

**BOYS & GIRLS CLUBS
OF GREATER SOUTHWEST MICHIGAN
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT.....	1-2
-----------------------------------	-----

FINANCIAL STATEMENTS

Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-17



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

2851 Charlevoix Dr SE #210,
Grand Rapids, MI 49546

☎ 517.323.7500

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Boys & Girls Clubs of Greater Southwest Michigan

Opinion

We have audited the accompanying financial statements of Boys & Girls Clubs of Greater Southwest Michigan, which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Greater Southwest Michigan as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Boys & Girls Clubs of Greater Southwest Michigan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys & Girls Clubs of Greater Southwest Michigan'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.

Manes Costeiran PC

Lansing, Michigan
June 9, 2026

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,722,183	\$ 5,128,516
Grants receivable	162,922	366,753
Accounts receivable	68,757	58,182
Interest receivable	66,770	-
Promises to give	144,313	119,702
Prepaid expenses	24,500	38,500
	<u>5,189,445</u>	<u>5,711,653</u>
Total current assets		
	<u>5,189,445</u>	<u>5,711,653</u>
Long-term assets		
Promises to give, less current portion	97,883	181,436
Beneficial interest in assets held at community foundation	3,905,919	3,371,420
Property and equipment, less accumulated depreciation	5,546,783	5,306,996
Operating lease right-of-use assets	210,231	342,719
	<u>9,760,816</u>	<u>9,202,571</u>
Total long-term assets		
	<u>9,760,816</u>	<u>9,202,571</u>
TOTAL ASSETS	<u><u>\$ 14,950,261</u></u>	<u><u>\$ 14,914,224</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 83,746	\$ 151,769
Accrued expenses	88,947	92,733
Deferred revenue	127,500	105,625
Current portion of operating lease liability	138,575	132,488
	<u>438,768</u>	<u>482,615</u>
Total current liabilities		
	<u>438,768</u>	<u>482,615</u>
Long-term liabilities		
Operating lease liability, less current portion	71,657	210,231
	<u>71,657</u>	<u>210,231</u>
TOTAL LIABILITIES	<u>510,425</u>	<u>692,846</u>
NET ASSETS		
Net assets without donor restrictions		
Undesignated	4,553,728	4,749,961
Designated - assets held at community foundation	3,892,913	3,360,032
Designated - assets invested in property and equipment	5,546,783	5,306,996
	<u>13,993,424</u>	<u>13,416,989</u>
Total net assets without donor restrictions		
	<u>13,993,424</u>	<u>13,416,989</u>
Net assets with donor restrictions		
Purpose restricted for program activities	28,234	125,110
Time restricted for future years	405,118	667,891
Restricted for endowment scholarship fund	13,060	11,388
	<u>446,412</u>	<u>804,389</u>
Total net assets with donor restrictions		
	<u>446,412</u>	<u>804,389</u>
TOTAL NET ASSETS	<u>14,439,836</u>	<u>14,221,378</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 14,950,261</u></u>	<u><u>\$ 14,914,224</u></u>

See notes to financial statements

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions of cash and financial assets	\$ 162,367	\$ 1,351,163	\$ 1,513,530	\$ 375,863	\$ 2,278,426	\$ 2,654,289
Grant income	-	2,229,413	2,229,413	-	3,184,477	3,184,477
Program income	111,851	-	111,851	147,177	-	147,177
Membership fees	24,533	-	24,533	16,494	-	16,494
Investment return, net	701,602	1,672	703,274	491,104	1,031	492,135
Miscellaneous income	7,747	-	7,747	36	-	36
Alliance income	128,930	-	128,930	-	-	-
IRS refund	127,111	-	127,111	-	-	-
Net assets released from purpose restrictions	3,940,225	(3,940,225)	-	5,666,448	(5,666,448)	-
TOTAL REVENUE AND SUPPORT	5,204,366	(357,977)	4,846,389	6,697,122	(202,514)	6,494,608
EXPENSES						
Program expenses	3,260,111	-	3,260,111	3,700,592	-	3,700,592
Management and general	973,740	-	973,740	823,347	-	823,347
Fundraising	394,080	-	394,080	481,431	-	481,431
TOTAL EXPENSES	4,627,931	-	4,627,931	5,005,370	-	5,005,370
CHANGE IN NET ASSETS	576,435	(357,977)	218,458	1,691,752	(202,514)	1,489,238
NET ASSETS, beginning of year	13,416,989	804,389	14,221,378	11,725,237	1,006,903	12,732,140
NET ASSETS, end of year	<u>\$ 13,993,424</u>	<u>\$ 446,412</u>	<u>\$ 14,439,836</u>	<u>\$ 13,416,989</u>	<u>\$ 804,389</u>	<u>\$ 14,221,378</u>

See notes to financial statements

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025				2024			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,660,377	\$ 546,927	\$ 307,516	\$ 2,514,820	\$ 1,937,580	\$ 464,318	\$ 356,400	\$ 2,758,298
Payroll taxes	138,936	41,758	23,926	204,620	166,998	36,565	27,684	231,247
Employee benefits	159,134	78,639	41,568	279,341	153,880	73,885	40,433	268,198
Program materials	522,073	-	-	522,073	653,008	-	-	653,008
Contracted services	54,379	-	-	54,379	100,775	-	-	100,775
Professional fees	-	91,837	-	91,837	-	138,665	-	138,665
Occupancy	258,035	10,865	2,716	271,616	246,508	10,379	2,595	259,482
Maintenance	127,367	5,363	1,341	134,071	111,170	4,681	1,170	117,021
Insurance	48,284	10,946	1,844	61,074	47,766	8,955	1,244	57,965
Office expense	-	131,705	-	131,705	-	49,006	-	49,006
Training and supplies	-	3,611	-	3,611	-	-	16,163	16,163
Advertising	-	-	13,542	13,542	-	-	34,277	34,277
Dues and subscriptions	15,945	2,441	1,627	20,013	16,028	2,198	1,465	19,691
Travel and conferences	7,005	1,751	-	8,756	7,354	1,838	-	9,192
Miscellaneous	-	18,055	-	18,055	-	4,021	-	4,021
Depreciation	268,576	29,842	-	298,418	259,525	28,836	-	288,361
Total expenses	<u>\$ 3,260,111</u>	<u>\$ 973,740</u>	<u>\$ 394,080</u>	<u>\$ 4,627,931</u>	<u>\$ 3,700,592</u>	<u>\$ 823,347</u>	<u>\$ 481,431</u>	<u>\$ 5,005,370</u>

See notes to financial statements

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows provided (used) by operating activities		
Change in net assets	<u>\$ 218,458</u>	<u>\$ 1,489,238</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	298,418	288,361
Operating lease right-of-use assets	132,488	126,669
Grants receivable	203,831	226,096
Accounts receivable	(10,575)	(58,182)
Interest receivable	(66,770)	-
Promises to give	58,942	100,259
Prepaid expenses	14,000	(38,500)
Accounts payable	(68,023)	(26,131)
Accrued expenses	(3,786)	11,371
Deferred revenue	21,875	(178,080)
Operating lease liabilities	<u>(132,487)</u>	<u>(126,669)</u>
Net cash provided (used) by operating activities	<u>666,371</u>	<u>1,814,432</u>
Cash provided (used) by investing activities		
Change in beneficial interest in assets held at community foundation	(534,499)	(333,002)
Purchase of property and equipment	<u>(538,205)</u>	<u>(934,538)</u>
Net cash provided (used) by investing activities	<u>(1,072,704)</u>	<u>(1,267,540)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(406,333)	546,892
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>5,128,516</u>	<u>4,581,624</u>
End of year	<u><u>\$ 4,722,183</u></u>	<u><u>\$ 5,128,516</u></u>

See notes to financial statements

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents for purposes of the financial statements include cash and savings accounts. The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Accounts Receivable and Credit Losses

The Organization is exposed to credit losses primarily through program dues and fees. Accounts receivable represent the Organization's unconditional right to consideration in exchange for program services that the Organization has provided to the member based on contracted prices. Accounts receivable are recorded when services are provided and invoices are issued and are presented on the statement of financial position at the amount management expects to collect. Management provides for probable uncollectible amounts through credit losses expense and an adjustment to the allowance for credit losses. The Organization's expected loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions, and a review of the current status of member's accounts receivable. Due to the short-term nature of such receivables, the estimated accounts receivable that may not be collected is based on aging of the accounts receivable balances.

The Organization evaluates contract terms and conditions, economic and industry risk, and member credit worthiness, and may require prepayment to mitigate risk of loss. Specific allowance amounts are established to record the appropriate provision for members that have a higher probability of default. The Organization monitors changes to the receivables balance on a timely basis, and balances are written off as they are determined to be uncollectible after all collection efforts have been exhausted. Currently, management has determined the value of an allowance for credit losses is immaterial and the recording of such balance is not considered necessary. Beginning and ending balances for accounts receivable is reported as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Beginning of year	<u>\$ 58,182</u>	<u>\$ -</u>
End of year	<u>\$ 68,757</u>	<u>\$ 58,182</u>

Grants Receivable

Grants receivable are comprised of contracts committed from various funding agencies for use in the Organization's activities. Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Currently, no allowance for doubtful accounts is considered necessary. Changes to the valuation allowance have not been material to the financial statements.

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants Receivable (continued)

Beginning and ending balances for grants receivable is reported as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Beginning of year	<u>\$ 366,753</u>	<u>\$ 592,849</u>
End of year	<u>\$ 162,922</u>	<u>\$ 366,753</u>

Promises to Give

Unconditional promises to give are recorded at net realizable value when the promise is made. The Organization considers all promises to give at December 31, 2025 and 2024 to be collectible, net of an allowance for doubtful collection. The Organization utilizes a discount rate of 3.6% and 4.3% for the years ended December 31, 2025 and 2024, respectively.

Property and Equipment

Items of property and equipment over \$1,000 are capitalized. Purchased items are stated at cost, donated items at fair value, and are depreciated over their estimated useful lives using the straight-line method. Maintenance and repair costs are charged to expense when incurred.

Deferred Revenue

The Organization records deferred revenue when cash payments are received or due in advance of the Organization's performance, including amounts which are refundable. Beginning and ending balances for deferred revenue is reported as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Beginning of year	<u>\$ 105,625</u>	<u>\$ 283,705</u>
End of year	<u>\$ 127,500</u>	<u>\$ 105,625</u>

Membership Fees

Membership fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing membership to its members. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term. As a result, deferred revenue is recorded for any amount for which the Organization has a right to invoice but for which services have not been provided.

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Alliance Income

Alliance income consists of fees for management services provided to the Michigan Alliance of Boys & Girls Clubs. Alliance income is not recognized as revenue until the revenue is earned, which is the point in time when services are provided, and the Organization does not believe it is required to provide additional services. As a result, receivables are recorded for any amount for which the Organization has a right to invoice for which services have been provided. As a result, deferred revenue is recorded for any amount for which the Organization has a right to invoice but for which services have not been provided.

Program Income

Revenue from programs is not recognized as revenue until the revenue is earned, which is the point in time when the activities or services are provided, and the Organization does not believe it is required to provide additional activities or services. As a result, receivables are recorded for any amount for which the Organization has a right to invoice for which services have been provided. As a result, deferred revenue is recorded for any amount for which the Organization has a right to invoice but for which services have not been provided.

Grant Revenue

Grant revenue recognized by the Organization is comprised of commitments from various funding agencies for use in the Organization's activities. All funding sources are providing revenue streams to the Organization for the benefit of the public. Grant revenue is recognized as revenue upon receipt and meeting all conditional requirements of the funding arrangement. Any funds received in advance for which conditions of the agreement have not been met are recognized as deferred revenue and then subsequently recognized as revenue upon meeting the conditions of the agreement.

Contribution Revenue

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Contributions of nonfinancial assets (donated materials and services) are recorded as contributions at their fair value at their date of donation. The Organization reports the donations as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contribution Revenue (continued)

Donated services are reported at their fair market value if such services create or enhance nonfinancial assets or would have been purchased if not provided by the donor through their specialized skills. A substantial number of volunteers have donated significant amounts of their time to the Organization, the value of which is not recorded in the accompanying financial statements as they do not meet the criteria for recognition. The Organization recognized no contributions of nonfinancial assets for the years ended December 31, 2025 and 2024.

The following schedule shows the Organization's revenues disaggregated according to the timing of transfer of goods or services for the years ended December 31:

	2025	2024
Contract revenue recognized at a point in time		
Program income	\$ 111,851	\$ 147,177
Alliance income	128,930	-
Contract revenue recognized over time		
Membership fees	24,533	16,494
Contributions of cash and financial assets	1,513,530	2,654,289
Grant income	2,229,413	3,184,477
Investment return, net	703,274	492,135
Miscellaneous income	7,747	36
IRS refund	127,111	-
	<u>\$ 4,846,389</u>	<u>\$ 6,494,608</u>
Total revenue		

Leases

The Organization determines whether an arrangement is or contains a lease at lease inception. On the commencement date, operating leases are recorded as operating lease right-of-use (ROU) assets in the statement of financial position while finance leases are recorded as finance lease ROU assets. Lease liabilities represent the Organization's contractual obligation to make lease payments over the lease term.

The Organization has elected to utilize a risk-free rate as the discount rate when determining the present value of remaining lease payments for both operating and finance leases. Additionally, the Organization has elected to not separate non-lease components from lease components and, instead, to account for each separate lease component and the related non-lease component as a single lease component.

For operating leases, the lease liability is measured as the present value of the lease payments over the lease term using either the rate implicit in the lease, if it is determinable, or a risk-free rate if the implicit rate is not determinable. Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs and prepayments of rent, less any unamortized lease incentives. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term. The Organization has elected to not recognize a ROU asset and lease liability for leases with an initial term of 12 months or less but includes the expense associated with short-term leases in the statements of activities.

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

For finance leases, the lease liability is measured as the present value of the lease payments over the lease term using either the rate implicit in the lease, if it is determinable, or a risk-free rate if the implicit rate is not determinable. The lease liability is then increased to reflect interest on the liability and decreased to reflect the lease payment. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is determined consistent with the methodology of operating leases and is subsequently offset with any accumulated amortization and any accumulated impairment losses.

Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term except for leases with a purchase option for which the Organization believes purchase of the asset is expected to be exercised. For assets to be acquired under such purchase options, the ROU asset is amortized over the expected life consistent with the Organization's policy for similar property and equipment. The Organization does not maintain any finance leases for the years ended December 31, 2025 and 2024.

Functional Allocation of Expenses

The costs of providing program and other activities have been reported in the statement of activities. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Organization. Allocated expenses primarily consist of payroll and related, occupancy, depreciation, and other operating expenses based on management's estimated use of resources.

Advertising Costs

Advertising costs are expensed as incurred.

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 grantor restrictions. The Organization has designated, from net assets without donor restrictions, net assets as invested in property and equipment and assets held at a community foundation.

Net Assets with Donor Restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources are 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 restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, except for tax on "Unrelated Business Income" as defined. No provision for income taxes is required.

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES

The Boys & Girls Clubs of Greater Southwest Michigan (the "Organization") is a not-for-profit entity whose mission is to inspire and enable all young people to realize their full potential as productive, responsible, and caring citizens. For more than 20 years, Boys & Girls Clubs of Greater Southwest Michigan has been helping kids aged 6-18 create great futures. In addition to recreational and extracurricular activities, the Organization provides after-school tutoring to put kids on a path for academic success, mentoring to guide members to create good character and leadership, and proven programming for youth to have access to healthy lifestyles. The Organization's focus is on three priority outcomes:

Academic Success - More than earning good grades, it's about building a bright future. Kids at the Organization are surrounded by positive influences that provide the academic support needed to thrive in today's world.

Character and Leadership - Effective leaders ignite strong communities. Our young people discover the importance of serving their neighborhood while developing skills in interpersonal communication, moral character, and responsibility.

Healthy Lifestyles - Being healthy doesn't end with food and fitness; a healthy lifestyle includes practicing positive behaviors, setting and achieving goals, overcoming barriers, resisting risky situations and developing self-confidence.

The Organization participates in various grant funded programs, which are subject to audit by grantor agencies and could generate expenditure disallowance under terms of the grants. Any disallowed claims, including amounts already used, may constitute a liability to the Organization. Management maintains that any liability for reimbursement of grant funds to a grantor agency resulting from an audit would not be material to the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local returns generally remain open for examination by the various taxing authorities for a period of three to four years.

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. The Organization places cash and cash equivalents with FDIC insured financial institutions. Although such balances may exceed the federally insured limits at certain times during the year and at year-end they are, in the opinion of management, subject to minimal risk. The Organization places its investments with community foundations which it maintains a beneficial interest, and in the opinion of management, is subject to minimal risk.

In addition, the Organization recognizes an allowance for credit losses at the time a receivable is recorded based on management's estimate of expected credit losses, historical write-off experience, and current account knowledge, and adjusts this estimate over the life of the receivable as needed.

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)

The Organization evaluates the aggregation and risk characteristics of a receivable pool and develops loss rates that reflect historical collections, current forecasts of future economic conditions over the time horizon the Organization is exposed to credit risk, and payment terms or conditions that may materially affect future forecasts.

The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through June 9, 2026, which is the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of December 31, 2025 and 2024, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position. Amounts not available include designated and restricted net assets. Amounts appropriated from either the donor-restricted endowment or quasi-endowment for general expenditures within one year of the date of the statement of financial position are considered available. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following at December 31:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 4,722,183	\$ 5,128,516
Grants receivables	162,922	366,753
Accounts receivable	68,757	58,182
Interest receivable	66,770	-
Promises to give, current portion	144,313	119,702
Beneficial interest in assets held at community foundation	<u>3,905,919</u>	<u>3,371,420</u>
Total financial assets at year-end	9,070,864	9,044,573
Less net assets with donor restrictions	(446,412)	(804,389)
Less net assets designated by the Board	<u>(3,892,913)</u>	<u>(3,360,032)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 4,731,539</u></u>	<u><u>\$ 4,880,152</u></u>

The Organization is supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those requirements. Therefore, certain financial assets may not be available for general expenditure within one year. The Organization structures its financial assets to be available, as its general expenditures, liabilities and other obligations come due.

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROMISES TO GIVE

Unconditional promises to give at December 31 were as follows:

	<u>2025</u>	<u>2024</u>
Receivable in less than 1 year	\$ 144,313	\$ 119,702
Receivable in 1 to 5 years	<u>125,920</u>	<u>230,000</u>
Total promises to give	270,233	349,702
Less discount	(14,525)	(31,078)
Less allowance for doubtful accounts	<u>(13,512)</u>	<u>(17,486)</u>
Total promises to give, net	<u><u>\$ 242,196</u></u>	<u><u>\$ 301,138</u></u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31 consist of the following:

	Life (in years)	<u>2025</u>	<u>2024</u>
Land		\$ 168,684	\$ 168,684
Construction in progress		-	908,274
Buildings	31	8,156,749	6,730,055
Building improvements	20	173,831	173,831
Furniture and equipment	5 - 10	925,649	905,864
Vehicles	5	<u>114,302</u>	<u>114,302</u>
		9,539,215	9,001,010
Less accumulated depreciation		<u>(3,992,432)</u>	<u>(3,694,014)</u>
Net property and equipment		<u><u>\$ 5,546,783</u></u>	<u><u>\$ 5,306,996</u></u>

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD AT COMMUNITY FOUNDATION

The Organization transferred funds to the Berrien Community Foundation (the Foundation) to establish a capital reserve fund, an emergency operations fund, and a scholarship endowment fund, naming itself as the beneficiary. The Foundation maintains variance power and legal ownership of the endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Beneficial interest in assets held at community foundation consisted of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Board-designated funds	\$ 3,892,913	\$ 3,360,032
Donor-restricted funds	<u>13,006</u>	<u>11,388</u>
Total beneficial interest in assets held at community foundation	<u><u>\$ 3,905,919</u></u>	<u><u>\$ 3,371,420</u></u>

Board-designated Funds

The Capital Reserve Fund and the Emergency Operations Fund represent the original assets transferred by the Organization to establish the non-endowed funds and any subsequent transfers by the Organization. These amounts are reported by the Organization as assets held by the Foundation. The reported fair market value amount is shown as a component of net assets without restrictions. Under these agreements, the Organization can request the entire balance of the funds to be distributed back to the Organization at any time. Changes in the funds during the years ended December 31, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Net assets, beginning of year	\$ 3,360,032	\$ 3,028,060
Investment return, net	<u>532,881</u>	<u>331,972</u>
Net assets, end of year	<u><u>\$ 3,892,913</u></u>	<u><u>\$ 3,360,032</u></u>

Donor-restricted Fund

In 2016, the Organization established the Boys & Girls Clubs of Benton Harbor Scholarship Endowment Fund. The spendable portion of this fund will not occur until the balance is at least \$25,000. Accordingly, this fund is a component of net assets with donor restrictions. Changes in the funds during the years ended December 31, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Net assets, beginning of year	\$ 11,388	\$ 10,358
Investment return, net	<u>1,618</u>	<u>1,030</u>
Net assets, end of year	<u><u>\$ 13,006</u></u>	<u><u>\$ 11,388</u></u>

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - FAIR VALUE MEASUREMENTS

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable. The three levels of the fair value hierarchy are described on the following page.

From time to time, changes in valuation techniques may result in reclassification of an investment's assigned level within the hierarchy.

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2025 and 2024, respectively.

Beneficial Interest in Assets Held at Community Foundation: The Berrien Community Foundation (the Foundation) acts under an arrangement as a depository for gifts, conveyances, and other transfers intended to assist the Organization in achieving its goals and purposes. The beneficial interest held at the Foundation was determined by the Foundation based upon the Organization's allocable share in the market value of the underlying investments made by the Foundation as reported to the Foundation by a third-party trustee from published market quotes.

The beneficial interest is considered a level 2 investment under current fair value measurement standards at December 31, 2025 and 2024:

	2025	2024
Level 2		
Beneficial interest in assets held at community foundation	\$ 3,905,919	\$ 3,371,420

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

BOYS & GIRLS CLUBS OF GREATER SOUTHWEST MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - RELATED PARTY TRANSACTIONS

The Organization received \$69,705 and \$102,971 of contributions from its board of directors and employees for the years ended December 31, 2025 and 2024, respectively.

NOTE 9 - AFFILIATE

The Organization is a member of Boys & Girls Clubs of America and as such it has the right to use the name Boys & Girls Club, agrees to adhere to operating standards adopted by the National Council, and act in accordance with the constitution of Boys & Girls Clubs of America and any policies or procedures adopted by the National Council. The annual membership fee was \$15,980 and \$10,893 for the years ended December 31, 2025 and 2024, respectively.

NOTE 10 - RETIREMENT PLAN

The Organization has a 401(k) retirement plan, which eligible employees participate in the pre-tax benefits by electing to defer a portion of their compensation. The Organization has the ability to match 100% of the first 3% and 50% of the next 2% contributed by an employee. The Organization made matching contributions to the plan of \$51,781 and \$54,457 for the years ended December 31, 2025 and 2024, respectively.

NOTE 11 - LEASE COMMITMENTS

The Organization maintains an operating lease arrangement for occupancy space with a third party. Monthly payments are \$12,100 over the course of the operating lease which matures June 30, 2027. Lease expense associated with the operating lease is recognized as occupancy expense on the statement of functional expenses and consists of \$146,570 and \$145,200 for the years ended December 31, 2025 and 2024, respectively. Amortization of right-of-use assets and lease liabilities for the years ended December 31, 2025 and 2024, resulted in ending balances of \$210,231 and \$342,719, respectively.

Future payments due under operating leases consist of the following:

<u>Year Ending December 31,</u>	
2026	\$ 145,200
2027	<u>84,700</u>
Total undiscounted cash flows	229,900
Less present value discount	<u>(19,668)</u>
Total operating lease liabilities	<u><u>\$ 210,232</u></u>

The Organization utilized the incremental borrowing rate of 4.5% as the discount rate to determine the operating lease liability above.