue and Gains without Donor Restrictions, Net of Investment Losses	3,402,016	7,066,309
Net assets released from restrictions (Note B)	<hr/> 1,258,702	<hr/> 939,132
	<hr/>	<hr/>
Total Revenue, Gains, and Other Support without Donor Restrictions, Net of Investment Losses	<u>\$ 4,660,718</u>	<u>\$ 8,005,441</u>

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in Net Assets without Donor Restrictions (continued):		
Expenses and other losses:		
Program services	\$ 5,237,909	\$ 5,866,623
Supporting services:		
Management and general	996,602	1,148,564
Fundraising	1,212,665	1,226,198
Total Supporting Services	<u>2,209,267</u>	<u>2,374,762</u>
Total Expenses	7,447,176	8,241,385
Loss on disposition of fixed assets	<u>-0-</u>	<u>209,557</u>
Total Expenses and Other Losses	<u>7,447,176</u>	<u>8,450,942</u>
Change in Net Assets without Donor Restrictions	<u>(2,786,458)</u>	<u>(445,501)</u>
Changes in Net Assets with Donor Restrictions:		
Direct contributions	3,080,000	2,471,500
Net assets released from restrictions (Note B)	<u>(1,258,702)</u>	<u>(939,132)</u>
Change in Net Assets with Donor Restrictions	<u>1,821,298</u>	<u>1,532,368</u>
Change in Net Assets	(965,160)	1,086,867
Net Assets, Beginning of Year	<u>10,840,047</u>	<u>9,753,180</u>
Net Assets, End of Year	<u>\$ 9,874,887</u>	<u>\$ 10,840,047</u>

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)**

	2022				Total Expenses	
	Supporting Services				2022	2021
	Program Services	Management and General	Fundraising	Total Supporting Services		
Employee Compensation:						
Salaries and wages	\$ 2,073,927	\$ 478,599	\$ 638,132	\$ 1,116,731	\$ 3,190,658	\$ 2,961,843
Employee benefits and payroll taxes (Note L)	386,813	89,264	119,019	208,283	595,096	512,415
Total Employee Compensation	2,460,740	567,863	757,151	1,325,014	3,785,754	3,474,258
Other Expenses:						
Professional fees	802,711	188,401	129,965	318,366	1,121,077	1,473,616
Reimagine Campaign expenses					-0-	28,400
Supplies and postage	425,218	1,406	4,592	5,998	431,216	565,610
Utilities	216,036	5,723	6,632	12,355	228,391	179,671
Building equipment and maintenance	333,624	59,456	59,369	118,825	452,449	768,495
Insurance	102,743	15,473	10,002	25,475	128,218	149,924
Marketing and communications	390	12,150	23,986	36,136	36,526	93,957
Printing and subscriptions	765	695	1,337	2,032	2,797	6,776
Awards and scholarships	101,825	5,100	10,002	15,102	116,927	9,157
Transportation and conferences	34,502	6,900	4,600	11,500	46,002	87,150
Interest expense		20,996		20,996	20,996	4,583
Bank charges and fees	6,814	1,203		1,203	8,017	6,249
Donated services, materials, and use of facilities (Note J)	286,636	10,589	9,626	20,215	306,851	953,237
Other expenses	13,064	94,569	195,403	289,972	303,036	116,739
Total Expenses Before Depreciation	4,785,068	990,524	1,212,665	2,203,189	6,988,257	7,917,822
Depreciation (Note A)	452,841	6,078		6,078	458,919	323,563
Total Expenses	\$ 5,237,909	\$ 996,602	\$ 1,212,665	\$ 2,209,267	\$ 7,447,176	\$ 8,241,385

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Employee Compensation:					
Salaries and wages	\$ 1,925,198	\$ 444,276	\$ 592,369	\$ 1,036,645	\$ 2,961,843
Employee benefits and payroll taxes (Note L)	333,070	76,862	102,483	179,345	512,415
Total Employee Compensation	2,258,268	521,138	694,852	1,215,990	3,474,258
Other Expenses:					
Professional fees	1,051,569	133,322	288,725	422,047	1,473,616
Reimagine Campaign expenses	25,560	2,840		2,840	28,400
Supplies and postage	458,342	22,190	85,078	107,268	565,610
Utilities	161,978	9,861	7,832	17,693	179,671
Building equipment and maintenance	445,889	296,930	25,676	322,606	768,495
Insurance	121,426	17,355	11,143	28,498	149,924
Marketing and communications	15,055	6,409	72,493	78,902	93,957
Printing and subscriptions	3,005	1,986	1,785	3,771	6,776
Awards and scholarships	9,157				9,157
Transportation and conferences	60,726	19,155	7,269	26,424	87,150
Interest expense		4,583		4,583	4,583
Bank charges and fees	5,312	937		937	6,249
Donated services, materials, and use of facilities (Note J)	921,799	16,468	14,970	31,438	953,237
Other expenses	11,053	89,311	16,375	105,686	116,739
Total Expenses Before Depreciation	5,549,139	1,142,485	1,226,198	2,368,683	7,917,822
Depreciation (Note A)	317,484	6,079		6,079	323,563
Total Expenses	\$ 5,866,623	\$ 1,148,564	\$ 1,226,198	\$ 2,374,762	\$ 8,241,385

See notes to financial statements.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
(A Michigan Non-Profit Corporation)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Cash received from donors	\$ 5,454,489	\$ 3,000,607
Cash received from grantors	808,738	2,909,139
Cash received from fundraising events	393,506	435,217
Cash received from investment income	9,591	9,757
Cash received from other sources	112,931	170,246
Cash paid for employee compensation	(3,795,016)	(3,414,836)
Cash paid to suppliers and vendors	(2,910,682)	(3,238,716)
Cash paid for interest	(20,996)	(4,583)
Net Cash Flows from Operating Activities	52,561	(133,169)
Cash Flows from Investing Activities:		
Acquisition of fixed assets	(294,734)	(684,861)
Proceeds received on disposition of fixed assets	15,000	-0-
Acquisition of investments	(29,908)	(29,653)
Proceeds received on disposition of investments	123,334	85,688
Net Cash Flows from Investing Activities	(186,308)	(628,826)
Cash Flows from Financing Activities:		
Payments on notes payable	(14,284)	(33,562)
Proceeds issued on line of credit	1,125,000	-0-
Payments on line of credit	(1,125,000)	-0-
Net Cash Flows from Financing Activities	(14,284)	(33,562)
Change in Cash and Cash Equivalents	(148,031)	(795,557)
Cash and Cash Equivalents, Beginning of Year	444,353	1,239,910
Cash and Cash Equivalents, End of Year	\$ 296,322	\$ 444,353

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose

Boys & Girls Clubs of Southeastern Michigan (“B&GCSM”) is a not-for-profit organization serving youth and their families in Wayne, Oakland, Macomb, and Washtenaw Counties. B&GCSM’s mission is to enable youth to become ready for careers, start-ups, and homeownership by receiving, in a safe and positive environment, the economic, social, human, and cultural capital needed to become economically mobile. B&GCSM’s multi-generational approach provides youth with an ecosystem of support needed to successfully transition into adulthood and a productive post-secondary future, whether that means college, entrepreneurship, skilled trades, or a direct career path into a growth industry. By promoting economic mobility among the region’s youth, B&GCSM is making strides at reversing years of poverty in southeastern Michigan. B&GCSM receives contributions from individuals, corporations, foundations, governments (federal, state, and local), community groups (fraternal, civic, and social), and special events. B&GCSM often collaborates with its community partners and funders in pursuit of its mission.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Adoption of New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases:

- Finance leases, which are accounted for in substantially the same manner as the accounting for capital leases under previous guidance
- Operating leases, which are accounted for (both in the statement of activities and in the statement of cash flows) in a manner consistent with the accounting for operating leases under previous guidance

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncements (continued)

ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. B&GCSM adopted the provisions of ASU 2016-02 as of January 1, 2022, using the retrospective approach. B&GCSM elected the package of practical expedients permitted under the transition guidance within this standard which, among other matters, allowed B&GCSM to carry forward the historical lease classifications. The impact of adopting ASU 2016-02 resulted in the recognition of right-of-use assets under operating leases and operating lease liabilities of \$28,874 as of January 1, 2022 and \$41,896 as of January 1, 2021. The adoption of ASU 2016-02 did not have a material impact on B&GCSM's activities or cash flows.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires contributed nonfinancial assets to be presented separately from contributions of cash and other financial assets in the statement of activities. ASU 2020-07 also requires expanded disclosures regarding the types, uses, policies, valuation techniques, and donor restrictions related to contributed nonfinancial assets. B&GCSM adopted the provisions of ASU 2020-07 as of January 1, 2022. These provisions have been retroactively applied to the disclosures in the accompanying financial statements as of, and for the year ended, December 31, 2021. The adoption of this pronouncement did not impact B&GCSM's net assets.

Financial Statement Presentation

B&GCSM reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Tax-Exempt Status

B&GCSM is organized under section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation by the Internal Revenue Service. B&GCSM's management is not aware of any uncertain tax positions or unrecognized tax benefits as of December 31, 2022 or 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

B&GCSM uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. B&GCSM utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, B&GCSM applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value and provides specific disclosure requirements based on the hierarchy. Financial assets and liabilities are categorized into this three-level fair value hierarchy based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that B&GCSM has the ability to access
- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions of cash and other assets, including unconditional promises to give in the future, are reported as support when received or when conditions related to a contractual promise to give are substantially met, measured at estimated realizable value. All contributions are considered to be available for general use unless specifically restricted by the donor. Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 are reported in the statements of activities as net assets released from restrictions.

Donated Services, Materials, and Use of Facilities

B&GCSM receives in-kind contributions to help fund its operations and special events. These donations include use of facilities, advertising, promotional services, salaries and benefits, materials, and other items. In-kind contributions of services are recognized in the financial statements if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The estimated fair value of these services, materials, and facilities is reflected in the accompanying financial statements.

Revenue Recognition

Revenue is measured based upon the consideration specified in a contract with a purchaser of goods or services at the time when the related performance obligation is satisfied. A performance obligation is a promise in a contract to transfer a distinct good or service, or a series of distinct goods or services, to the purchaser. B&GCSM recognizes revenue when a performance obligation is satisfied by transferring control over a product or service to the purchaser. For merchandise sales, B&GCSM has determined control to be transferred at a point in time when the goods are provided to the purchaser. For federal grants and program revenue, B&GCSM has determined control to be transferred over time as the service is provided to the purchaser.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bequests

Bequests are recorded as support at the time B&GCSM has established a right to the bequest and the proceeds are measurable.

Cash Equivalents

B&GCSM considers all highly liquid investments purchased with an original maturity of three months or less from the date of purchase to be cash equivalents.

Contributions Receivable

B&GCSM reports unconditional promises to give as contributions. Contributions that are to be paid to B&GCSM over a period of years (all of which are due in one to five years as of December 31, 2022 and 2021) are recorded at a balance that approximates the present value of their estimated future cash flows. The discount rate used approximates the rate of return on U.S. government securities at the origination of each pledge and is commensurate with the risk management associated with the ultimate collection of the pledges.

Fixed Assets

Fixed assets are stated at their original cost if purchased or at their estimated fair value at the date of gift if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from four to ten years. B&GCSM capitalizes all expenditures for fixed assets in excess of \$3,000; similar assets of \$1,500 or more that are acquired in a single purchase or donation are capitalized in aggregate if the total cost (or estimated fair value, if donated) is over \$15,000.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

B&GCSM allocates its expenses on a functional basis among its program and supporting services. Costs directly attributable to programs or supporting services are recorded in the appropriate function. Certain costs not directly attributable to a function are allocated based on time studies of particular individuals and activities, which are based on the percentage of time or usage.

Leases

B&GCSM recognizes right-of-use assets and lease liabilities for virtually all leases. Leases are categorized as either finance leases or operating leases.

At contract inception, B&GCSM determines whether a contract is or contains a lease, based on whether B&GCSM has the right to control the asset during the contract period, and whether the lease should be classified as a finance lease or an operating lease. B&GCSM's leasing arrangements do not contain any non-lease components. B&GCSM does not enter into any leases with a defined borrowing rate, so B&GCSM uses the incremental borrowing rate to measure its right-of-use assets and lease liabilities. The incremental borrowing rate is the rate that B&GCSM would have to pay to borrow, on a collateralized basis over a similar term, amounts equal to the lease payments in a comparable economic environment.

B&GCSM has elected not to recognize right-of-use assets or lease liabilities for leases that have an initial term of 12 months or less; B&GCSM recognizes lease expense for these leases on a straight-line basis over the lease term.

Investments

B&GCSM's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

B&GCSM's investments are valued as follows:

- Stocks, bonds, U.S. government securities, and short-term investments are stated at quoted market prices.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

- Shares of registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by B&GCSM as of the end of the year.
- Other investments are stated at fair value, based on observable model inputs for substantially the full term of the investments.

Purchases and sales of investments are reflected on a trade-date basis. Gains and losses on sales of securities are based on average costs. Dividend income is recorded on the ex-dividend date. Interest and dividend income is presented net of investment expenses. Net appreciation and depreciation include gains and losses on investments bought and sold, as well as held, during the year. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the fair value of investments during the year.

Concentration of Credit Risk

Financial instruments which potentially subject B&GCSM to concentrations of credit risk consist principally of cash, cash equivalents, contributions receivable, and investments.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed the federally insured limit of \$250,000 per depositor at each financial institution. Cash and cash equivalents on deposit in excess of the federally insured limit as of December 31, 2022 approximated \$162,000. Contributions receivable are due from various organizations, located primarily in southeastern Michigan. As discussed in Note E, investments are diversified in stocks, bonds, U.S. government securities, registered investment companies, and short-term investments.

Subsequent Events

B&GCSM has evaluated subsequent events through June 15, 2023, the date that the accompanying financial statements were available to be issued.

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available as of December 31, 2022 and 2021 for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Restricted for specific purposes:		
Investment in perpetuity	\$ 1,033,359	\$ 1,033,359
Sports, eSports, and industry clubs	3,980,110	1,976,603
Dick & Sandy Dauch Campus	150,000	221,750
Scholarships	131,223	136,323
Mental health programming	44,641	-0-
Club expansion	-0-	125,000
Youth development and general programming	-0-	25,000
	<u>\$ 5,339,333</u>	<u>\$ 3,518,035</u>

The interest income from investments to be held in perpetuity is available to support current operations, as outlined in the policies of the endowment fund.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished for the following purposes:		
Sports, eSports, and industry clubs	\$ 1,026,493	\$ 323,397
Club expansion	125,000	-0-
Dick & Sandy Dauch Campus	71,750	53,250
Youth development and general programming	25,000	480,852
Mental health programming	5,359	-0-
Scholarships	5,100	6,633
Matilda R. Wilson Club	-0-	75,000
	<u>\$ 1,258,702</u>	<u>\$ 939,132</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE B — NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Certain reclassifications have been made to the above schedules as of, and for the year ended, December 31, 2021 to conform to classifications used as of, and for the year ended, December 31, 2022.

NOTE C — CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 2,028,107	\$ 2,930,264
One to five years	<u>1,100,000</u>	<u>450,000</u>
	3,128,107	3,380,264
Less:		
Unamortized discount (at 4.73 percent and 3.25 percent for 2022 and 2021, respectively)	<u>(99,174)</u>	<u>(32,266)</u>
	<u><u>\$ 3,028,933</u></u>	<u><u>\$ 3,347,998</u></u>

Changes in the contributions receivable balance include cash collections, pledges paid off early, interest recognized for the year, and changes in pledge due dates.

NOTE D — ENDOWMENT FUND

B&GCSM has established an endowment fund that includes both funds with donor restrictions and funds designated by B&GCSM's Board of Directors to function as endowments. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Contributions to the endowment fund with donor restrictions include stipulations that the original principal of the gifts is to be held in perpetuity and invested by B&GCSM. Income from the fund is to be used to support ongoing operations.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE D — ENDOWMENT FUND (CONTINUED)

B&GCSM's policy is to allocate funds from the endowment fund to defray the ordinary and necessary operating expenses of B&GCSM on an annual basis. The allocation is limited to a maximum of seven percent of the fair value of the total assets held in the endowment fund as of September 30 and paid out by December 31 each year.

The endowment fund balance is reflected in the accompanying financial statements as of December 31, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Board-designated	\$ 313,768	\$ 688,446
With donor restrictions	<u>1,033,359</u>	<u>1,033,359</u>
	<u>\$ 1,347,127</u>	<u>\$ 1,721,805</u>

Reconciliations of the fair value of endowment fund assets for the years ended December 31, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2022			
Changes in Endowment Fund Assets:			
Net realized and unrealized loss	\$ (285,263)	\$ -0-	\$ (285,263)
Interest and dividend income	27,034		27,034
Less:			
Transfers to general operations	(99,100)		(99,100)
Administrative expenses	<u>(17,349)</u>		<u>(17,349)</u>
Change in Endowment Fund Assets	(374,678)	-0-	(374,678)
Endowment Fund Assets, Beginning of Year	<u>688,446</u>	<u>1,033,359</u>	<u>1,721,805</u>
Endowment Fund Assets, End of Year	<u>\$ 313,768</u>	<u>\$ 1,033,359</u>	<u>\$ 1,347,127</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE D — ENDOWMENT FUND (CONTINUED)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2021			
Changes in Endowment Fund Assets:			
Net realized and unrealized gain	\$ 280,282	\$ -0-	\$ 280,282
Interest and dividend income	29,649		29,649
Less:			
Transfers to general operations	(50,591)		(50,591)
Administrative expenses	(19,904)		(19,904)
	<u>239,436</u>	<u>-0-</u>	<u>239,436</u>
Change in Endowment Fund Assets			
Endowment Fund Assets, Beginning of Year	<u>449,010</u>	<u>1,033,359</u>	<u>1,482,369</u>
Endowment Fund Assets, End of Year	<u><u>\$ 688,446</u></u>	<u><u>\$ 1,033,359</u></u>	<u><u>\$ 1,721,805</u></u>

NOTE E — INVESTMENTS AND FAIR VALUE

B&GCSM's policy is to maintain a moderately conservative but balanced portfolio, with the primary investment objectives being the preservation of purchasing power and the preservation of capital. The investment portfolio is structured and maintained with the overall objective of providing the resources and liquidity for B&GCSM to fulfill its mission.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE E — INVESTMENTS AND FAIR VALUE (CONTINUED)

B&GCSM's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2022 and 2021 is summarized as follows:

	<u>Fair Value Measurements</u>		
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Total</u>
2022			
Assets:			
Investments at fair value:			
Short-term investments	\$ 66,924	\$ -0-	\$ 66,924
Common stocks	929,283		929,283
Foreign stocks	38,731		38,731
Corporate bonds	19		19
Registered investment companies:			
Equity fund	81,282		81,282
Fixed income fund	159,234		159,234
U.S. government and agency notes and bonds	74,285		74,285
Other		18	18
	<u>\$ 1,349,758</u>	<u>\$ 18</u>	<u>\$ 1,349,776</u>
2021			
Assets:			
Investments at fair value:			
Short-term investments	\$ 70,242	\$ -0-	\$ 70,242
Common stocks	1,119,013		1,119,013
Foreign stocks	63,462		63,462
Corporate bonds	481		481
Registered investment companies:			
Equity fund	101,712		101,712
Fixed income fund	283,721		283,721
U.S. government and agency notes and bonds	89,820		89,820
Other		30	30
	<u>\$ 1,728,451</u>	<u>\$ 30</u>	<u>\$ 1,728,481</u>

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE E — INVESTMENTS AND FAIR VALUE (CONTINUED)

B&GCSM did not have any assets classified in Level 3 of the fair value hierarchy as of December 31, 2022 or 2021.

NOTE F — FIXED ASSETS

Fixed assets as of December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 134,641	\$ 149,640
Buildings	6,668,105	6,668,105
Building improvements	4,625,891	4,489,739
Equipment and software	1,703,151	1,976,622
Construction in progress	<u>130,800</u>	<u>48,888</u>
	13,262,588	13,332,994
Less: Accumulated depreciation	<u>(7,483,832)</u>	<u>(7,325,745)</u>
	<u><u>\$ 5,778,756</u></u>	<u><u>\$ 6,007,249</u></u>

NOTE G — NOTE PAYABLE

B&GCSM acquired a lighting system in 2018 under a note payable. The monthly payment was \$2,879 for 48 months, including interest at 3.023 percent per annum. The loan was paid off as of December 31, 2022.

NOTE H — LINE OF CREDIT

B&GCSM obtained a \$250,000 line of credit with a bank on October 7, 2020, which was renewed and increased to \$750,000, effective April 8, 2022. Interest is payable monthly at 0.25 percent over the prime rate, but not less than three percent per annum. This line of credit is secured by the assets of B&GCSM. B&GCSM made several draws totaling \$1,125,000 on the line of credit during the year ended December 31, 2022 and repaid the entire balance prior to December 31, 2022. Interest expense incurred on the line of credit totaled \$20,996 and \$2,363 for the years ended December 31, 2022 and 2021, respectively. No balance is outstanding on this line of credit as of December 31, 2022 or 2021.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE I — LEASES

B&GCSM leases equipment under operating lease agreements expiring at various times through April 2026. B&GCSM also has a lease for the property at the Dick & Sandy Dauch Campus, home of the NFL/Youth Education Town – Boys & Girls Club. The lease is \$1 annually for 75 years. This lease has been paid in full through 2082.

Amounts recognized in the statements of financial position as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Right-of-Use Assets:		
Under operating leases	<u>\$ 15,043</u>	<u>\$ 28,874</u>
Operating Lease Liabilities:		
Current portion	\$ 10,527	\$ 14,205
Long-term portion	<u>4,142</u>	<u>14,669</u>
	<u>\$ 14,669</u>	<u>\$ 28,874</u>

Maturities of the lease liabilities are as follows as of December 31, 2022:

	<u>Operating Leases</u>
For the Years Ending December 31:	
2023	\$ 11,104
2024	2,915
2025	1,258
2026	<u>210</u>
Total Lease Payments	15,487
Less: Imputed interest	<u>(818)</u>
Present Value of Lease Liabilities	<u>\$ 14,669</u>

BOYS & GIRLS CLUBS OF SOUTHEASTERN MICHIGAN
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE I — LEASES (CONTINUED)

Lease costs are as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating lease cost	<u>\$ 15,146</u>	<u>\$ 15,416</u>

Cash paid for amounts included in the measurement of lease liabilities during the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
For operating leases from operating cash flows	<u>\$ 15,791</u>	<u>\$ 15,625</u>

The weighted average remaining lease term and the weighted average discount rate of B&GCSM's leases as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Weighted average remaining lease term for operating leases	1.54 years	2.29 years
Weighted average discount rate for operating leases	7.5 %	7.5 %

NOTE J — IN-KIND CONTRIBUTIONS

In-kind contributions, including the usage of those contributions, are summarized as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Usage</u>
Professional services	\$ 96,315	\$ -0-	Program and supporting services
Materials	53,063	332,404	Program services
Facilities	96,260	149,701	Program and supporting services
Equipment	61,213	882,178	Programs
	<u>\$ 306,851</u>	<u>\$ 1,364,283</u>	

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE J — IN-KIND CONTRIBUTIONS (CONTINUED)

In-kind contributions were valued using estimated average prices of identical or similar products or services using pricing data of similar products or services under a “like-kind” methodology, considering the utility of the services and goods at the time of the contribution. No in-kind contributions were received with donor restrictions. B&GCSM does not sell donated gifts and only uses donated services and goods for its own program or supporting service activities.

NOTE K — SPECIAL AND OTHER FUNDRAISING EVENTS

Revenue and direct expenses related to special and other fundraising events for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Special Events</u>	<u>Other Fundraising Events</u>	<u>Special Events</u>	<u>Other Fundraising Events</u>
Gross revenue	\$ 794,899	\$ 19,425	\$ 663,101	\$ 5,163
Less: Direct expenses	<u>(419,288)</u>	<u>(1,530)</u>	<u>(232,797)</u>	<u>(250)</u>
	<u>\$ 375,611</u>	<u>\$ 17,895</u>	<u>\$ 430,304</u>	<u>\$ 4,913</u>

NOTE L — PENSION PLAN

B&GCSM participates in a national pension trust program with Boys & Girls Clubs of America that is recognized as a multiple-employer defined contribution pension plan. B&GCSM makes a matching contribution of five percent of eligible compensation for its employees. Pension expense was \$69,898 and \$70,383 for the years ended December 31, 2022 and 2021, respectively. The accrued pension balance was \$71,943 and \$97,398 as of December 31, 2022 and 2021, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE M — RELATED-PARTY TRANSACTIONS

B&GCSM had transactions with related parties during the years ended December 31, 2022 and 2021 as follows:

- B&GCSM's Board of Directors includes officers of the lessor from whom B&GCSM leases office space. Office lease expense under this arrangement has been recognized in the statements of activities as in-kind donations of the use of facilities.
- A key member of B&GCSM's management serves on the Board of Directors for a website and social media development company with whom B&GCSM contracts for services.
- Family members of B&GCSM's management provide services to B&GCSM.
- A family member of B&GCSM's management owns a security company with whom B&GCSM contracts for services.

Expenses incurred in these related-party transactions during the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Office lease	\$ 96,260	\$ 78,052
Website and social media development company	190,068	342,735
Services provided by family members	11,168	23,623
Security company	-0-	25,725

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE N — LIQUIDITY AND AVAILABILITY OF RESOURCES

B&GCSM has the following financial assets available for general expenditures within one year as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and cash equivalents	\$ 296,322	\$ 444,353
Contributions receivable – current portion	2,028,107	2,930,264
Investments	1,349,776	1,728,481
Accrued interest receivable	<u>2,084</u>	<u>1,830</u>
Total Financial Assets	3,676,289	5,104,928
Less:		
Donor-restricted assets available within one year but not expected to be used for their intended purposes within one year	<u>(2,311,265)</u>	<u>(3,100,301)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 1,365,024</u>	<u>\$ 2,004,627</u>

B&GCSM has certain donor-restricted assets that are to be used for specific purposes or maintained in perpetuity. B&GCSM’s management anticipates that a portion of these donor-restricted assets will be used for their intended purposes during the next year. Those donor-restricted assets that are not expected to be used for their intended purposes during the next year are not considered to be available for general expenditures within the next year. B&GCSM has a policy to manage its liquidity following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Furthermore, B&GCSM maintains a \$750,000 line of credit, as discussed in more detail in Note H. As of December 31, 2022, \$750,000 remained available on the line of credit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022 and 2021

NOTE O — NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, in June 2016. ASU 2016-13 replaces the existing incurred loss impairment methodology for financial instruments, including accounts and notes receivable, with a methodology that reflects expected credit losses. Under ASU 2016-13, consideration of a broader range of reasonable and supportable information, including forecasts, will be required to develop credit loss estimates (currently the allowance for doubtful accounts). The new methodology will be used to measure impairment of financial instruments, including accounts and notes receivable, and may result in earlier recognition of credit losses than under existing accounting. Promises to receive (contributions or pledges receivable) are excluded from the scope of this standard. ASU 2016-13 applies to B&GCSM's financial statements for the year ending December 31, 2023, with earlier implementation permitted. B&GCSM's management has not determined the impact on its financial statements as a result of implementing ASU 2016-13.