

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Consolidated Financial Statements,  
Supplementary Information, and Compliance Reports  
(with Independent Auditor's Report Thereon)

Years Ended December 31, 2021 and 2020

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## **Independent Auditor's Report**

Members of the Board of Directors  
Boys & Girls Clubs of Southcentral Alaska  
Anchorage, Alaska

### **Opinion**

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of Southcentral Alaska (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Boys & Girls Clubs of Southcentral Alaska as of December 31, 2021 and 2020, and the changes in its consolidated net assets and its consolidated 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Boys & Girls Clubs of Southcentral Alaska and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 consolidated 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 consolidated 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 consolidated 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 Boys & Girls Clubs of Southcentral Alaska'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Boys & Girls Clubs of Southcentral Alaska's ability to continue as a going concern for a reasonable period of time.

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

### **Report on Additional Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information listed in the table of contents as additional supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. This includes the Schedules of Activities – Budget and Actual; Schedule of Expenditures of Federal Awards, and notes to schedule, 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*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2022, on our consideration of Boys & Girls Clubs of Southcentral Alaska'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 Boys & Girls Clubs of Southcentral Alaska'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 Boys & Girls Clubs of Southcentral Alaska's internal control over financial reporting and compliance.



Anchorage, Alaska  
September 6, 2022

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u> <u>(As Restated)</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 3,256,841	4,657,170
Restricted	399,311	255,884
Investments	6,822,904	4,205,140
Accounts receivable, net of allowance	163,227	104,890
Contribution receivable, net of discount	2,523,788	3,185,693
Grants receivable	1,140,267	560,461
United Way receivable	34,676	40,795
Prepaid expenses	31,211	24,709
Investment in limited liability company (LLC)	101,524	78,400
Total current assets	<u>14,473,749</u>	<u>13,113,142</u>
Property and equipment, net of accumulated depreciation	<u>509,437</u>	<u>605,094</u>
Total assets	<u>\$ 14,983,186</u>	<u>13,718,236</u>
 <u>LIABILITIES AND NET ASSETS</u>  		
Current liabilities:		
Accounts payable	\$ 195,794	213,342
Accrued payroll liabilities	304,892	374,564
Accrued leave	150,910	196,522
Due to special accounts	73,195	70,654
Deferred revenue	303,475	157,924
Total current liabilities	<u>1,028,266</u>	<u>1,013,006</u>
Net assets:		
Without donor restrictions:		
Designated by the board for reserve	1,115,968	921,330
Invested in LLC	101,524	78,400
Undesignated	10,156,323	8,346,947
Total without donor restrictions	<u>11,373,815</u>	<u>9,346,677</u>
With donor restrictions	<u>2,581,105</u>	<u>3,358,553</u>
Total net assets	<u>13,954,920</u>	<u>12,705,230</u>
Total liabilities and net assets	<u>\$ 14,983,186</u>	<u>13,718,236</u>

See accompanying notes to the financial statements.

## BOYS &amp; GIRLS CLUBS OF SOUTHCENTRAL ALASKA

## CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Contributions	\$ 740,630	51,152	791,782
Grants and contracts	5,356,514	-	5,356,514
Local COVID-19 assistance	108,574	-	108,574
PPP loan forgiveness	1,009,975	-	1,009,975
Special events	69,814	-	69,814
United Way allocation	101,852	-	101,852
In-kind contributions	2,093,930	-	2,093,930
Total public support	<u>9,481,289</u>	<u>51,152</u>	<u>9,532,441</u>
Revenue:			
Program fees, net of discounts of \$29,345	1,247,525	-	1,247,525
Membership dues, net of discounts of \$112,800	52,290	-	52,290
Investment income, net of fees	595,402	-	595,402
Earnings from LLC	356,528	-	356,528
Gaming	10,284	-	10,284
Other	72,992	-	72,992
Total revenue	<u>2,335,021</u>	<u>-</u>	<u>2,335,021</u>
Net assets released from restrictions	<u>828,600</u>	<u>(828,600)</u>	<u>-</u>
Total support and revenue	<u>12,644,910</u>	<u>(777,448)</u>	<u>11,867,462</u>
Expenses:			
Program services:			
Clubhouses	4,976,745	-	4,976,745
Community centers	1,577,109	-	1,577,109
Statewide operations	488,170	-	488,170
Athletics	163,252	-	163,252
Childcare	1,638,564	-	1,638,564
Total program services	<u>8,843,840</u>	<u>-</u>	<u>8,843,840</u>
Supporting services:			
Management and general	1,623,181	-	1,623,181
Fundraising	150,751	-	150,751
Total supporting services	<u>1,773,932</u>	<u>-</u>	<u>1,773,932</u>
Total expenses	<u>10,617,772</u>	<u>-</u>	<u>10,617,772</u>
Change in net assets	2,027,138	(777,448)	1,249,690
Net assets, beginning of year	<u>9,346,677</u>	<u>3,358,553</u>	<u>12,705,230</u>
Net assets, end of year	<u>\$ 11,373,815</u>	<u>2,581,105</u>	<u>13,954,920</u>

(Continued)

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA  
CONSOLIDATED STATEMENTS OF ACTIVITIES, Continued

	2020 (As Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Contributions	\$ 394,267	42,271	436,538
Grants and contracts	5,024,270	125,900	5,150,170
Local COVID-19 assistance	597,956	-	597,956
PPP loan forgiveness	1,071,784	-	1,071,784
Special events	148,436	-	148,436
United Way allocation	120,096	-	120,096
In-kind contributions	1,886,218	3,538,947	5,425,165
Total public support	<u>9,243,027</u>	<u>3,707,118</u>	<u>12,950,145</u>
Revenue:			
Program fees, net of discounts of \$75,249	745,296	-	745,296
Membership dues, net of discounts of \$186,284	25,228	-	25,228
Investment income (loss), net of fees	306,166	-	306,166
Earnings from LLC	81,059	-	81,059
Gaming	15,895	-	15,895
Other	12,635	-	12,635
Total revenue	<u>1,186,279</u>	<u>-</u>	<u>1,186,279</u>
Net assets released from restrictions	<u>750,988</u>	<u>(750,988)</u>	<u>-</u>
Total support and revenue	<u>11,180,294</u>	<u>2,956,130</u>	<u>14,136,424</u>
Expenses:			
Program services:			
Clubhouses	4,921,086	-	4,921,086
Community centers	1,561,657	-	1,561,657
Statewide operations	405,012	-	405,012
Athletics	275,947	-	275,947
Childcare	1,540,975	-	1,540,975
Total program services	<u>8,704,677</u>	<u>-</u>	<u>8,704,677</u>
Supporting services:			
Management and general	1,601,991	-	1,601,991
Fundraising	168,284	-	168,284
Total supporting services	<u>1,770,275</u>	<u>-</u>	<u>1,770,275</u>
Total expenses	<u>10,474,952</u>	<u>-</u>	<u>10,474,952</u>
Change in net assets	705,342	2,956,130	3,661,472
Net assets, beginning of year	<u>8,641,335</u>	<u>402,423</u>	<u>9,043,758</u>
Net assets, end of year	<u>\$ 9,346,677</u>	<u>3,358,553</u>	<u>12,705,230</u>

See accompanying notes to the financial statements.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2021 and 2020

	2021									
	Program Services					Supporting Services				Total Program and Supporting Services
	Clubhouses	Community Centers	Statewide Operations	Athletics	Childcare	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Expenses:										
Personnel	\$ 1,899,387	405,771	306,853	84,044	1,250,287	3,946,342	1,424,430	117,908	1,542,338	5,488,680
Professional services	137,466	26,230	47,872	2,659	31,441	245,668	47,067	2,797	49,864	295,532
Office expense	136,786	55,417	79,357	4,999	22,812	299,371	58,304	9,488	67,792	367,163
Program expense	307,084	92,398	42,676	31,382	164,739	638,279	14,389	6,699	21,088	659,367
Building and ground maintenance	237,973	171,426	2,747	14,561	79,991	506,698	14,809	2,999	17,808	524,506
In-kind rent	2,019,092	708,912	-	-	26,267	2,754,271	-	-	-	2,754,271
Communications	2,891	206	-	701	3,000	6,798	-	-	-	6,798
Insurance	60,216	10,743	1,200	15,053	12,900	100,112	10,194	-	10,194	110,306
Vehicle and transportation	32,304	3,836	192	206	1,628	38,166	367	87	454	38,620
Staff training	23,964	35	49	717	5,414	30,179	10,604	75	10,679	40,858
Travel	72,190	5	2,507	15	-	74,717	1,962	5	1,967	76,684
Annual meeting and awards	324	-	12	-	-	336	514	120	634	970
Premium and auction items	14	-	-	-	-	14	-	2,107	2,107	2,121
Event supplies	629	-	-	-	-	629	-	-	-	629
Facility and catering expense	350	-	-	-	-	350	-	-	-	350
Bad debt expense	1,188	-	-	-	5,246	6,434	-	3,750	3,750	10,184
Other	19,591	5,150	1,286	5,706	9,333	41,066	36,074	4,716	40,790	81,856
Total expenses, excluding depreciation	4,951,449	1,480,129	484,751	160,043	1,613,058	8,689,430	1,618,714	150,751	1,769,465	10,458,895
Depreciation expense	25,296	96,980	3,419	3,209	25,506	154,410	4,467	-	4,467	158,877
Total expenses	\$ 4,976,745	1,577,109	488,170	163,252	1,638,564	8,843,840	1,623,181	150,751	1,773,932	10,617,772

(Continued)

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES, CONTINUED

	2020					Total Program Services	Supporting Services		Total Supporting Services	Total Program and Supporting Services
	Program Services						Management and General	Fundraising		
	Clubhouses	Community Centers	Statewide Operations	Athletics	Childcare					
Expenses:										
Personnel	\$ 2,357,144	419,018	314,225	78,628	1,201,192	4,370,207	1,422,161	99,565	1,521,726	5,891,933
Professional services	22,965	20,793	63,401	2,027	24,506	133,692	61,099	25,867	86,966	220,658
Office expense	91,252	25,909	8,727	4,115	14,736	144,739	57,082	11,029	68,111	212,850
Program expense	134,368	96,095	3,524	23,908	76,064	333,959	5,820	12,495	18,315	352,274
Building and ground maintenance	194,334	123,678	3,275	19,269	90,998	431,554	12,848	3,103	15,951	447,505
In-kind rent	1,856,565	708,912	-	-	22,983	2,588,460	-	-	-	2,588,460
Communications	3,133	55	-	1,087	8,088	12,363	663	7,848	8,511	20,874
Insurance	67,896	12,925	1,309	15,627	12,276	110,033	9,457	-	9,457	119,490
Vehicle and transportation	22,495	8,609	285	162	5,672	37,223	2,300	-	2,300	39,523
Staff training	715	410	3,206	-	4,554	8,885	403	35	438	9,323
Travel	5,438	-	-	210	-	5,648	402	194	596	6,244
Annual meeting and awards	196	-	-	518	-	714	99	-	99	813
Premium and auction items	867	-	-	-	-	867	-	3,899	3,899	4,766
Event supplies	650	-	-	-	-	650	2,109	2,575	4,684	5,334
Facility and catering expense	6,564	-	-	-	-	6,564	-	115	115	6,679
Bad debt expense	215	-	-	-	19,365	19,580	-	-	-	19,580
Other	19,153	4,504	868	2,143	11,917	38,585	23,527	1,559	25,086	63,671
Total expenses, excluding depreciation	4,783,950	1,420,908	398,820	147,694	1,492,351	8,243,723	1,597,970	168,284	1,766,254	10,009,977
Depreciation expense	137,136	140,749	6,192	128,253	48,624	460,954	4,021	-	4,021	464,975
Total expenses	\$ 4,921,086	1,561,657	405,012	275,947	1,540,975	8,704,677	1,601,991	168,284	1,770,275	10,474,952

See accompanying notes to the financial statements.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u> <u>(As Restated)</u>
Cash flows provided (used) by operating activities:		
Increase (decrease) in net assets	\$ 1,249,690	3,661,472
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation expense	158,877	464,975
(Gain) on investments	(623,950)	(318,897)
(Excess) of distributions in excess of earnings of joint venture	(23,124)	(20,514)
Bad debt expense	10,184	19,580
(Increase) decrease in assets:		
Accounts receivable	(68,521)	(286,587)
Grants receivable	(579,806)	281,882
Contribution receivable, net of discount	661,905	(2,836,706)
United Way receivable	6,119	1,476
Prepaid expenses	(6,502)	2,440
Increase (decrease) in liabilities:		
Accounts payable	(17,548)	44,909
Accrued payroll liabilities and accrued leave	(115,284)	204,681
Due to special accounts	2,541	(1,613)
Deferred revenue	145,551	64,334
Net cash provided (used) by operating activities	<u>800,132</u>	<u>1,281,432</u>
Cash flows provided (used) by investing activities:		
Purchase of property, plant and equipment	(63,220)	(52,970)
Sale of investments	156,652	223,213
Purchase of investments	<u>(2,150,466)</u>	<u>(344,377)</u>
Net cash provided (used) by investing activities	<u>(2,057,034)</u>	<u>(174,134)</u>
Net change in cash and cash equivalents	(1,256,902)	1,107,298
Beginning cash and cash equivalents	<u>4,913,054</u>	<u>3,805,756</u>
Ending cash and cash equivalents	\$ <u><u>3,656,152</u></u>	\$ <u><u>4,913,054</u></u>
Cash and cash equivalents are comprised of:		
Unrestricted	\$ 3,256,841	4,657,170
Restricted	<u>399,311</u>	<u>255,884</u>
	\$ <u><u>3,656,152</u></u>	\$ <u><u>4,913,054</u></u>
Supplemental cash flow disclosures:		
Non-cash in-kind expenses/donations	\$ <u><u>2,093,930</u></u>	<u><u>5,425,165</u></u>
Interest paid during the year	\$ <u><u>-</u></u>	<u><u>1,668</u></u>

See accompanying notes to the financial statements.

# BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

## Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

### 1. Summary of Significant Accounting Policies

Boys & Girls Clubs of Southcentral Alaska (the Club) is a nonprofit organization formed to promote the well-being of children in Licensed Childcare (ages 6 weeks – 12 years), Athletics (ages 4 – 18 years) and Clubhouses (ages 6 – 18 years). The Club's programs provide recreational, athletic, enrichment, preventative, and mentoring programs focusing on academic success, good character and leadership, and healthy lifestyles for children living in communities across Alaska. The major sources of funding are contributions, user fees, funding from the United Way, and Federal, State, and local grants.

The Club maintains a Board Designated Reserve fund. The purpose of the fund is to provide a funding source which is intended to provide financial sustainability for the Club. The Board Designated Reserve fund provides a vehicle for planned giving and other donations.

#### **Basis of Presentation**

The Club's accounting records are maintained on an accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when incurred. The financial statement presentation follows the recommendation of the Financial Accounting Standards Board, and is presented in accordance with accounting principles generally accepted in the United States of America (US GAAP).

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

## BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

### Notes to the Consolidated Financial Statements, continued

#### **Revenue Recognition**

The Club recognizes all contributed support received including cash, grants, in-kind, other assets and unconditional promises to give as income in the period pledged. Contributed support is reported as without donor restrictions or as with donor restrictions depending on the existence of donor stipulations that limit use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restrictions are accomplished, with donor restricted net assets are reclassified to without donor restricted net assets and reported in the Consolidated Statements of Activities as net assets released from donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated financial statements.

*Grant income:* A portion of the Club's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Club has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

The Club recognizes support from grants when performance or other barriers noted in the Grant Award are satisfied. Support from cost reimbursable grants are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized when the Club has incurred expenses in compliance with specific grant provisions. The Club received cost reimbursable grants of \$303,475 and \$157,924 that have not been recognized as revenue at December 31, 2021 and 2020, respectively, because qualifying expenditures have not been incurred and are reported as deferred revenue on the Consolidated Statements of Financial Position.

*In-kind contributions:* Donated services are recognized as contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Accounting for Contributions Made*, if the services (1) create or enhance nonfinancial asset or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Club. In-kind contributions for supplies, and professional services are recorded in the Consolidated Statements of Activities at market value and recognized as revenue and expenses in the period they are received, except for donated equipment, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life. In-kind contributions for rented space is recognized as revenue at the inception of the lease and expensed over the lease term.

Long-lived assets acquired with gifts of cash restricted for those acquisitions are reported as without donor or with donor restricted depending on whether there are explicit, donor-imposed time requirements as to how long the assets must be maintained. Net assets are released from restrictions upon the purchase of long-lived assets.

#### **Cash and Cash Equivalents**

For purposes of the Consolidated Statements of Cash Flows, the Club considers all cash in checking, savings, money market accounts, and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents.

## BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

### Notes to the Consolidated Financial Statements, continued

#### **Investments**

Investments in marketable securities with readily determinable fair values are valued at their fair value in the Consolidated Statements of Financial Position. Earnings on investments on the Consolidated Statements of Activities include any change in fair value of investments. Net investment income/(loss) is reported in the statements of activities and consists of interest, dividends, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

#### **Fair Value of Financial Instruments**

Fair value is measured at 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. Fair values are based on quoted market prices when available. The Club has no investments for which quoted market prices are unavailable.

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and investments, (2) receivables, net, (3) certain other current assets, (4) accounts payable, and (5) other current liabilities. The carrying amount reported in the Consolidated Statements of Financial Position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities.

#### **Accounts Receivable and Allowance for Doubtful Accounts**

Management uses the specific identification method of recording bad debts, which approximates GAAP, and has reviewed all outstanding accounts for collectability at year end. This estimate is based on management's historical collection experience and a review of current accounts receivable. The allowance for doubtful accounts was \$10,000 and \$10,000 as of December 31, 2021 and 2020, respectively. No interest is accumulated on delinquent receivables. Receivables are written off when all collection efforts have been exhausted.

#### **Prepaid Expenses**

Payments made for items that will benefit periods beyond the year end are recorded as prepaid expenses.

#### **Property and Equipment**

Property and equipment is recorded at cost or at estimated fair market value at date of gift, if donated. The Club capitalizes all equipment with a cost or other basis in excess of \$5,000. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the respective assets, generally three to ten years and is allocated between programs and supporting services based upon the functions' pro-rata share of total expenses before in-kind and depreciation. Costs incurred that extend the useful lives of the assets are capitalized and depreciated and maintenance and repairs are expensed. Gains or losses upon asset disposal are recorded as income in the year sold.

#### **Accrued Leave**

Paid time off is accrued as earned by employees and recorded as an expense in the period earned.

### **Deferred Revenue**

Deferred revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met.

### **Due to Special Accounts**

Amounts due to special accounts represent funds raised by youth groups within the Club, which are held in safekeeping by the Club. The money is used for traveling and special events as decided by the individual group.

### **Income Tax Status**

The Club is a not-for-profit entity exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the financial statements. The Club has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). Although the Club is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirements of filing Federal Income Tax Form 990-T and a tax liability may be determined on these activities. The Club's policy is to report interest and penalties associated with uncertain tax positions as interest expense and other expense, respectively. There is no interest or penalties accrued on any unrecognized tax benefits as expenses. With few exceptions, the Clubs are no longer subject to examinations by federal and state tax authorities for years before fiscal year 2018. Management has taken no uncertain tax positions.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been estimated and allocated among the programs and supporting services benefited. The Clubs' expenses have been allocated to the following functions:

#### **Program Services:**

*Clubhouses* – Filling the gap between school and home, Clubs provide welcoming, positive, safe environments in which kids and teens have fun, participate in life-changing programs and experiences, and build supportive relationships with peers and caring adults. Mentoring activities promote physical, mental, and moral well-being as well as academic success. (Ages 7-18).

*Community Centers* – In addition to Clubhouse programs (as noted above), Community Centers also provide resources for the community at large to access outside of regular Club activities.

## BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

### Notes to the Consolidated Financial Statements, continued

*Statewide Operations* – oversees Clubhouse and Community Center operations to ensure the delivery of quality programming and works to expand program activities and participation levels.

*Athletics* – Providing safe, affordable, competitive and recreational sports leagues to the Anchorage community for youth ages 4-18. Sports leagues include basketball, volleyball, tackle football, flag football, soccer, indoor soccer, and karate. Coach/mentors deliver positive philosophy-based programs that stress safety, skill development, and fun.

*Childcare* – The Child Development Center is a licensed early childhood program that provides a safe, healthy, nurturing, and responsive all-day setting for children 6 weeks to five years. The school aged childcare program meets the needs of families in certain service areas before and after school. (Anchorage only, limited transportation availability.)

#### Supporting Services:

*Management and General* – Includes the Clubs' functions necessary to maintain an adequate working environment; provide coordination of the programs; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Clubs.

*Fundraising* – Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

#### Advertising costs

Advertising costs are expensed as incurred. Advertising expense for the period ending December 31, 2021 and 2020 were \$6,777 and \$16,346, respectively.

#### Principles of Consolidation

The Consolidated Statements of Financial Position and related Consolidated Statements of Activities, Functional Expenses and Cash Flows for the years ended December 31, 2021 and 2020 include consolidated financial information of its wholly owned subsidiary, Boys and Girls Clubs of Greater Anchorage Foundation. Boys and Girls Clubs of Greater Anchorage Foundation is an exempt organization under the Internal Revenue Service Code 501(c)(3) and is located in Anchorage, Alaska. The purpose of Boys and Girls Clubs of Greater Anchorage Foundation is to support club operations.

## 2. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, money market mutual funds, and all short-term highly liquid instruments purchased with an original maturity of three months or less.

The Club maintains cash balances at financial institutions located in Anchorage and Kotzebue, Alaska, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2021, \$1,812,403 was uninsured and \$4,876,380 was uninsured as of December 31, 2020. At December 31, restricted cash is comprised of:

	2021	2020
Due to special accounts	\$ 73,195	70,654
Memorial and scholarship funds	22,641	27,306
Deferred revenue	303,475	157,924
Total restricted cash	\$ <u>399,311</u>	<u>255,884</u>

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements, continued

**3. Investments**

Investments consist of equities and fixed income securities. Earnings or (loss) on the Consolidated Statement of Activities includes investment income, fees, realized and unrealized gains and losses. Investment income is shown net of related fees. Investments consisted of the following at December 31:

	Fair Market Value	
	2021	2020
Equities:		
Large growth	\$ 386,105	73,147
Large value	702,380	290,504
Small-cap	456,323	276,251
Mid-cap	522,662	335,621
Large blend	277,238	454,745
Small blend	-	65,231
Real estate	472,723	213,390
Total equities	<u>2,817,431</u>	<u>1,708,889</u>
International equities:		
Emerging markets	557,634	431,579
Large growth	285,233	107,682
Total international equities	<u>842,867</u>	<u>539,261</u>
Fixed income:		
Corporate bonds	1,285,121	411,325
Treasury bonds	623,233	630,998
Intermediate term bonds	612,064	281,519
World bonds	642,188	633,148
Total fixed income	<u>3,162,606</u>	<u>1,956,990</u>
Total investments	<u>\$ 6,822,904</u>	<u>4,205,140</u>

The Club's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spread and yield curves.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements, continued

- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Clubs' estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following table provides information as of December 31, 2021 and 2020, respectively, about the Clubs' financial assets measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets at fair market value –				
<u>2021</u>				
Investments:				
Equities	\$ 2,817,431	-	-	2,817,431
International equities	842,867	-	-	842,867
Fixed income	<u>3,162,606</u>	<u>-</u>	<u>-</u>	<u>3,162,606</u>
	<u>\$ 6,822,904</u>	<u>-</u>	<u>-</u>	<u>6,822,904</u>
Contribution receivable	\$ <u>-</u>	<u>-</u>	<u>2,523,788</u>	<u>2,523,788</u>
 <u>2020</u>				
Investments:				
Equities	\$ 1,708,889	-	-	1,708,889
International equities	539,261	-	-	539,261
Fixed income	<u>1,956,990</u>	<u>-</u>	<u>-</u>	<u>1,956,990</u>
	<u>\$ 4,205,140</u>	<u>-</u>	<u>-</u>	<u>4,205,140</u>
Contribution receivable	\$ <u>-</u>	<u>-</u>	<u>3,185,693</u>	<u>3,185,693</u>

Given the narrow definition of Level 1 and the Club's investment strategy, all of the Club's investment assets are classified in Level 1. These assets include activity-traded exchange-listed securities. Unadjusted quoted prices for these securities are provided to the Club by independent pricing services.

#### 4. Grants and Contract Revenue

The Club received grant and contract funds from Federal, State, and local sources for the years ended December 31, 2021 and 2020. The following reconciles the amounts of Federal, State, and local grant and contract revenue shown on the Consolidated Statements of Activities to amounts reported on the Schedule of Expenditures of Federal Awards (SEFA).

	<u>2021</u>	<u>2020</u> <u>(As Restated)</u>
Federal	\$ 2,443,929	1,512,100
State	2,001,747	2,652,340
Local	<u>910,838</u>	<u>985,730</u>
Total grant and contracts revenue	\$ <u>5,356,514</u>	<u>5,150,170</u>

The state revenue noted above includes \$1,652,761 as of December 31, 2021 and \$2,099,089 as of December 31, 2020 of state contracts which are not subject to single audit.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements, continued

**5. Property and Equipment**

The following is a summary of property and equipment for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 5,461	5,461
Buildings	2,375,966	2,479,173
Equipment	291,738	1,191,058
Leasehold improvements	<u>722,312</u>	<u>2,853,460</u>
Total	3,395,477	6,529,152
Less: Accumulated depreciation	<u>(2,886,040)</u>	<u>(5,924,058)</u>
 Property and equipment, net of accumulated depreciation	 \$ <u>509,437</u>	 <u>605,094</u>

Depreciation expense for the years ended December 31, 2021 and 2020, was \$158,877 and \$464,975, respectively.

**6. Net Assets**

Net assets as of December 31, 2021 and 2020 (as restated), are comprised of the following:

	<u>2021</u>	<u>2020</u> <u>(As Restated)</u>
Without donor restriction:		
Undesignated	\$ 10,156,323	8,346,947
Board designated for reserve	1,115,968	921,330
Invested in LLC	<u>101,524</u>	<u>78,400</u>
Total unrestricted net assets	<u>11,373,815</u>	<u>9,346,677</u>
With donor restriction:		
Contribution receivable - clubhouse leases (see note 8)	2,523,788	3,185,693
Project Learn	-	125,000
GVEA	-	900
Memorial fund and scholarship fund	22,641	6,165
United Way funds for general operations	<u>34,676</u>	<u>40,795</u>
Total net assets with donor restriction	<u>2,581,105</u>	<u>3,358,553</u>
Total net assets	\$ <u>13,954,920</u>	<u>12,705,230</u>

Net assets of \$828,600 and \$750,988 were released from donor or grant restrictions by incurring expenses satisfying the restricted actions for the years ended December 31, 2021 and 2020, respectively. All net assets with donor restrictions are restricted on the basis of time, except for the Memorial and Scholarships Funds, GVEA and Project Learn which are restricted on the basis of purpose.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements, continued

As of December 31, 2021, the consolidated net income was \$1,249,690 of which a net income of \$1,081,637 was attributable to the Clubs and a net income of \$168,053 was attributable to Boys and Girls Clubs of Greater Anchorage Foundation. As of December 31, 2020, the consolidated net income was \$3,661,472 of which a net income of \$3,516,134 was attributable to the Clubs and a net income of \$145,338 was attributable to Boys and Girls Clubs of Greater Anchorage Foundation.

Prior Period Adjustment

During FY 2021, management determined that the balances as of December 31, 2020 for accounts receivable and contract revenue related to the State of Alaska, TANF Contract were understated by \$333,124. The 2020 financial statement amounts have been updated to reflect this change on the Consolidated Statements of Net Position and Consolidated Statements of Activities.

**7. Investment in Player's Choice Gaming, LLC**

Boys & Girls Clubs of Southcentral Alaska entered into an agreement with Player's Choice Gaming Joint Venture, LLC doing business as Player's Choice Bingo to conduct bingo operations and other games of chance. The LLC operates under a multiple-beneficiary permit issued by the State of Alaska. Operations are managed by a Gaming Operations Board that includes one representative from each of the four member organization. The Club's share of the net income from the joint venture is 25% and its share of the equity as of December 31, 2021 and 2020 is 23.57% and 23.17%, respectively. Gross receipts net of prizes, awards, taxes and other related expenses from all bingo and pull tab activity are allocated equally to each member on a quarterly basis with the exception of West High School, whose allocated share shall not be less than 20%. Expenses are allocated in the same manner as gross receipts. Separate financial statements for Player's Choice Bingo are available from Player's Choice Bingo, 165 South Bragaw Street, Anchorage, Alaska 99508.

As of December 31, 2021 and 2020, the Club recorded an accounts receivable from the joint venture in the amount of \$80,957 and \$22,511, respectively, which represents undistributed net income. These balances are included in accounts receivable, net of allowance, on the Consolidated Statements of Financial Position.

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BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements, continued

Summary of financial information for Player's Choice Gaming, LLC as of and for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Balance sheets:		
Current assets	\$ 902,985	433,823
Noncurrent assets	-	472
	<u>902,985</u>	<u>434,295</u>
Current liabilities	472,189	95,995
Member's equity	430,796	338,300
	<u>\$ 902,985</u>	<u>434,295</u>
Income statements:		
Gross receipts	\$ 11,074,536	6,134,614
Cost of gross receipts	(7,764,384)	(4,710,228)
Gross profit	<u>3,310,152</u>	<u>1,424,386</u>
Operating expenses	<u>1,796,613</u>	<u>1,170,327</u>
Operating income	<u>\$ 1,513,539</u>	<u>254,059</u>
Other income	<u>277</u>	<u>70,177</u>
Net income	<u>\$ 1,513,816</u>	<u>324,236</u>
Net income allocable to the club	<u>\$ 378,454</u>	<u>81,059</u>

**8. Leases**

In July 2020 the Clubs entered into a 5-year lease through June 30, 2025 with the Municipality of Anchorage for the use of the Woodland Park Clubhouse. The annual cost of the lease is \$1 and includes three additional five year optional terms. Management and the Municipality estimate the fair market value of the Clubhouse lease to be \$500,000 per year. The Clubs recognized in-kind rent expense of \$500,000 and \$443,970, respectively, based on the fair value of the lease as of December 30, 2021 and 2020.

In July 2020 the Clubs entered into a 5-year lease through June 30, 2025 with the City of Fairbanks for use of 10,090 square feet of the Old Main School building. The rent compensation to the City is limited to the Club performing renovations to the leased facility, plus \$1,655 towards estimated pro-rated utilities. Management and the City estimate the lease to have a fair market value of \$291,720 per year. The Clubs recognized in-kind rent expense of \$291,720 and \$258,272, respectively, based on the fair value of the lease as of December 30, 2021 and 2020. The lease may be canceled upon ninety days advance written notice by the lessee.

## BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

### Notes to the Consolidated Financial Statements, continued

Under *FASB ASC 958-605-25-12*, the Club determined the contribution of these leases to be an unconditional promise to give and recorded a contribution receivable based on the present value of the future leases using a discount rate of 4.5%. The value of these leases at inception was \$3,958,632 with a discount of \$419,685, for a net total of \$3,538,947. This amount has been recorded in the Consolidated Statements of Activities as in-kind contributions with donor restrictions as of December 31, 2020. The Clubs remeasure the fair value of contributions receivable annually and adjust the measurement inputs based on market conditions and other relevant data. The remaining lease obligations as of December 31, 2021 and 2020 were \$2,729,386 and \$3,521,106, with discounts of \$205,598 and \$335,413, respectively. These amounts are included in net assets with donor restrictions and are released from restriction as time passes.

The Clubs also recognized an additional \$1,962,551 and \$1,886,218, respectively, of in-kind contributions related to donated facility rent contributions to various clubs around the State as of December 31, 2021 and 2020. These donated amounts are based on annual leases and accordingly have not been recorded as contributions receivable. The Clubs recognized a total of \$2,754,271 and \$2,588,460, respectively, of in-kind rent expense which was charged to Program Services in the Consolidated Statements of Functional Expenses as of December 31, 2021 and 2020.

The Clubs have operating agreement with the Municipality of Anchorage to operate the Mountain View Community Center. A 20-year lease agreement that resulted in an initial investment of \$2,375,099 ended in 2019. The current terms are on an annual renewal basis. Any future leasehold improvements are expensed in the year in which they occur.

#### **9. Paycheck Protection Program (PPP) Loan**

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of the employer share of social security payments, and net operating loss carryback periods. It also appropriated funds for the SBA Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to nonprofits harmed by COVID-19. In 2021 the Clubs received a PPP loan of \$1,009,975 which was subsequently forgiven in and was recognized as revenue in the Consolidated Statements of Activities. In 2020 the Clubs received PPP Loan of \$1,071,784 which was subsequently forgiven in and was recognized as revenue in the Consolidated Statements of Activities.

#### **10. Pension Plan**

The Club maintains a defined contribution pension plan for qualifying employees. Employees who have completed 1,040 hours of service in two consecutive calendar years after their hire date are eligible under the plan commencing January 1 or July 1 of the year after eligibility requirements have been met. Contributions are based upon a percentage determined by the Board of Directors. Contributions of \$93,207 and \$71,353 were made to the plan during the years ended December 31, 2021 and 2020, respectively.

## BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

### Notes to the Consolidated Financial Statements, continued

#### 11. Economic Dependency

During the years ended December 31, 2021 and 2020, Boys & Girls Clubs of Southcentral Alaska obtained approximately 35% and 28%, respectively, of the funding for its activities from Federal and State grants and contracts. A significant decrease in these grants and contracts could have a negative effect on operations.

#### 12. Contingencies

Amounts received or receivable from the State of Alaska or federal government are subject to audit and adjustment. Any disallowed claims, including amounts already collected, would become a liability of the Club. However, management believes that if such a claim occurs, it would be immaterial to the financial statements.

#### 13. Related Parties

The Club has snow removal services provided by a related party. The owner of the company is a relative of the Director of Facilities and Maintenance for the Club. The amounts paid for services rendered during the years ended December 31, 2021 and 2020, were \$6,375 and \$6,442, respectively.

#### 14. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents - unrestricted	\$	3,256,841
Investments		6,822,904
Accounts receivable, net		163,227
Grants receivable		1,140,267
United Way receivable		34,676
	\$	<u>11,417,915</u>

Included in the funds noted above, the Club has a Board-Designated Reserve Fund consisting of funds set aside and designated by the Board as a reserve with the intent of converting those funds to an Endowment at some point in the future.

As of December 31, 2021, the Board-Designated Reserve's balance was \$1,115,968. The investment portion of the funds in the Board-Designated Reserve is subject to an annual spending rate of 2.5 percent. Although management does not intend to spend from this Board-Designated Reserve (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary. Currently, none of the funds in the Reserve have any donor restrictions applicable to them.

As a part of their liquidity management plan, management invests cash in excess of daily requirements in short-term investments, CD's, and money market funds.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements, continued

**15. Functional Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include building and ground maintenance, in-kind rent and depreciation which are allocated on a square footage basis. Personnel, professional services, office expense, program expenses, communications, insurance, vehicle and transportation, staff training, travel, annual meeting and awards, bad debt expense, and other expenses are allocated on the basis of estimated time and effort.

**16. Subsequent Events**

Management has evaluated subsequent events through September 6, 2022, the date which the financial statements were available for issue.

## **SUPPLEMENTARY INFORMATION**

BOYS AND GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Alaska Department of Health and Social Services  
 Positive Youth Development Afterschool Programs FY21  
 Grant Award #601-305-21005

Schedule of Activities - Budget and Actual

Year Ended December 31, 2021

	Budget	Prior Year	Actual Current Year	Total	Variance Favorable (Unfavorable)
Support and revenue:					
State of Alaska	\$ 250,000	90,132	159,868	250,000	-
Expenses:					
Personnel	240,685	89,783	158,234	248,017	(7,332)
Travel	5,864	-	-	-	5,864
Supplies	2,401	174	1,634	1,808	593
Other	1,050	175	-	175	875
Total expenses	<u>250,000</u>	<u>90,132</u>	<u>159,868</u>	<u>250,000</u>	<u>-</u>
Excess of support and revenue over expenses	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

BOYS AND GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Alaska Department of Health and Social Services  
 Positive Youth Development Afterschool Programs FY22  
 Grant Award #601-305-22005

Schedule of Activities - Budget and Actual

Year Ended December 31, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Support and revenue:			
State of Alaska	\$ <u>250,000</u>	<u>96,946</u>	<u>(153,054)</u>
Expenses:			
Personnel	239,150	95,688	143,462
Supplies	7,850	982	6,868
Other	3,000	276	2,724
Total expenses	\$ <u>250,000</u>	<u>96,946</u>	<u>153,054</u>
Excess of support and revenue over expenses	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2021

Grantor/Program Name	Grant Number or Pass-through Entity Identifying Number	Assistance Listing Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through State of Alaska Department of Education & Early Development:			
Child and Adult Care Food Program (CACFP) FY21	53301	10.558	\$ 152,387
Child and Adult Care Food Program (CACFP) FY22	53301	10.558	37,639
Emergency Operating Costs	53301	10.558	<u>37,864</u>
			<u>227,890</u>
Summer Food Service Program for Children (SFSP)	37801	10.559	<u>104,532</u>
Total U.S. Department of Agriculture			<u>332,422</u>
U.S. Department of Education passed through			
Arctic Slope Community Foundation, Inc. -			
Alaska Native Education Program - Project Learn:			
Academic & Cultural Enrichment with Alaskan BGC in Indian Country FY20	S356A180032-20	84.356A	1,041,660
Academic & Cultural Enrichment with Alaskan BGC in Indian Country FY21	S356A210037-21	84.356A	<u>205,580</u>
Total U.S. Department of Education			<u>1,247,240</u>
U.S. Department of Justice passed through:			
Boys & Girls Clubs of America (BGCA):			
OJJDP FY2020 National Mentoring Programs (Mentoring Youth at Risk)	2020-JU-FX-0029	16.726	38,584
OJJDP FY2020 National Mentoring Programs (Mentoring Opportunitites for Youth Initiative)	2020-JU-FX-0029	16.726	38,000
OJJDP FY2020 National Mentoring Programs (Mentoring National Guard & Reserve Youth)	2020-JU-FX-0029	16.726	5,000
OJJDP FY2019 National Mentoring Programs (Native American Clubs)	2019-MU-FX-0003	16.726	199,604
OJJDP FY2020 National Mentoring Programs (Native American Clubs)	2020-JU-FX-0029	16.726	<u>186,858</u>
Total U.S. Department of Justice			<u>468,046</u>
U.S. Department of Health and Human Services passed through			
National Congress of American Indians (NCAI):			
Indian Health Service (IHS) Demonstration Projects for Indian Health (TRAIL) FY20	NCAI-20-045-SA-AK	93.933	48,351
Indian Health Service (IHS) Demonstration Projects for Indian Health (TRAIL) FY21	NCAI-21-035-SA-AK	93.933	<u>18,637</u>
Total U.S. Department of Health and Human Services			<u>66,988</u>
U.S. Department of Treasury passed through:			
Arctic Slope Regional Corporation:			
COVID-19 CARES Act	SLT2046	21.019	289,588
Alaska Community Foundation:			
COVID-19 ARPA Nonprofit Recovery Fund	NONE	21.017	<u>39,645</u>
Total U.S. Department of Treasury			<u>329,233</u>
Total Federal Financial Assistance			<u>\$ 2,443,929</u>

See accompanying notes to the Schedule.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to Schedule of Expenditures of Federal Awards

December 31, 2021

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Boys & Girls Clubs of Southcentral Alaska under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Boys & Girls Clubs of Southcentral Alaska, it is not intended to and does not present the consolidated financial statements of Boys & Girls Clubs of Southcentral Alaska.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Boys & Girls Clubs of Southcentral Alaska has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform guidance.

**Note 3. Passed Through Awards**

No amounts were passed through to subrecipients.

**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**

**Independent Auditor's Report**

Members of the Board of Directors  
Boys & Girls Clubs of Southcentral Alaska  
Anchorage, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Boys & Girls Clubs of Southcentral Alaska (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 6, 2022.

**Internal Control over Financial Reporting**

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

Members of the Board of Directors  
Boys & Girls Clubs of Southcentral Alaska

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Boys & Girls Clubs of Southcentral Alaska's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Boys and Girls Clubs of Southcentral Alaska's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Boys & Girls Clubs of Southcentral Alaska's response to the finding identified in our audit and described in the accompanying schedule of findings and questions costs and corrective action plan. Boys & Girls Clubs of Southcentral Alaska's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anchorage, Alaska  
September 6, 2022

**Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

**Independent Auditor's Report**

Members of the Board of Directors  
Boys & Girls Clubs of Southcentral Alaska  
Anchorage, Alaska

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

***Opinion on Each Major Federal Program***

We have audited Boys & Girls Clubs of Southcentral Alaska's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Boys & Girls Clubs of Southcentral Alaska's major federal programs for the year ended December 31, 2021. Boys & Girls Clubs of Southcentral Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Boys & Girls Clubs of Southcentral Alaska 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 federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Boys & Girls Clubs of Southcentral Alaska 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 federal program. Our audit does not provide a legal determination of Boys & Girls Clubs of Southcentral Alaska'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 Boys & Girls Clubs of Southcentral Alaska's federal programs.

### ***Auditor's 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 Boys & Girls Clubs of Southcentral Alaska'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, *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 Boys & Girls Clubs of Southcentral Alaska's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 Boys & Girls Clubs of Southcentral Alaska'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 Boys & Girls Clubs of Southcentral Alaska'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, but not for the purpose of expressing an opinion on the effectiveness of Boys & Girls Clubs of Southcentral Alaska'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 federal 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 federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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. Accordingly, this report is not suitable for any other purpose.

*Altman, Rogers & Co.*

Anchorage, Alaska  
September 6, 2022

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

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

Financial Statements

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

Is a going concern emphasis-of-matter paragraph included in the audit report?      yes   x   no

Internal control over financial reporting:  
 Material weakness(es) identified?   x   yes      no  
 Significant deficiency(ies) identified?      yes   x   none reported

Noncompliance material to financial statements noted?      yes   x   no

Federal Awards

Internal control over major programs (2 CFR 200.516 (a)(1))?  
 Material weakness(es) identified:      yes   x   no  
 Significant deficiency(ies) identified:      yes   x   none reported

Any material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))?      yes   x   no

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516 (a) (3) or (4)?      yes   x   no

Identification of major programs:

<u>ALN(s)</u>	<u>Name of Federal Program</u>
16.726	National Mentoring Program
84.356A	Alaska Native Educational Program

Dollar threshold used to distinguish between Type A and Type B programs: \$   750,000  

Auditee qualified as low-risk auditee?   x   yes      no

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Schedule of Findings and Questioned Costs, Continued

**Section II – Financial Statement Findings**

**Finding 2021-001**

**Lack of Internal Controls over Revenue Recognition – Prior Period Adjustment**

**Material Weakness**

**Criteria:**

Internal controls should be in place to ensure proper and accurate financial reporting in accordance with Generally Accepted Accounting Principles (GAAP).

**Condition and Context:**

During our audit procedures over accounts receivable and contract revenue, it was determined that management had understated the balances of accounts receivable and contract revenue by \$333,124 as of December 31, 2020, requiring a prior period adjustment to the fiscal year 2020 balances of these accounts.

**Cause:**

Management changed how they were accounting for the TANF Contract due to changes in the program funding, which resulted in the balances being misstated.

**Effect:**

Accounts receivable and revenue were understated in the prior year which resulted in the restatement of December 31, 2020 balances in the financial statements.

**Repeat Finding:**

No, this is considered to be an isolated instance.

**Recommendation:**

We recommend the Organization apply accrual accounting to all funding sources unless otherwise determined to be reasonable.

**Management's Response:**

Management agrees with this finding. See Corrective Action Plan.

**Section III – Federal Award Findings and Questioned Costs**

Boys and Girls Clubs of Southcentral Alaska did not have any findings that related to the federal awards.



Corrective Action Plan

December 31, 2021

**Finding 2021-001**

**Lack of Internal Controls over Revenue Recognition**

**Material Weakness**

**Name of Contact Person: Stefanie Ryan**

**Corrective Action Plan: We found that in 2020 that our TANF grant was not being accrued at year end and instead being recorded on the cash basis, which is not our Organizations policy. We made correcting entries to account for this oversight, which resulted in a correcting entry for the previously audited 2020 year.**

**This material weakness was isolated to this specific grant only, due to uncertainty of prior audit years collectability and was never revisited by prior leadership.**

**Proposed Completion Date: This was completed during the course of completing 2021 audit and corrected for subsequent 2020 audit year. The entries were officially made on the books on 6/18/2022.**

*Stefanie Ryan*

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