

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

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

Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 opinions.

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 available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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.

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 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 and 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 25, 2023, 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 25, 2023

CONSOLIDATED FINANCIAL STATEMENTS

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 1,505,163	3,256,841
Restricted	449,755	399,311
Investments	4,501,715	6,822,904
Accounts receivable, net of allowance	260,492	163,227
Contribution receivable, net of discount	1,831,475	2,523,788
Grants receivable	1,672,392	1,140,267
United Way receivable	34,676	34,676
Prepaid expenses	45,565	31,211
Investment in limited liability company (LLC)	107,967	101,524
Total current assets	<u>10,409,200</u>	<u>14,473,749</u>
Property and equipment, net of accumulated depreciation	<u>353,863</u>	<u>509,437</u>
Total assets	<u>\$ 10,763,063</u>	<u>14,983,186</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 173,219	195,794
Accrued payroll liabilities	416,048	304,892
Accrued leave	182,764	150,910
Due to special accounts	73,194	73,195
Refundable advances	353,920	303,475
Total current liabilities	<u>1,199,145</u>	<u>1,028,266</u>
Net assets:		
Without donor restrictions:		
Designated by the board for reserve	889,728	1,115,968
Invested in LLC	107,967	101,524
Undesignated	6,677,431	10,156,323
Total without donor restrictions	<u>7,675,126</u>	<u>11,373,815</u>
With donor restrictions	<u>1,888,792</u>	<u>2,581,105</u>
Total net assets	<u>9,563,918</u>	<u>13,954,920</u>
Total liabilities and net assets	<u>\$ 10,763,063</u>	<u>14,983,186</u>

See accompanying notes to the financial statements.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Contributions	\$ 376,224	34,676	410,900
Grants and contracts	5,292,885	-	5,292,885
Local COVID-19 assistance	254,600	-	254,600
Special events	313,452	-	313,452
United Way allocation	99,556	-	99,556
In-kind contributions	2,111,726	-	2,111,726
Total public support	8,448,443	34,676	8,483,119
Revenue:			
Program fees, net of discounts of \$29,345	1,545,838	-	1,545,838
Membership dues, net of discounts of \$140,056	69,621	-	69,621
Investment income (loss), net of fees	(1,124,335)	-	(1,124,335)
Earnings from LLC	372,173	-	372,173
Gaming	27,415	-	27,415
Other	17,058	-	17,058
Total revenue	907,770	-	907,770
Net assets released from restrictions	726,989	(726,989)	-
Total support and revenue	10,083,202	(692,313)	9,390,889
Expenses:			
Program services:			
Clubhouses	6,506,075	-	6,506,075
Community centers	1,543,993	-	1,543,993
Statewide operations	390,206	-	390,206
Athletics	331,615	-	331,615
Childcare	2,239,444	-	2,239,444
Total program services	11,011,333	-	11,011,333
Supporting services:			
Management and general	2,527,648	-	2,527,648
Fundraising	242,910	-	242,910
Total supporting services	2,770,558	-	2,770,558
Total expenses	13,781,891	-	13,781,891
Change in net assets	(3,698,689)	(692,313)	(4,391,002)
Net assets, beginning of year	11,373,815	2,581,105	13,954,920
Net assets, end of year	\$ 7,675,126	1,888,792	9,563,918

(Continued)

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

	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
Contributed nonfinancial assets	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>

See accompanying notes to the financial statements.

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

Years Ended December 31, 2022 and 2021

		2022									
		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	\$	3,065,449	485,928	264,834	173,911	1,951,373	5,941,495	2,122,050	98,634	2,220,684	8,162,179
Professional services		111,768	27,914	71,072	4,469	23,591	238,814	46,088	3,727	49,815	288,629
Office expense		71,177	17,314	3,967	6,007	21,678	120,143	25,165	4,537	29,702	149,845
Program expense		408,653	29,836	12,198	103,075	90,943	644,705	21,713	2,588	24,301	669,006
Building and ground maintenance		251,932	103,824	5,428	13,739	72,056	446,979	37,530	2,944	40,474	487,453
In-kind rent		2,081,993	708,912	-	-	13,133	2,804,038	-	-	-	2,804,038
Technology		64,420	15,971	8,934	10,580	12,106	112,011	78,144	12,480	90,624	202,635
Insurance		41,487	9,841	303	1,366	9,641	62,638	22,873	303.00	23,176	85,814
Vehicle and transportation		27,715	4,467	775	308	832	34,097	21,695	4	21,699	55,796
Staff training		42,503	230	11,546	382	11,746	66,407	23,689	893	24,582	90,989
Travel		293,110	-	7,018	-	3,575	303,703	75,796	548	76,344	380,047
Annual meeting and awards		973	-	-	7,189	-	8,162	713	1,153	1,866	10,028
Event supplies		-	-	-	-	-	-	21	102,038	102,059	102,059
Advertising		459	-	-	1,742	-	2,201	880	1,123	2,003	4,204
Other		19,890	3,090	712	5,638	1,153	30,483	46,660	11,938	58,598	89,081
Total expenses, excluding depreciation		6,481,529	1,407,327	386,787	328,406	2,211,827	10,815,876	2,523,017	242,910	2,765,927	13,581,803
Depreciation expense		24,546	136,666	3,419	3,209	27,617	195,457	4,631	-	4,631	200,088
Total expenses	\$	6,506,075	1,543,993	390,206	331,615	2,239,444	11,011,333	2,527,648	242,910	2,770,558	13,781,891

(Continued)

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

2021										
	Program Services					Supporting Services				
	Clubhouses	Community Centers	Statewide Operations	Athletics	Childcare	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Program and 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	<u>\$ 4,976,745</u>	<u>1,577,109</u>	<u>488,170</u>	<u>163,252</u>	<u>1,638,564</u>	<u>8,843,840</u>	<u>1,623,181</u>	<u>150,751</u>	<u>1,773,932</u>	<u>10,617,772</u>

See accompanying notes to the financial statements.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows provided (used) by operating activities:		
Increase (decrease) in net assets	\$ (4,391,002)	1,249,690
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation expense	200,088	158,877
(Gain) loss on investments	1,088,894	(623,950)
(Excess) of distributions in excess of earnings of joint venture	(6,443)	(23,124)
(Increase) decrease in assets:		
Accounts receivable	(97,265)	(58,337)
Grants receivable	(532,125)	(579,806)
Contribution receivable, net of discount	692,313	661,905
United Way receivable	-	6,119
Prepaid expenses	(14,354)	(6,502)
Increase (decrease) in liabilities:		
Accounts payable	(22,575)	(17,548)
Accrued payroll liabilities and accrued leave	143,010	(115,284)
Due to special accounts	(1)	2,541
Deferred revenue	50,445	145,551
Net cash provided (used) by operating activities	<u>(2,889,015)</u>	<u>800,132</u>
Cash flows provided (used) by investing activities:		
Purchase of property, plant and equipment	(44,514)	(63,220)
Sale of investments	7,312,649	156,652
Purchase of investments	<u>(6,080,354)</u>	<u>(2,150,466)</u>
Net cash provided (used) by investing activities	<u>1,187,781</u>	<u>(2,057,034)</u>
Net change in cash and cash equivalents	(1,701,234)	(1,256,902)
Beginning cash and cash equivalents	<u>3,656,152</u>	<u>4,913,054</u>
Ending cash and cash equivalents	\$ <u><u>1,954,918</u></u>	<u><u>3,656,152</u></u>
Cash and cash equivalents are comprised of:		
Unrestricted	\$ 1,505,163	3,256,841
Restricted	<u>449,755</u>	<u>399,311</u>
	\$ <u><u>1,954,918</u></u>	<u><u>3,656,152</u></u>
Supplemental cash flow disclosures:		
Non-cash in-kind revenue/donations	\$ <u><u>2,111,726</u></u>	<u><u>2,093,930</u></u>

See accompanying notes to the financial statements.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements

December 31, 2022 and 2021

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, 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 (U.S. 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 revenue: 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 refundable advances 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 \$353,920 and \$303,475 that have not been recognized as revenue at December 31, 2022 and 2021, respectively, because qualifying expenditures have not been incurred and are reported as refundable advances revenue on the Consolidated Statements of Financial Position.

Contributed nonfinancial assets: 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. Contributed nonfinancial assets 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. Contributed nonfinancial assets 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 consolidated 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 \$9,000 and \$9,000 as of December 31, 2022 and 2021, 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.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements, continued

Refundable Advances

Refundable advances 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 2019. 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, 2022 and 2021 were \$4,204 and \$6,777, 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, 2022 and 2021 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.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements, continued

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, 2022, \$1,163,777 was uninsured and \$1,812,403 was uninsured as of December 31, 2021. At December 31, restricted cash is comprised of:

	2022	2021
Due to special accounts	\$ 73,195	73,195
Memorial and scholarship funds	22,641	22,641
Refundable advances	353,920	303,475
Total restricted cash	\$ 449,755	399,311

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	
	2022	2021
Equities:		
Large growth	\$ 339,028	386,105
Large value	681,631	702,380
Small-cap	243,707	456,323
Mid-cap	312,882	522,662
Large blend	207,471	277,238
Real estate	151,239	472,723
Total equities	1,935,958	2,817,431
International equities:		
Emerging markets	286,999	557,634
Large growth	190,726	285,233
Total international equities	477,725	842,867
Fixed income:		
Corporate bonds	1,009,813	1,285,121
Treasury bonds	-	623,233
Intermediate term bonds	607,306	612,064
World bonds	470,913	642,188
Total fixed income	2,088,032	3,162,606
Total investments	\$ 4,501,715	6,822,904

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements, continued

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.
- 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, 2022 and 2021, 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>2022</u>				
Investments:				
Equities	\$ 1,935,958	-	-	1,935,958
International equities	477,725	-	-	477,725
Fixed income	<u>2,088,032</u>	<u>-</u>	<u>-</u>	<u>2,088,032</u>
	<u>\$ 4,501,715</u>	<u>-</u>	<u>-</u>	<u>4,501,715</u>
Contribution receivable	\$ <u>-</u>	<u>-</u>	<u>1,831,475</u>	<u>1,831,475</u>
<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>

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.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements, continued

4. Grants and Contract Revenue

The Club received grant and contract funds from Federal, State, and local sources for the years ended December 31, 2022 and 2021. 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).

	2022	2021
Federal	\$ 1,656,521	2,443,929
State	2,389,941	2,001,747
Local	<u>1,246,423</u>	<u>910,838</u>
Total grant and contracts revenue	\$ <u>5,292,885</u>	<u>5,356,514</u>

The state revenue noted above includes \$1,994,723 as of December 31, 2022 and \$1,652,761 as of December 31, 2021 of state contracts which are not subject to single audit.

5. Property and Equipment

The following is a summary of property and equipment for the years ended December 31, 2022 and 2021:

	2022	2021
Land and improvements	\$ 5,461	5,461
Buildings	2,375,966	2,375,966
Equipment	330,316	291,738
Leasehold improvements	<u>728,248</u>	<u>722,312</u>
Total	3,439,991	3,395,477
Less: Accumulated depreciation	<u>(3,086,128)</u>	<u>(2,886,040)</u>
Property and equipment, net of accumulated depreciation	\$ <u>353,863</u>	<u>509,437</u>

Depreciation expense for the years ended December 31, 2022 and 2021, was \$200,088 and \$158,877, respectively.

6. Net Assets

Net assets as of December 31, 2022 and 2021, are comprised of the following:

	2022	2021
Without donor restriction:		
Undesignated	\$ 6,677,431	10,156,323
Board designated for reserve	889,728	1,115,968
Invested in LLC	<u>107,967</u>	<u>101,524</u>
Total unrestricted net assets	<u>7,675,126</u>	<u>11,373,815</u>
With donor restriction:		
Contribution receivable - clubhouse leases (see note 8)	1,831,475	2,523,788
Memorial fund and scholarship fund	22,641	22,641
United Way funds for general operations	<u>34,676</u>	<u>34,676</u>
Total net assets with donor restriction	<u>1,888,792</u>	<u>2,581,105</u>
Total net assets	\$ <u>9,563,918</u>	<u>13,954,920</u>

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements, continued

Net assets of \$726,989 and \$828,600 were released from donor or grant restrictions by incurring expenses satisfying the restricted actions for the years ended December 31, 2022 and 2021, respectively. All net assets with donor restrictions are restricted on the basis of time, except for the Memorial and Scholarships Funds, and GVEA which are restricted on the basis of purpose.

As of December 31, 2022, the consolidated net (loss) was (\$4,391,002) of which a net income of (\$4,287,529) was attributable to the Clubs and (\$103,473) was attributable to Boys and Girls Clubs of Greater Anchorage Foundation. 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.

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, 2022 and 2021 is 23.65% and 23.57%, 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, 2022 and 2021, the Club recorded an accounts receivable from the joint venture in the amount of \$147,187 and \$80,957, 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>2022</u>	<u>2021</u>
Balance sheets:		
Current assets	\$ 1,005,562	902,985
Noncurrent assets	<u>744,356</u>	<u>-</u>
	<u>1,749,918</u>	<u>902,985</u>
Current liabilities	783,294	472,189
Noncurrent liabilities	510,056	-
Member's equity	<u>456,568</u>	<u>430,796</u>
	<u>\$ 1,749,918</u>	<u>902,985</u>
Income statements:		
Gross receipts	\$ 12,079,257	11,074,536
Cost of gross receipts	<u>(8,674,015)</u>	<u>(7,764,384)</u>
Gross profit	3,405,242	3,310,152
Operating expenses	<u>2,006,869</u>	<u>1,796,613</u>
Operating income	<u>\$ 1,398,373</u>	<u>1,513,539</u>
Other income	<u>2,611</u>	<u>277</u>
Net income	<u>\$ 1,400,984</u>	<u>1,513,816</u>
Net income allocable to the club	<u>\$ 350,246</u>	<u>378,454</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 \$500,000, respectively, based on the fair value of the lease as of December 30, 2022 and 2021.

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 \$291,720, respectively, based on the fair value of the lease as of December 30, 2022 and 2021. 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, 2022 and 2021 were \$1,937,666 and \$2,727,822, with discounts of \$106,190 and \$240,034, 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 \$2,012,318 and \$1,962,551, respectively, of in-kind contributions related to donated facility rent contributions to various clubs around the State as of December 31, 2022 and 2021. These donated amounts are based on annual leases and accordingly have not been recorded as contributions receivable. The Clubs recognized a total of \$2,804,038 and \$2,754,271, respectively, of in-kind rent expense which was charged to Program Services in the Consolidated Statements of Functional Expenses as of December 31, 2022 and 2021.

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.

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 \$71,896 and \$93,207 were made to the plan during the years ended December 31, 2022 and 2021, respectively.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to the Consolidated Financial Statements, continued

11. Economic Dependency

During the years ended December 31, 2022 and 2021, Boys & Girls Clubs of Southcentral Alaska obtained approximately 43% and 37%, 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, 2022 and 2021, were \$7,174 and \$6,375, 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 consolidated statements of financial position date, comprise the following:

Cash and cash equivalents - unrestricted	\$	1,505,163
Investments		4,501,715
Accounts receivable, net		260,492
Grants receivable		1,672,392
United Way receivable		34,676
	\$	<u>7,974,438</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, 2022, the Board-Designated Reserve's balance was \$889,728. 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, technology, insurance, vehicle and transportation, staff training, travel, event supplies, advertising, annual meeting and awards, and other expenses are allocated on the basis of estimated time and effort.

16. Subsequent Events

Management has evaluated subsequent events through September 25, 2023, the date which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

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

Schedule of Activities - Budget and Actual

Year Ended December 31, 2022

	Budget	Prior Year	Actual Current Year	Total	Variance Favorable (Unfavorable)
Support and revenue:					
State of Alaska	\$ 250,000	96,946	153,054	250,000	-
Expenses:					
Personnel	239,150	95,688	140,035	235,723	3,427
Supplies	7,850	982	2,882	3,864	3,986
Other	3,000	276	10,137	10,413	(7,413)
Total expenses	250,000	96,946	153,054	250,000	-
Excess of support and revenue over expenses	\$ -	-	-	-	-

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Alaska Department of Health
Positive Youth Development Afterschool Programs FY23
Grant Award #161-305-23005

Schedule of Activities - Budget and Actual

Year Ended December 31, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Support and revenue:			
State of Alaska	\$ <u>375,000</u>	<u>166,580</u>	<u>(208,420)</u>
Expenses:			
Personnel	266,994	122,212	144,782
Travel	58,716	30,198	28,518
Facility	20,712	8,510	12,202
Supplies	9,052	3,137	5,915
Other	19,526	2,523	17,003
Total expenses	\$ <u>375,000</u>	<u>166,580</u>	<u>208,420</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, 2022

Grantor/Program Name	Grant Number or Pass-through Entity Identifying Number	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through State of Alaska Department of Education and Early Development:			
Child and Adult Care Food Program (CACFP) FY22	53301	10.558	\$ 96,127
Child and Adult Care Food Program (CACFP) FY23	53301	10.558	126,811
Total ALN #10.558			<u>222,938</u>
Summer Food Service Program for Children (SFSP)	37801	10.559	<u>81,701</u>
Total U.S. Department of Agriculture			<u>304,639</u>
U.S. Department of Education:			
Passed through Arctic Slope Community Foundation, Inc. -			
Alaska Native Education Program - Project Learn:			
Academic and Cultural Enrichment with Alaskan BGC in Indian Country FY21	S356A180032-20	84.356A	932,704
Academic and Cultural Enrichment with Alaskan BGC in Indian Country FY22	S356A210037-21	84.356A	132,264
Total U.S. Department of Education			<u>1,064,968</u>
U.S. Department of Justice:			
Passed through Boys & Girls Clubs of America (BGCA):			
OJJDP FY2020 National Mentoring Programs (Mentoring Youth at Risk)	2020-1114-47707	16.726	6,416
OJJDP FY2021 National Mentoring Programs (Mentoring Opportunities for Youth Initiative)	2021-1129-49742	16.726	20,000
OJJDP FY2021 National Mentoring Programs (Mentoring Opportunities for Youth Initiative)	2021-49739	16.726	10,110
OJJDP FY2020 National Mentoring Programs (Native American Clubs)	2020-JU-FX-0029	16.726	133,141
Total U.S. Department of Justice			<u>169,667</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) FY21	NCAI-21-035-SA-AK	93.933	<u>43,896</u>
U.S. Department of the Treasury:			
Passed through Alaska Community Foundation -			
COVID-19 ARPA Nonprofit Recovery Fund	27197	21.017	60,355
Passed through Fairbanks Northstar Borough -			
COVID-19 ARPA Nonprofit Recovery Fund	NONE	21.017	<u>12,996</u>
Total U.S. Department of the Treasury			<u>73,351</u>
Total Federal Financial Assistance			<u>\$ 1,656,521</u>

See accompanying notes to the Schedule.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

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, 2022. 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.

COMPLIANCE REPORTS

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, 2022, 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 25, 2023.

Report on 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.

Our consideration of the 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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2022-001 and 2022-002, that we consider to be material weaknesses.

Report on 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 responses to the findings identified in our audit and described in the accompanying schedule of findings and questions costs. Boys & Girls Clubs of Southcentral Alaska's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 25, 2023

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, 2022. 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, 2022.

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.



Anchorage, Alaska
September 25, 2023

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

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:

ALN(s)

10.558

84.356A

Name of Federal Program

Child and Adult Care Food Program

Alaska Native Educational Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

Finding 2022-001
Material Weakness

Lack of Internal Controls over Credit Cards

Criteria:	Internal controls should be in place to ensure all expenses be reviewed, approved, and properly documented in accordance with Generally Accepted Accounting Principles (GAAP).
Condition and Context:	During our audit procedures over credit card expenses, we noted four instances where credit card transactions were not properly approved in a timely manner or were missing approval. It was noted that approvals ranged from 6-7 months late, two of which were in FY23. Management communicated that there were instances where grant funds were spent without proper documentation, leading to improperly recording of these expenses into the general fund. Additionally, we noted several credit card liability accounts that carried debit (negative) balances totaling \$184,807 when payments were not being properly credited to these accounts.
Cause:	Lack of internal control over credit card transactions.
Effect:	Lack of internal controls over credit card transactions may result in expenses not being correctly recognized or fraudulent charges being processed.
Repeat Finding:	No, however due to the number of issues identified we believe this to be a systemic issue.
Recommendation:	Management should implement stronger internal controls over the credit card system to ensure that all expenses have the appropriate documentation, authorization, coding and that all expenses be reviewed to ensure correct recording within the system.
Management's Response:	Management agrees with this finding. See Corrective Action Plan.

BOYS & GIRLS CLUBS OF SOUTHCENTRAL ALASKA

Schedule of Findings and Questioned Costs, Continued

Finding 2022-002
Material Weakness

Lack of Internal Controls over Financial Reporting

Criteria:

In accordance with accounting principles generally accepted in the United States of America (GAAP); management is responsible for the preparation and fair presentation of financial statements. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement. The general ledger and accounting records used to maintain financial information for the Organization should be updated and reconciled in a timely manner.

Condition and Context:

Multiple general ledger accounts, including accrued payroll, beginning net assets, a cash account, grants receivable, and accounts payable, were misstated prior to adjustment.

Cause:

Lack of personnel and oversight of management for timely year end close.

Effect:

Prior to adjustments, numerous general ledger accounts were material misstated. The auditors proposed multiple entries to properly state the misstated accounts.

Repeat Finding:

No, this is considered to be an isolated instance.

Recommendation:

Management should implement a process to reconcile the general ledger and properly close the financial records shortly after year end. We believe this process could eliminate these adjustments if the general ledger is reconciled in a timely basis and all activity for the year end is correctly recorded to the general ledger prior to the commencement of audit field work. Additionally, management may consider obtaining an independent contractor to assist with year-end close and/or audit preparation.

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.



Status of Prior Year Audit Findings

Year Ended December 31, 2022

Finding 2021-001

Lack of Internal Controls over Revenue Recognition – Prior Period Adjustment

Material Weakness

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.

Status:

This finding has been resolved.

Corrective Action Plan

Year Ended December 31, 2022

Financial Statement Findings

Finding 2022-001

Lack of Internal Controls over Credit Cards

Name of Contact:

Stefanie Ryan

Corrective Action Plan:

The Organization has been in the process of rolling out updated purchasing practices, centralizing most of the day-to-day purchasing within the Finance Department. Accounting software access has also been restricted for use by Finance department personnel only. These changes will streamline purchasing across all 23 locations ensuring internal control over the timely entry and approval of expenditures as well as timely reconciliation of credit card accounts. This will be corrected and fully resolved by the end of 2023, well ahead of the subsequent audit.

Proposed Completion Date:

December 31, 2023.

Finding 2022-002

Lack of Internal Controls over Financial Reporting

Name of Contact:

Stefanie Ryan

Corrective Action Plan:

This was largely due to the unplanned reduction of key senior staff and training of new staff. The Finance Team has been working diligently to ensure 2023 is fully caught up, reviewed and adjustments are made in a timelier manner year to date and for year-end. We are actively developing and hiring additional positions in order to adequately balance day-to-day work as well as gaps in staff coverage due to sickness, life events, vacations, and the potential for unexpected separation of employment.

Proposed Completion Date:

October 31, 2023.