

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Financial Statements

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

2023 Audit

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Independent Auditors' Report

The Board of Directors of
Boys Club of Wake County, Inc.
D/B/A Boys and Girls Clubs:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Boys Club of Wake County, Inc. D/B/A Boys and Girls Clubs (the "Club") (a non-profit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Implementation Act*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2024, on our consideration of the Club's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Club's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Club's internal control over financial reporting and compliance.

Batchelor, Tillery & Roberts, LLP

June 6, 2024

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Statements of Financial Position

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents, partially restricted	\$ 5,429,291	5,781,572
Contributions and grants receivable, current portion	857,354	738,507
Annual campaign pledges receivable, net	54,225	44,139
Capital campaign pledges receivable, current portion	22,000	22,000
Prepaid expenses and other	<u>19,913</u>	<u>8,171</u>
Total current assets	6,382,783	6,594,389
Cash and cash equivalents, restricted for capital additions	1,675,753	1,436,220
Contributions and grants receivable, less current portion	39,729	70,522
Capital campaign pledges receivable, less current portion	-	17,030
Land, buildings and equipment, net	<u>4,950,318</u>	<u>4,513,787</u>
	\$ <u><u>13,048,583</u></u>	<u><u>12,631,948</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	83,294	63,613
Finance lease payable, current portion	<u>11,393</u>	<u>9,992</u>
Total current liabilities	94,687	73,605
Finance lease payable, less current portion	<u>6,808</u>	<u>18,165</u>
	<u>101,495</u>	<u>91,770</u>
Net assets:		
Without donor restrictions	10,257,313	10,130,058
With donor restrictions	<u>2,689,775</u>	<u>2,410,120</u>
Total net assets	<u>12,947,088</u>	<u>12,540,178</u>
	\$ <u><u>13,048,583</u></u>	<u><u>12,631,948</u></u>

See accompanying notes to financial statements.

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Statements of Activities

Year ended December 31, 2023, with comparative totals for 2022

	2023			
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	<u>2022</u>
Revenues:				
Public support:				
Triangle United Way	\$ 69,766	50,001	119,767	166,164
Annual campaign	1,418,623	-	1,418,623	1,375,985
State award	-	199,261	199,261	390,680
BE THE ONE-Capital Campaign	-	2,970	2,970	2,732
Other grants and contributions	<u>3,145,062</u>	<u>154,697</u>	<u>3,299,759</u>	<u>7,173,596</u>
Total public support	<u>4,633,451</u>	<u>406,929</u>	<u>5,040,380</u>	<u>9,109,157</u>
Other revenue:				
Membership dues and program fees	137,936	-	137,936	113,700
Investment return	-	268,966	268,966	16,299
Concessions	1,219	-	1,219	1,098
Miscellaneous	<u>1,547</u>	<u>-</u>	<u>1,547</u>	<u>13,817</u>
Total other revenue	<u>140,702</u>	<u>268,966</u>	<u>409,668</u>	<u>144,914</u>
Net assets released from restrictions- satisfied by payments and time	<u>396,240</u>	<u>(396,240)</u>	<u>-</u>	<u>-</u>
Total public support and other revenue	<u>5,170,393</u>	<u>279,655</u>	<u>5,450,048</u>	<u>9,254,071</u>
Expenses:				
Program services:				
Educational opportunities	1,047,001	-	1,047,001	963,015
Social and group adjustments	2,292,995	-	2,292,995	2,133,477
Day camp	<u>482,587</u>	<u>-</u>	<u>482,587</u>	<u>444,004</u>
Total program services	<u>3,822,583</u>	<u>-</u>	<u>3,822,583</u>	<u>3,540,496</u>
Supporting services:				
Management and general	657,569	-	657,569	617,612
Fundraising	<u>562,986</u>	<u>-</u>	<u>562,986</u>	<u>506,692</u>
Total supporting services	<u>1,220,555</u>	<u>-</u>	<u>1,220,555</u>	<u>1,124,304</u>
Total expenses	<u>5,043,138</u>	<u>-</u>	<u>5,043,138</u>	<u>4,664,800</u>
Changes in net assets	127,255	279,655	406,910	4,589,271
Net assets, beginning of period	<u>10,130,058</u>	<u>2,410,120</u>	<u>12,540,178</u>	<u>7,950,907</u>
Net assets, end of year	\$ <u>10,257,313</u>	<u>2,689,775</u>	<u>12,947,088</u>	<u>12,540,178</u>

(Continued)

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Statements of Activities, Continued

Year ended December 31, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues:			
Public support:			
Triangle United Way	\$ 66,165	99,999	166,164
Annual campaign	1,375,985	-	1,375,985
State award	-	390,680	390,680
BE THE ONE-Capital Campaign	-	2,732	2,732
Other grants and contributions	<u>7,020,007</u>	<u>153,589</u>	<u>7,173,596</u>
Total public support	<u>8,462,157</u>	<u>647,000</u>	<u>9,109,157</u>
Other revenue:			
Membership dues and program fees	113,700	-	113,700
Investment return	-	16,299	16,299
Concessions	1,098	-	1,098
Miscellaneous	<u>13,817</u>	<u>-</u>	<u>13,817</u>
Total other revenue	<u>128,615</u>	<u>16,299</u>	<u>144,914</u>
Net assets released from restrictions- satisfied by payments	<u>613,353</u>	<u>(613,353)</u>	<u>-</u>
Total public support and other revenue	<u>9,204,125</u>	<u>49,946</u>	<u>9,254,071</u>
Expenses:			
Program services:			
Educational opportunities	963,015	-	963,015
Social and group adjustments	2,133,477	-	2,133,477
Day camp	<u>444,004</u>	<u>-</u>	<u>444,004</u>
Total program services	<u>3,540,496</u>	<u>-</u>	<u>3,540,496</u>
Supporting services:			
Management and general	617,612	-	617,612
Fundraising	<u>506,692</u>	<u>-</u>	<u>506,692</u>
Total supporting services	<u>1,124,304</u>	<u>-</u>	<u>1,124,304</u>
Total expenses	<u>4,664,800</u>	<u>-</u>	<u>4,664,800</u>
Changes in net assets	4,539,325	49,946	4,589,271
Net assets, beginning of year	<u>5,590,733</u>	<u>2,360,174</u>	<u>7,950,907</u>
Net assets, end of year	\$ <u>10,130,058</u>	<u>2,410,120</u>	<u>12,540,178</u>

See accompanying notes to financial statements.

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Statement of Functional Expenses

Year ended December 31, 2023

	Program Services				Supporting Services			Total
	Educational Opportunities	Social and Group Adjustments	Day Camp	Total Program Services	Management and General	Fund- raising	Total Supporting Services	Program and Supporting Services
Salaries and wages	\$ 640,787	1,150,623	94,080	1,885,490	307,598	364,159	671,757	2,557,247
Payroll related expenses	139,727	261,762	98,551	500,040	76,405	33,272	109,677	609,717
Supplies	10,395	255,101	15,424	280,920	4,810	7,419	12,229	293,149
Utilities	29,019	97,505	40,428	166,952	6,763	2,846	9,609	176,561
Repairs and maintenance	28,483	93,172	35,308	156,963	8,379	4,890	13,269	170,232
Rent	50,791	103,121	-	153,912	-	-	-	153,912
Advertising	-	-	-	-	21,172	49,532	70,704	70,704
Vehicle	16,155	16,756	30,788	63,699	3,525	3,165	6,690	70,389
Insurance	9,744	35,730	17,539	63,013	1,299	650	1,949	64,962
Staff development	12,915	24,356	8,429	45,700	7,286	4,216	11,502	57,202
Summer food program	-	-	55,150	55,150	-	-	-	55,150
Membership dues	10,219	10,528	10,219	30,966	-	-	-	30,966
Professional fees	-	-	-	-	25,211	3,602	28,813	28,813
Printing and publication	283	283	283	849	283	13,012	13,295	14,144
Other	22,095	40,356	-	62,451	92,987	25,297	118,284	180,735
Total before depreciation and amortization	970,613	2,089,293	406,199	3,466,105	555,718	512,060	1,067,778	4,533,883
Depreciation and amortization	76,388	203,702	76,388	356,478	101,851	50,926	152,777	509,255
	\$ <u>1,047,001</u>	<u>2,292,995</u>	<u>482,587</u>	<u>3,822,583</u>	<u>657,569</u>	<u>562,986</u>	<u>1,220,555</u>	<u>5,043,138</u>

See accompanying notes to financial statements.

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Statement of Functional Expenses

Year ended December 31, 2022

	Program Services				Supporting Services			Total
	Educational Opportunities	Social and Group Adjustments	Day Camp	Total Program Services	Management and General	Fund- raising	Total Supporting Services	Program and Supporting Services
Salaries and wages	\$ 582,282	1,052,877	82,515	1,717,674	275,973	334,454	610,427	2,328,101
Payroll related expenses	128,470	241,077	90,848	460,395	70,074	30,826	100,900	561,295
Supplies	23,391	227,294	17,684	268,369	3,710	7,266	10,976	279,345
Repairs and maintenance	30,146	97,905	40,414	168,465	9,022	4,979	14,001	182,466
Utilities	27,096	90,575	37,108	154,779	6,469	2,706	9,175	163,954
Rent	37,236	75,600	-	112,836	-	-	-	112,836
Vehicle	14,219	14,708	26,158	55,085	3,778	3,139	6,917	62,002
Grants	-	59,165	-	59,165	-	-	-	59,165
Insurance	8,720	31,973	15,695	56,388	1,163	581	1,744	58,132
Summer food program	-	-	53,384	53,384	-	-	-	53,384
Advertising	-	-	-	-	19,641	28,246	47,887	47,887
Professional fees	-	-	-	-	40,030	5,719	45,749	45,749
Staff development	8,666	16,342	5,660	30,668	4,893	2,814	7,707	38,375
Membership dues	9,038	9,312	9,038	27,388	-	-	-	27,388
Printing and publication	352	352	352	1,056	352	16,198	16,550	17,606
Other	28,251	42,568	-	70,819	95,642	26,332	121,974	192,793
Total before depreciation and amortization	897,867	1,959,748	378,856	3,236,471	530,747	463,260	994,007	4,230,478
Depreciation and amortization	65,148	173,729	65,148	304,025	86,865	43,432	130,297	434,322
	\$ 963,015	2,133,477	444,004	3,540,496	617,612	506,692	1,124,304	4,664,800

See accompanying notes to financial statements.

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Statements of Cash Flows

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flow from operating activities:		
Changes in net assets	\$ 406,910	4,589,271
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	509,255	434,323
Gain on sale of assets	(1,725)	(1,060)
Contributions restricted for capital additions	(886,554)	-
Changes in operating assets and liabilities:		
Contributions and grants receivable	(88,054)	(182,996)
Annual campaign pledges receivable	(10,086)	(24,477)
Prepaid expenses and other	(11,742)	(5,784)
Accounts payable and accrued expenses	<u>19,681</u>	<u>(64,824)</u>
Net cash (used in) provided by operating activities	<u>(62,315)</u>	<u>4,744,453</u>
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(946,061)	(175,142)
Proceeds from sale of land, buildings and equipment	<u>2,000</u>	<u>1,060</u>
Net cash used in investing activities	<u>(944,061)</u>	<u>(174,082)</u>
Cash flows from financing activities:		
Principal payments on finance lease	(9,956)	(8,913)
Contributions, interest and dividends restricted for capital additions	<u>903,584</u>	<u>17,268</u>
Net cash provided by financing activities	<u>893,628</u>	<u>8,355</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(112,748)	4,578,726
Cash, cash equivalents and restricted cash, beginning of year	<u>7,217,792</u>	<u>2,639,066</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u><u>7,105,044</u></u>	<u><u>7,217,792</u></u>
Supplemental disclosure of cash flow information:		
Interest paid during the period	\$ <u><u>3,203</u></u>	<u><u>4,432</u></u>

See accompanying notes to financial statements.

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements

December 31, 2023 and 2022

(1) Basis of Presentation and Accounting Policies

Organization

Boys Club of Wake County, Inc. d/b/a Boys and Girls Clubs (the "Club") is a non-profit youth development organization incorporated in February 1966 "for the establishment of a club or clubs in Wake County, North Carolina, where boys up to the age of 18 years may enjoy facilities and programs designed to further their physical, intellectual and spiritual development." The Club was organized under the guidance of a national organization called Boys Clubs of America and received its club charter in 1966. The Club opened in April 1967.

On December 1, 1987, the Club took the assumed name, Boys & Girls Clubs, to reflect the inclusion of girls in the program.

The mission of the Club is to inspire and enable all young people, especially those who need us most, to realize their full potential as responsible, productive and caring citizens. The Club has seven clubs serving approximately 3,300 registered members.

Significant Accounting Policies

The significant accounting policies of the Club are summarized below:

(a) Net assets

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 restrictions.
- Net assets with donor restrictions net assets subject to donor-imposed restrictions that may or will be met either by action of the Club and/or the passage of time.

Net Assets Released from Restrictions

The Club reports gifts of cash or other assets as with donor restriction support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Restricted net assets will be considered unrestricted net assets if restriction has been met in the same period the funds were received.

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements, Continued

December 31, 2023 and 2022

(1) Basis of Presentation and Accounting Policies, Continued

Significant Accounting Policies, Continued

(b) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include time deposits, certificates of deposits, and all highly liquid debt instruments with original maturities of three months or less.

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 as of December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,429,291	5,781,572
Cash, restricted	<u>1,675,753</u>	<u>1,436,220</u>
Total cash, cash equivalents, and restricted cash shown in statements in cash flows	\$ <u>7,105,044</u>	<u>7,217,792</u>

Noncurrent restricted cash is restricted for capital additions (see note 6).

(c) Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

An allowance for uncollectable contributions and pledges receivable is recorded, if considered necessary, based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. There was a \$5,000 allowance for 2023 and 2022.

(d) Land, Buildings and Equipment

Purchased property is recorded at cost. Contributed property is recorded at its estimated fair value at the date of contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the property (equipment, 5 to 10 years; buildings, 25 to 40 years). The Club follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use, if significant.

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements, Continued

December 31, 2023 and 2022

(1) Basis of Presentation and Accounting Policies, Continued

Significant Accounting Policies, Continued

(e) Donated Services

Volunteers have made contributions of their time to the Club. The value of this contributed time is not reflected in these financial statements since the services received do not create or enhance nonfinancial assets nor require specialized skills, and cannot reasonably be valued.

(f) Income Taxes

The Club is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes.

(g) 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

(h) Advertising

Advertising costs are expensed as incurred.

(i) Revenue Recognition

The Club records membership dues and program fees on an accrual basis, as the performance obligation is satisfied. Amounts received in advance are deferred, and revenue is recognized as the service is provided. In addition, the Club records as revenue the following types of contributions, when they are received unconditionally, at their fair value: cash, marketable securities, pledges and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Contributions and other receivables are recorded net of estimated uncollectable amounts and net of discounts if expected to be collected over multiple years. Membership revenue is measured based on the amount of consideration specified in a contract with a member. Revenue is recognized as performance obligations under the terms of the contract are satisfied, which generally occurs over time.

(j) Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited by management based on what is considered to be the best available objective criteria, such as hours worked or relative benefit.

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements, Continued

December 31, 2023 and 2022

(1) Basis of Presentation and Accounting Policies, Continued

Significant Accounting Policies, Continued

(k) Adoption of New Accounting Standard

The Financial Accounting Standards Board (“FASB”) has issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements* which, among other things, requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 was effective for the Club for the fiscal year ended December 31, 2023. There were no changes to net assets or changes in net assets as previously reported as a result of the adoption of this ASU.

(2) Information Regarding Liquidity and Availability of Resources

The Club regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Club considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Club's financial assets as of December 31, 2023 and 2022 consist of unrestricted cash and receivables, resulting in net financial assets, all of which are available to meet general expenditures within one year of the financial statement date, as follows:

	<u>2023</u>	<u>2022</u>
Financial assets, at year end:		
Cash and cash equivalents	\$ 5,036,977	5,435,802
Receivables, current portion	<u>84,225</u>	<u>99,139</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u>5,121,202</u>	<u>5,534,941</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Club operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements, Continued

December 31, 2023 and 2022

(3) Pledges, Contributions and Grants Receivable

The annual campaign pledges receivable consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Annual campaign receivables	\$ 59,225	49,139
Less allowance for uncollectible pledges	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 54,225</u>	<u>44,139</u>

All annual campaign pledges were currently receivable as of December 31, 2023 and 2022.

Contributions and grants receivable consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 857,354	738,507
Receivable in more than one year	<u>41,714</u>	<u>75,000</u>
	899,068	813,507
Less discounts to present value (5%)	<u>(1,985)</u>	<u>(4,478)</u>
	897,083	809,029
Less current portion	<u>(857,354)</u>	<u>(738,507)</u>
Long-term portion	<u>\$ 39,729</u>	<u>70,522</u>

The Club began a \$12 million campaign called BE THE ONE Campaign primarily for capital improvements and endowment. Seven million dollars was used for the construction of the Zebulon Boys & Girls Club (completed in 2012) and a new teen center (completed in 2014), and will be used for facility improvements at camp. Three million dollars will be used for the endowment. One million dollars will be used for improvements to Raleigh Boys Club, Raleigh Girls Club and Wake Forest facilities and one million dollars for program expansion into other areas of the city and county. The Club has raised approximately \$12,100,000, including \$1,156,000 (unaudited) in conditional pledges which are not recorded as revenue until the related conditions are met. Pledges receivable consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 22,000	22,000
Receivable in more than one year	<u>-</u>	<u>20,000</u>
	22,000	42,000
Less discounts to present value (5%)	<u>-</u>	<u>(2,970)</u>
	22,000	39,030
Less current portion	<u>(22,000)</u>	<u>(22,000)</u>
Long-term portion	<u>\$ -</u>	<u>17,030</u>

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements, Continued

December 31, 2023 and 2022

(4) Land, Buildings and Equipment

Land, buildings and equipment consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 460,293	460,293
Buildings	9,215,861	9,213,511
Furniture and equipment	1,554,676	1,392,465
Vehicles	981,478	252,402
Leasehold improvements	84,780	84,780
Construction in progress	40,680	-
	<u>12,337,768</u>	<u>11,403,451</u>
Less accumulated depreciation and amortization	<u>(7,387,450)</u>	<u>(6,889,664)</u>
Land, buildings and equipment, net	<u>\$ 4,950,318</u>	<u>4,513,787</u>

(5) Leases

The Club leases one clubhouse under an operating lease. The current lease term expires December 31, 2024. Lease payments included in operating expenses totaled approximately \$71,000 and \$69,000 during the years ended December 31, 2023 and 2022, respectively. Future minimum lease payments under the lease total approximately \$90,000 for 2024.

The Club has entered into a finance lease agreement for a security firewall which will expire in 2025. The asset and liability under the capital leases were recorded at the present value of the minimum lease payments and the assets are amortized over the related lease term as part of depreciation and amortization expense. The asset under the finance lease totaled \$48,124 as of December 31, 2023 and 2022, and accumulated amortization was \$24,062 and \$14,437 as of December 31, 2023 and 2022, respectively.

The future rentals for the finance lease are as follow as of December 31, 2023:

<u>Year ending December 31,</u>	
2024	\$ 13,195
2025	<u>7,136</u>
	20,331
Less interest (13.2%)	<u>(2,130)</u>
	<u>\$ 18,201</u>

The Club has elected to apply the short-term lease exemption to the clubhouse lease, and recognizes the lease payments in expense as paid.

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements, Continued

December 31, 2023 and 2022

(6) Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Capital additions	\$ 2,052,361	1,830,929
Gary Joyner Memorial Scholarship	153,396	146,950
Gavaghan/Ferebee Relief	122,730	90,611
TJ COG - Bus & HVAC grant	113,445	-
Ryan Page Memorial Fund	64,673	58,703
Vision program	51,515	49,506
Soccer for Success program	23,000	44,000
CACFP food program	15,830	31,596
Ralph Capps Scholarship Fund	7,825	7,825
Subject to the passage of time:		
Payments on pledges	60,000	100,000
Triangle United Way	25,000	50,000
	<u>\$ 2,689,775</u>	<u>2,410,120</u>

“Capital additions” include amounts borrowed from capital campaign accounts for operations. The total amount to be repaid to the capital campaign accounts totaled approximately \$356,000 as of December 31, 2023 and 2022.

Included in public support, with donor restrictions, in the statements of activities is \$199,261 and \$390,680 for 2023 and 2022, respectively, from the North Carolina Department of Health and Human Services.

Net assets were released from donor restrictions by incurring expenses satisfying the following purpose and time restrictions specified by donors for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
N.C. Dept. of Health and Human Services	\$ 199,261	390,680
Summer food program	70,351	66,758
Gavaghan/Ferebee Relief Fund	11,628	15,915
Satisfaction of time restrictions:		
Triangle United Way	75,000	100,000
Payments on pledges	40,000	40,000
	<u>\$ 396,240</u>	<u>613,353</u>

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements, Continued

December 31, 2023 and 2022

(7) Pension Plan

The Club participates in a defined contribution pension plan (the "Plan") covering substantially all full-time employees. The Club contributes eight percent of eligible employee compensation. Employees are eligible to participate in the Plan after reaching the age of 21 and after completion of 12 months of service, and vest 100% after three years of service. The contributions to the Plan by the Club were \$138,650 and \$121,446 for 2023 and 2022, respectively.

(8) Related Party Transactions

Included in public support, without donor restrictions in the statements of activities for 2023 and 2022, respectively is \$0 and \$200,544 from Boys Club Foundation (the "Foundation"), a related organization whose purpose is to support the Club, but is not controlled by the Club's Board of Directors. As of December 31, 2023 and 2022, respectively, the Foundation had net assets totaling approximately \$6,300,000 and \$5,300,000, respectively. Assets of the Foundation consist primarily of marketable equity securities and cash. During 2023, the Foundation elected not to make a contribution to the Club. During 2022, the Foundation made a \$172,825 contribution to the Club.

During 2023 and 2022, respectively, the Club was reimbursed \$0 and \$131,305 from the North Carolina Alliance of Boys and Girls Clubs, Inc. for personnel and other related costs.

(9) Subsequent Events

The date to which events occurring after December 31, 2023, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is June 6, 2024, the date the financial statements were available to be issued.

BOYS CLUB OF WAKE COUNTY, INC
D/B/A BOYS AND GIRLS CLUBS

Schedule of Expenditures of Federal and State Awards

Year ended December 31, 2023

Federal or State Grantor/ Pass-through Grantor/ <u>Program Title</u>	Federal Assistance Listing <u>Number</u>	Pass-Through Entity Identifying Number/ State <u>Contract Number</u>	Total <u>Expenditures</u>	Pass-through to <u>Subrecipients</u>
Federal Awards:				
U.S. Department of Agriculture, Food and Nutrition Service				
Pass-through from N.C. Department HHS, Nutrition Services	10.558	9423	\$ 184,786	-
Total Federal Awards			<u>184,786</u>	<u>-</u>
State Awards:				
N.C. Department of Health and Human Services, Administration for Children and Families				
Boys and Girls Clubs of North Carolina	N/A	State Appropriations	\$ 1,549,869	1,278,980
Workforce Development Grant	N/A	State Appropriations	405,769	370,441
North Carolina Department of Public Instruction				
Summer Food Program	N/A	State Appropriations	99,145	-
Total State Awards			<u>2,054,783</u>	<u>1,649,421</u>
Total Federal and State Awards			\$ <u>2,239,569</u>	<u>1,649,421</u>

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of the Club under the programs of the federal government and the State of North Carolina for the year ended December 31, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Club, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Club.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Club has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

BACHELOR, TILLERY & ROBERTS, LLP

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

The Board of Directors of
Boys Club of Wake County, Inc.
D/B/A Boys and Girls Clubs:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boys Club of Wake County, Inc. D/B/A Boys and Girls Clubs (the "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, and have issued our report thereon dated June 6, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Club's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control. Accordingly, we do not express an opinion on the effectiveness of the Club's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Club's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Club's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Batchelor, Tillery & Roberts, LLP

June 6, 2024

BACHELOR, TILLERY & ROBERTS, LLP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

The Board of Directors of
Boys Club of Wake County, Inc.
D/B/A Boys and Girls Clubs:

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Boys Club of Wake County, Inc. D/B/A Boys and Girls Club's (the "Club") (a nonprofit organization) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Club's major state programs for the year ended December 31, 2023. The Club's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Club complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in according with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Club and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of the Club's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Club's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Club's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards ("GAAS"), *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Club's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Club's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Club's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Batchelor, Tillery & Roberts, LLP

June 6, 2024

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Summary Schedule of Findings and Questioned Costs

Year ended December 31, 2023

SECTION I-Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes X No
- Significant deficiency(s) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

State Awards

Internal control over major state programs:

- Material weaknesses identified? Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses Yes X None reported

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act Yes X No

Identification of major state programs (>\$500,000):

Boys and Girls Clubs – State Appropriations

Dollar threshold used to determine a major state program \$500,000

Auditee qualified as State Low-risk auditee? Yes X No

BOYS CLUB OF WAKE COUNTY, INC.
D/B/A BOYS AND GIRLS CLUBS

Summary Schedule of Findings and Questioned Costs, Continued

Year ended December 31, 2023

SECTION II-Financial Statement Findings

No findings.

SECTION III-State Award Findings and Questioned Costs

No findings.

SECTION IV-Prior Year Award Findings and Questioned Costs

2021-01 – Year ending December 31, 2022

Identification of Questioned Costs and Computation - Submission to the Federal Audit Clearinghouse was due on June 12, 2022. The submission was made on June 14, 2023 in violation of the deadline.

Prevalence of Error - Isolated - The submission was for the year ended December 31, 2021.

Grants impacted by the finding: All grants listed on the Schedule of Expenditures of Federal and State Awards.

Criteria - Violation - Federal Statute - 2 CFR§ 200.512(a) - The Club should ensure that a data collection form is submitted within the required timeframe for any years for which they are required to comply with the Uniform Guidance.

Condition - In accordance with the Federal Regulations, (a) the audit shall be completed, and the data collection form and reporting package shall be submitted by the earlier date of either 30 days after receipt of the auditors' reports, or nine months after the end of the fiscal year end date, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. The Club had failed to timely submit its data collection form for the year ended December 31, 2021, and thus was not in compliance with this requirement.

Cause - Management changed their year-end in 2021 and received new funding sources that led to the Data Collection Form not being timely filed.

Effect - Due to the failure to timely file the 2021 data collection form, the Club was not in compliance with the reporting requirements.

Correction - All findings from the prior year Schedule of Findings and Questioned Costs have been appropriately corrected. No such issues identified in 2023.