

**Audited Financial Statements**



**BOYS & GIRLS CLUBS**  
**OF METRO LOS ANGELES**

**December 31, 2022**

**Quigley & Miron**

**Boys & Girls Clubs of Metro Los Angeles**  
**Audited Financial Statements**  
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**December 31, 2022**

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## Independent Auditor's Report

Board of Directors  
**Boys & Girls Clubs of Metro Los Angeles**  
Los Angeles, California

### Opinion

We have audited the accompanying financial statements of Boys & Girls Clubs of Metro Los Angeles (BGCMLA), a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 BGCMLA as of December 31, 2022, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of BGCMLA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BGCMLA's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

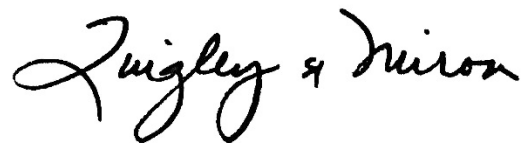
In performing an audit in accordance with GAAS, we:

- 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 BGCMLA'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 BGCMLA's ability to continue as a going concern for a reasonable period of time.

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

#### **Report on Summarized Comparative Information**

We have previously audited the financial statements of the Boys & Girls Clubs of Metro Los Angeles as of December 31, 2021, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Los Angeles, California  
September 26, 2023

**Boys & Girls Clubs of Metro Los Angeles**  
**Statement of Financial Position**  
**December 31, 2022**  
**(with comparative totals for 2021)**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,262,486	\$ 1,506,367
Restricted cash held for endowment	9,801	
Investments—Note 3	20,727	30,983
Pledges and grants receivable—Note 4	347,824	247,185
Government grants receivable	130,166	100,000
ERC grants receivable—Note 12	5,098	239,099
Accounts receivables	125,213	11,066
Prepaid expenses and other assets	53,378	35,191
In-kind buildings and land leases—Note 5	7,894,926	7,967,305
Property and equipment, net—Note 6	13,679,791	13,432,814
<b>Total Assets</b>	<b><u>\$ 23,529,410</u></b>	<b><u>\$ 23,570,010</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 456,402	\$ 495,618
Salaries and employee benefits payable—Note 7	218,073	219,324
Note payable, net of unamortized note issuance costs of \$36,951 and \$41,057, respectively	1,491,923	1,513,943
Deposits	53,295	53,045
Deferred revenue	29,639	29,639
<b>Total Liabilities</b>	<b><u>2,249,332</u></b>	<b><u>2,311,569</u></b>
<b>Net Assets</b>		
Without donor restrictions	11,935,805	12,802,289
With donor restrictions—Note 9	9,344,273	8,456,152
<b>Total Net Assets</b>	<b><u>21,280,078</u></b>	<b><u>21,258,441</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 23,529,410</u></b>	<b><u>\$ 23,570,010</u></b>

See notes to financial statements.

Boys & Girls Clubs of Metro Los Angeles  
Statement of Activities  
Year Ended December 31, 2022  
(with comparative totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>Operating Activities</b>				
<b>Public Support and Revenue</b>				
Grants and contributions	\$ 2,678,007	\$ 1,329,482	\$ 4,007,489	\$ 2,489,013
Government grants	164,602		164,602	101,900
ERC grants—Note 12				607,072
PPP grant—Note 13				427,512
Special events				
Gross revenue	380,185		380,185	106,958
Less cost of direct benefits to donors	(76,232)		(76,232)	(27,933)
<b>Special Events, Net</b>	<b>303,953</b>		<b>303,953</b>	<b>79,025</b>
In-kind building and land leases—Note 5	396,722		396,722	403,244
In-kind contributions—Note 14	485,051		485,051	603,767
Fee for service	423,497		423,497	285,302
Program income	53,714		53,714	23,414
Interest and dividend income	10,214	222	10,436	5,423
Other income	86,006		86,006	14,739
Rental income—Note 15	342,313		342,313	311,971
Net assets released from restrictions	442,484	(442,484)		
Replenishment of underwater endowment—Note 10	(10,000)	10,000		
<b>Total Public Support and Revenue</b>	<b>5,376,563</b>	<b>897,220</b>	<b>6,273,783</b>	<b>5,352,382</b>
<b>Expenses</b>				
Youth program services	4,775,242		4,775,242	4,011,006
Management and general	1,042,283		1,042,283	947,319
Fund development	425,372		425,372	408,287
<b>Total Expenses</b>	<b>6,242,897</b>		<b>6,242,897</b>	<b>5,366,612</b>
<b>Change in Net Assets from Operations</b>	<b>(866,334)</b>	<b>897,220</b>	<b>30,886</b>	<b>(14,230)</b>
<b>Nonoperating Activities</b>				
Investment return, net—Note 3	(150)	(9,099)	(9,249)	(2,713)
<b>Total Nonoperating Activities</b>	<b>(150)</b>	<b>(9,099)</b>	<b>(9,249)</b>	<b>(2,713)</b>
<b>Change in Net Assets</b>	<b>(866,484)</b>	<b>888,121</b>	<b>21,637</b>	<b>(16,943)</b>
<b>Net Assets at Beginning of Year</b>	<b>12,802,289</b>	<b>8,456,152</b>	<b>21,258,441</b>	<b>21,275,384</b>
<b>Net Assets at End of Year</b>	<b>\$ 11,935,805</b>	<b>\$ 9,344,273</b>	<b>\$ 21,280,078</b>	<b>\$ 21,258,441</b>

See notes to financial statements.

Boys & Girls Clubs of Metro Los Angeles  
Statement of Functional Expenses  
Year Ended December 31, 2022  
(with comparative totals for 2021)

	Youth Program Services	Management and General	Fund Development	Special Events	2022 Total	2021 Total
Salaries	\$ 1,574,085	\$ 354,723	\$ 288,213	\$	\$ 2,217,021	\$ 1,679,875
Employee benefits—Note 7	230,141	51,863	42,138		324,142	345,876
Payroll taxes	130,837	29,484	23,956		184,277	144,880
<b>Total Personnel Expenses</b>	<b>1,935,063</b>	<b>436,070</b>	<b>354,307</b>		<b>2,725,440</b>	<b>2,170,631</b>
Professional and consulting fees	504,617	331,035	36,128		871,780	554,639
Occupancy and utilities	736,381	31,006	7,751		775,138	745,723
Youth program supplies	569,310				569,310	760,532
Repairs and maintenance	317,528	13,370	3,342		334,240	260,320
Depreciation and amortization	316,861	13,341	3,335		333,537	318,265
Office expenses	115,498	4,863	1,216		121,577	137,396
Interest		96,731			96,731	131,340
Insurance	38,353	39,180	4,238		81,771	77,578
Program awards and youth incentives	77,683				77,683	29,562
Equipment rental	73,195	3,082	770		77,047	45,745
Cost of direct benefits to donors				76,232	76,232	27,933
Conferences and workshops	26,381	5,945	4,830		37,156	16,292
Dues and subscriptions	4,301	25,097	1,929		31,327	26,316
Travel and transportation	21,010	4,735	3,847		29,592	10,847
Property taxes	27,840	1,172	293		29,305	20,930
Bank charges		26,364			26,364	20,843
Advertising and promotion	11,221				11,221	9,790
Licenses and permits		10,292			10,292	8,057
Donor stewardship			3,386		3,386	3,281
Write off of loan issuance costs						18,525
<b>Total Expenses by Function</b>	<b>4,775,242</b>	<b>1,042,283</b>	<b>425,372</b>	<b>76,232</b>	<b>6,319,129</b>	<b>5,394,545</b>
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors				(76,232)	(76,232)	(27,933)
<b>Total Expenses</b>	<b>\$ 4,775,242</b>	<b>\$ 1,042,283</b>	<b>\$ 425,372</b>	<b>\$</b>	<b>\$ 6,242,897</b>	<b>\$ 5,366,612</b>

See notes to financial statements.

**Boys & Girls Clubs of Metro Los Angeles**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**  
**(with comparative totals for 2021)**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 21,637	\$ (16,943)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated securities	(15,126)	(14,134)
Depreciation and amortization	333,537	318,265
Amortized loan issuance costs	4,105	10,673
Write off of loan issuance costs		18,525
Investment losses	9,099	2,553
Changes in operating assets and liabilities:		
Pledges and grants receivable	(100,639)	245,690
Government grants receivable	(30,166)	(100,000)
ERC grants receivable	234,001	(239,099)
Accounts receivable	(114,147)	125,199
Prepaid expenses and other assets	(18,187)	(9,335)
In-kind buildings and land leases	72,379	68,856
Accounts payable and accrued liabilities	(39,216)	(429)
Salaries and employee benefits payable	(1,251)	14,283
Deposits	250	
Deferred revenue		28,658
PPP advance		(427,512)
<b>Net Cash Provided by Operating Activities</b>	<b>356,276</b>	<b>25,250</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(580,514)	(198,018)
Replenishment of funds held in perpetuity	(10,000)	(10,000)
Proceeds from sales of investments	16,283	150
<b>Net Cash Used in Investing Activities</b>	<b>(574,231)</b>	<b>(207,868)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from note payable		1,555,000
Repayments on note payable	(26,125)	(1,555,000)
Payments for note issuance costs		(24,235)
Replenishment of funds held in perpetuity	10,000	10,000
<b>Net Cash Used in Financing Activities</b>	<b>(16,125)</b>	<b>(14,235)</b>
<b>Net Decrease in Cash, Cash Equivalents, and Restricted Cash</b>	<b>(234,080)</b>	<b>(196,853)</b>
<b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Year</b>	<b>1,506,367</b>	<b>1,703,220</b>
<b>Cash, Cash Equivalents, and Restricted Cash at End of Year</b>	<b><u>\$ 1,272,287</u></b>	<b><u>\$ 1,506,367</u></b>
<b>Supplementary Disclosures</b>		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$ 96,731</u>	<u>\$ 131,340</u>

See notes to financial statements.



**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 1—Organization and Summary of Significant Accounting Policies**

Organization—Boys & Girls Clubs of Metro Los Angeles (BGCMLA) is a California not-for-profit corporation chartered by the Boys & Girls Clubs of America, Inc. BGCMLA was created in 2015 to consolidate existing Boys & Girls Clubs and to expand services through the creation of new Clubs and through partnerships with city and county government. The collective of clubs includes: Bell Gardens Boys & Girls Club, Challengers Boys & Girls Club (Challengers), Jordan High School Boys & Girls Club, and Watts/Willowbrook Boys & Girls Club (Watts/Willowbrook). BGCMLA's mission is focused on promoting the health, life skills, and educational, vocational, and character development of Los Angeles youth ages 6-18. Each of the youth program sites (Clubs) facilitates youth programs designed to meet the physical, emotional, cultural, and social needs of the participants. Because these core areas are integrated, it is not practical to separate expenses into program categories. BGCMLA's principal funding sources are contributions, grants, government contracts, special events and rentals.

BGCMLA provides a trauma-informed, Social Emotional Learning approach to its afterschool programming in low-income communities. BGCMLA serves 95%+ African American and Latinx students, 98% of whom qualify for free or reduced lunch. BGCMLA delivers high quality programs and significant access to resources for members and their families. BGMLA provides a safe place for youth to learn, explore, achieve, and dream. BGMLA accomplishes this through targeted programs in arts, music, STEM, mentoring, athletics and healthy lifestyles.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. BGCMLA's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of BGCMLA and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of BGCMLA. These net assets may be used at the discretion of BGCMLA's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of BGCMLA and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit BGCMLA to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of BGCMLA to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Income Taxes—BGCMLA is a nonprofit entity, exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes in the financial statements. In addition, BGCMLA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘*more likely than not*’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2022 and 2021. Generally, BGCMLA’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash, Cash Equivalents, and Restricted Cash—BGCMLA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash consists of cash held in endowment.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the statement of financial position to the sum total of cash, cash equivalents, and restricted cash reported in the statement of cash flows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>Cash Accounts Reported in Statement of Financial Position</b>		
Cash and cash equivalents	\$ 1,262,486	\$ 1,506,367
Restricted cash held for endowment	<u>9,801</u>	<u></u>
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>		
<b>Reported in Statement of Cash Flows</b>	<b><u>\$ 1,272,287</u></b>	<b><u>\$ 1,506,367</u></b>

Investments—Investments in securities are initially recorded at cost, if purchased, or fair market value, if received as a contribution. Subsequent to acquisition, investments in securities are reported at fair value. Investment income, realized and unrealized gains and losses are reported as unrestricted income unless use of the earnings is restricted by the donor. Interest and dividends earned on investments are recognized when received and reported as interest and dividend income under public support and revenue on the statement of activities.

Pledges and grants receivable—Pledges and grants receivable consist primarily of pledges and grants from various donors and foundations well known to BGCMLA and are due within one year. Management believes these receivable balances as of December 31, 2022 and 2021 are fully collectible, and BGCMLA has therefore not recorded an allowance for doubtful accounts.

Government grants receivable—Revenue from government grants is reported as increases without donor restrictions as allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as grants receivable.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of BGCMLA’s youth program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Property and Equipment—Property and equipment are stated at cost when purchased or estimated fair market value at the date of gift or bequest. Depreciation is provided for property and equipment in excess of \$5,000 on the straight-line method over the useful lives of the related assets.

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Concentration of Credit Risk—Financial instruments which potentially subject the BGCMLA to concentrations of credit risk consist of cash and cash equivalents, investments in securities, and receivables.

BGCMLA places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash balances may exceed FDIC insurance limits during the normal course of business.

Cash held in investment accounts at investment custodians is insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000, per institution. SIPC insurance protects the custody function of the investment custodian; it does not provide protection against fluctuations in market value. At times, such balances may exceed SIPC insurance limits during the normal course of business.

While BGCMLA is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, BGCMLA's management has assessed the credit risk associated with its cash deposits and investments at December 31, 2022 and 2021 and believes it is not exposed to any significant credit risk with its cash and cash equivalents and investments. However, due to the current risk and uncertainties affecting financial institutions (see Note 16), the potential related impact cannot be reasonably estimated at this time.

Pledges and grants receivable consist of balances from individuals, local foundations and corporations. BGCMLA has determined that no allowance for potential losses due to uncollectible receivables was necessary at December 31, 2022 and 2021. Collection losses related to receivables have historically been immaterial, and management has concluded that, based on its review of balances outstanding, a valuation allowance from selected receivable balances is not necessary.

Government grants receivable are due from a variety of governmental bodies well known to BGCMLA, with favorable past payment histories. BGCMLA's management has assessed the credit risk associated with these pledges and grants receivable and has determined that a reserve against uncollectible amounts is not necessary.

Accounts receivables at December 31, 2022 and 2021 are due from nonprofit organizations well-known to BGCMLA, with favorable past payment histories. Management of BGCMLA has assessed the credit risk associated with these accounts receivable and has determined that an allowance for potential uncollectible amounts is not necessary.

Recently Adopted Accounting Principles

Gifts-in-Kind—In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. Additional disclosures are required regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. BGCMLA has adopted ASU No. 2020-07 for the year ended December 31, 2022, on a retrospective basis, which resulted in no change to revenue previously reported and no effect on revenue reported for the year ended December 31, 2022.

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Leases— In February 2016, FASB issued ASU No. 2016-02 (ASU 2016-02), *Leases (Topic 842)*. This amendment is applicable to leases with terms exceeding 12 months and requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease is required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. BGCMLA has adopted ASU No. 2016-02 on a prospective basis for the year ended December 31, 2022, as the organization has no long-term leases over one year.

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted goods or service. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue Recognition—BGCMLA's revenue recognition policies are as follows:

Government grants—Revenues from government grants are reported as increases in net assets without donor restrictions as allowable expenditures under such agreements as incurred. The amounts expended in excess of reimbursements are reported as grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.

Special events—BGCMLA conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of benefits received by the participants at the event. BGCMLA values such benefits at the actual cost.

Fee for service—Fees for services are recognized at the time services are provided.

Program income—Program income is recognized at the time services are provided.

Rental income—Rental income is recognized at the time services are provided.

In-Kind Contributions—BGCMLA records in-kind rent, goods, and services at fair value at the date of contribution. In-kind contributions of services are recognized if they (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Expenses—The costs of providing the various youth program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the youth program services and supporting services benefitted. Salaries, employee benefits, payroll taxes, professional and consulting fees, conferences and training, travel and transportation are allocated based on time and effort of employees. Occupancy and utilities, depreciation and amortization, office expenses, insurance, repairs and maintenance, equipment rental, and property taxes are allocated based on space estimates. All other expenses are charged directly to the program or function benefitted.

Advertising and Promotion Expenses—Advertising and promotion costs are expenses as incurred and amounted to \$11,221 and \$9,790 for the years ended December 31, 2022 and 2021.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 1—Organization and Summary of Significant Accounting Policies—Continued**

Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2—Availability and Liquidity**

BGCMLA's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,000,000).

The following represents the availability and liquidity of BGCMLA's financial assets without donor restrictions at December 31, 2022 and 2021 to cover operating expenses for the next fiscal year:

	<u>2022</u>	<u>2021</u>
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 1,262,486	\$ 1,506,367
Pledges and grants receivable	347,824	247,185
Government grants receivable	130,166	100,000
ERC grants receivable	5,098	239,099
Accounts receivables	<u>125,213</u>	<u>11,066</u>
<b>Total Financial Assets</b>	<b>1,870,787</b>	<b>2,103,717</b>
Less amounts not available to be used within one year:		
Cash subject to expenditure for specified purpose	<u>(997,823)</u>	<u>(302,342)</u>
<b>Financial Assets Available to Meet General Expenditures Over the Next 12 Months</b>	<b><u>\$ 872,964</u></b>	<b><u>\$ 1,801,375</u></b>

BGCMLA also has a revolving line of credit in the amount of \$350,000 which is available to assist in meeting cash flow needs. As of September 26, 2023, which is the date the financial statements were available to be issued, \$350,000 was available.

**Note 3—Investments and Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Quoted market prices in active markets for identical assets or liabilities. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets.

Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 3—Investments and Fair Value Measurements—Continued**

BGCMLA may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by BGCMLA to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. BGCMLA had no assets or liabilities classified at NAV as a practical expedient during the years ended December 31, 2022 and 2021.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2022 and 2021 consist of investments in equities, which are considered Level 1 inputs.

Investment return for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Unrealized losses	\$ (9,099)	\$ (2,553)
Investment management fees	(150)	(160)
<b>Investment Return, Net</b>	<b>(9,249)</b>	<b>(2,713)</b>
Interest and dividend income	10,436	5,423
<b>Total Investment Return</b>	<b><u>\$ 1,187</u></b>	<b><u>\$ 2,710</u></b>

**Note 4—Pledges and Grants Receivable**

Grants receivable of \$347,824 and \$247,185 at December 31, 2022 and 2021, respectively consist of amounts pledged by donors and organizations well known to BGCMLA and are all due within one year.

**Note 5—In-Kind Buildings and Land Leases**

In April 2000, Watts/Willowbrook entered into a 54-year lease agreement (Lease) with the Compton Unified School District, requiring annual payments of \$100, for the use of 27,500 square feet of land and buildings. Accordingly, Watts/Willowbrook recorded the present value of the land and buildings rent of \$5,134,421 valued at \$10 per square foot as *buildings and land lease* on the statement of financial position and as a corresponding donor-restricted contribution on the statement of activities for the year ended June 30, 2000, based upon annual rental expense of \$275,000 and a discount rate of 5%. The Lease was acquired by BGCMLA through its acquisition of Watts/Willowbrook during the year ended December 31, 2016. The value of the Lease at December 31, 2022 and 2021 was \$4,362,467 and \$4,417,832, respectively.

In April 2016, BGCMLA entered into a 55-year lease agreement (Lease) with the City of Bell Gardens, requiring annual payments of \$1, for the use of 12,940 square feet of land and buildings. Accordingly, BGCMLA recorded the present value of the land and buildings rent of \$3,631,370 valued at \$15 per square foot as *buildings and land lease* on the statement of financial position and as a corresponding donor-restricted contribution on the statement of activities for the year ended December 31, 2016, based upon annual rental expense of \$194,100 and a discount rate of 5%. The value of the Lease at December 31, 2022 and 2021 was \$3,532,460 and \$3,549,473, respectively.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 5—In-Kind Buildings and Land Leases—Continued**

Future anticipated amortization of the in-kind building and leases is as follows:

<b><u>Year Ending December 31,</u></b>	
2023	\$ 76,081
2024	79,974
2025	84,066
2026	88,376
2027	92,888
Thereafter	<u>7,473,541</u>
<b>Total</b>	<b><u>\$ 7,894,926</u></b>

During the years ended December 31, 2022 and 2021, BGCMLA recognized in-kind contributions of buildings and land leases related to the leases in the amount of \$396,722 and \$403,244, respectively.

**Note 6—Property and Equipment, Net**

Net property and equipment consists of the following at December 31, 2022 and 2021:

	<b><u>2022</u></b>	<b><u>2021</u></b>
Building and improvements	\$ 9,076,092	\$ 8,520,641
Furniture and equipment	255,372	230,309
Vehicles	<u>83,489</u>	<u>83,489</u>
	9,414,953	8,834,439
Less accumulated depreciation and amortization	<u>(1,650,622)</u>	<u>(1,317,085)</u>
<b>Depreciable Property and Equipment, Net</b>	<b>7,764,331</b>	<b>7,517,354</b>
Land	<u>5,915,460</u>	<u>5,915,460</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 13,679,791</u></b>	<b><u>\$ 13,432,814</u></b>

Total depreciation expense and amortization recorded for the years ended December 31, 2022 and 2021 was \$333,537 and \$318,265.

**Note 7—Retirement Plan**

BGMLA participates in a defined contribution retirement plan sponsored by the Boys & Girls Clubs of America (Plan). The plan covers qualified full-time employees. Contributions are made to the Plan based upon a board-approved contribution rate applied to each employee's qualified salaries and wages.

As a result of the acquisition of Watts/Willowbrook during the year ended December 31, 2016, BGCMLA assumed a liability representing the amount owed by Watts/Willowbrook to the Plan. The value of the liability at December 31, 2022 and 2021 was \$22,506 and \$22,506, respectively and is included in accounts payable and accrued liabilities in the statement of financial position.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 7—Retirement Plan—Continued**

Effective January 1, 2017, BGCMLA adopted and executed a 401(k) defined contribution plan, which provides for employer contributions of 3% of eligible wages. Employees become eligible to participate in the defined contribution plan after the first day of the calendar month following the employee's commencement date. The plan requires plan participants to be 21 years old; employees are eligible for employer matching after 1 year and 1000 hours worked. BGMLA's contributions to the 401(k)-plan for the year ended December 31, 2022 and 2021 amounted to \$34,808 and \$34,603, respectively.

**Note 8—Note Payable**

During the year ended December 31, 2020, BGMLA received a \$1,555,000 loan for operations. The note was secured by a lien on the deed of trust recorded against one of BGMLA's properties. The note held an interest rate of 7.99% and the initial loan issuance costs associated with the note payable amounted to \$53,100. During the year ended December 31, 2021, BGCMLA incurred \$18,525 in write off of loan fees on the statement of functional expenses related to the refinance and issuance of a new note.

During the year ended December 31, 2021, BGMLA refinanced the previously held note. The note is secured by a lien position deed of trust recorded against one of BGMLA's properties. The note matures in September 2031, and carries an interest rate of 5.75%, with principal and interest payments of \$9,783. The initial loan issuance costs associated with the note payable amounted to \$25,800.

Note payable at December 31, 2022, consists of the following:

	<u>2022</u>	<u>2021</u>
Note payable to financial institution bearing interest at 5.75%, monthly payments of principal and interest of \$9,783, maturing 2031, secured by land and building.	\$ 1,528,874	\$ 1,555,000
Less unamortized note issuance costs	(36,951)	(41,057)
<b>Note Payable, Net</b>	<b><u>\$ 1,491,923</u></b>	<b><u>\$ 1,513,943</u></b>

Interest expense and amortization related to these notes totaled \$96,731 and \$131,340, respectively, for the years ended December 31, 2022 and 2021.

Future principal payments under the note as of December 31, 2022 are as follows:

**Year Ending December 31,**

2023	\$ 29,143
2024	30,864
2025	32,686
2026	34,616
2027	36,659
Thereafter	<u>1,327,955</u>
<b>Total</b>	<b><u>\$ 1,491,923</u></b>



**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 9—Net Assets with Donor Restrictions**

Net assets with donor restrictions as of December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Capital improvements and renovations	\$ 706,024	\$ 70,475
Tennis Academy	142,210	77,652
Bell gardens safety needs	70,786	
Challengers field	26,968	
Money Matters	25,000	25,000
Hydrolab initiative	12,500	
Scholarships	10,000	10,000
Transportation	4,335	33,335
Specified future periods		50,000
CARE 2022		20,000
Club acquisition costs		15,880
Subject to time restrictions:		
Building and land lease	7,894,926	7,967,305
Future period pledges	420,996	157,100
Held in perpetuity:		
Endowment fund	340,835	340,835
Underwater endowment	(310,307)	(311,430)
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 9,344,273</u></b>	<b><u>\$ 8,456,152</u></b>

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 9—Net Assets with Donor Restrictions—Continued**

Net assets released from donor restrictions for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Tennis Academy	\$ 77,652	\$ 55,651
Capital improvements and renovations	70,474	50,072
Transportation	29,000	
CARE 2022	25,000	
Money matters	20,000	
Club acquisition costs	15,880	8,110
Food distribution		100,000
Teen Center		95,633
Sports and healthy lifestyles programs		58,333
Specified future periods		50,000
Laptop equipment		8,000
Satisfaction of passage of time		
Future period pledges	132,099	425,000
Building and land lease	72,379	68,856
<b>Total Net Assets Released from Donor Restrictions</b>	<b><u>\$ 442,484</u></b>	<b><u>\$ 919,655</u></b>

**Note 10—Endowment Net Assets**

In January 2009, the State of California adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The Board is aware that there is an implicit understanding that the market value of the donor-restricted endowment may, from time to time, fall below the fair value of the original gift as of the gift date due to market conditions or continued prudent expenditures by the Board of certain amounts of the endowment. If such a temporary deficit condition occurs, the Board would take all prudent steps, given ongoing market conditions, to restore the fair value of the fund to an amount at or above the amount of the original gift.

As a result of the acquisition of Challengers during the year ended December 31, 2016, BGCMLA acquired an endowment fund held in perpetuity in the amount of \$340,835. Prior to the acquisition date, Challengers liquidated the investment funds associated with the endowment and borrowed these funds to fund operations. BGCMLA is aware of its obligations under UPMIFA, and during the years ended December 31, 2022 and 2021 BGCMLA began replenishment of the funds in the amounts of \$10,000 and \$10,000, respectively. The balance of the underwater endowment at December 31, 2022 and 2021 amounted to \$300,752 and \$315,878. BGMLA is aware of its obligations under UPMIFA and will continue to replenish the endowment going forward.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 10—Endowment Net Assets—Continued**

Changes in endowment net assets for the years ended December 31, 2022 consist of the following:

	<b>Held in Perpetuity</b>		
	<b>Endowment Fund</b>	<b>Underwater Endowment</b>	<b>Total</b>
<b>Endowment Net Assets (Deficit) at December 31, 2020</b>	<b>\$ 340,835</b>	<b>\$ (321,259)</b>	<b>\$ 19,576</b>
Replenishment of underwater endowment		10,000	10,000
Interest and dividend income		2,531	2,531
Investment loss		(2,702)	(2,702)
<b>Total Investment Return on Endowment Funds</b>		<b>(171)</b>	<b>(171)</b>
<b>Endowment Net Assets (Deficit) at December 31, 2021</b>	<b>340,835</b>	<b>(311,430)</b>	<b>29,405</b>
Replenishment of underwater endowment		10,000	10,000
Interest and dividend income		222	222
Investment loss		(9,099)	(9,099)
<b>Total Investment Return on Endowment Funds</b>		<b>(8,877)</b>	<b>(8,877)</b>
<b>Endowment Net Assets (Deficit) at December 31, 2022</b>	<b>\$ 340,835</b>	<b>\$ (310,307)</b>	<b>\$ 30,528</b>

**Note 11—Commitments and Contingencies**

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although it is considered a possibility, BGCMLA deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of the grantor under the provisions of the gift.

From time to time, BGCMLA is subject to litigation that arises in the normal course of conducting its operations. In management's opinion, the resolution of litigation matters, if any would not have a material effect on the financial position of BGCMLA at December 31, 2022 and 2021.

**Note 12—ERC Grants**

During the year ended December 31, 2021, BGCMLA was eligible and applied for employee retention credits (ERC) in the amount of \$607,072. This is included in the ERC grants in the statement of activities and in the ERC grants receivable in the statement of financial position. ERC grants receivable amounted to \$5,098 and \$239,099 for the years ended December 31, 2022 and 2021, respectively.

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 13—PPP Grant**

On May 6, 2020, BGCMLA received, \$427,512 in Paycheck Protection Program (PPP) funding from the U.S. Small Business Administration (SBA). During the year ended December 31, 2021, BGCMLA received official notice of forgiveness from the SBA for the full advance amount and recognized \$427,512 in PPP grant revenue.

**Note 14—In-Kind Contributions**

For the years ended December 31, 2022 and 2021, in-kind contributions are included in the statement of activities under public support and revenue and included in the respective expense captions in the statement of functional expenses as follows:

	<u>2022</u>	<u>2021</u>
Professional and consulting fees	\$ 282,640	\$
Program supplies	202,411	603,767
<b>Totals</b>	<b>\$ <u>485,051</u></b>	<b>\$ <u>603,767</u></b>

The following fair value techniques are used to value in-kind contributions:

Program supplies—BGMLA values snacks and lunches for program supplies at \$4.47 per meal. During the years ended December 31, 2022 and 2021 BGCMLA recorded contributions of 45,282 and 135,071, respectively.

Professional and consulting fees—BGMLA values in-kind professional and consulting fees using provided fair market value rate of services provided from donor. During the year ended December 31, 2022 BGCMLA recorded contributions of 279 hours of legal serves in support of the Boys and Girls Club of Venice acquisition valued at \$1,013 hourly.

BGCMLA uses in-kind program supplies and professional and consulting fees in its youth program services.

**Note 15—Rental Income**

In August 2011, Challengers signed a 15-year agreement with a lessee for classroom space through August 2026. Additionally, in January 2018, BGCMLA signed a five-year agreement with a lessee for office space through December 2022. Rental income associated with these leases amounted to \$342,313 and \$311,971 for the years ended December 31, 2022 and 2021, respectively. Total future rental income to be received is as follows:

**Year Ending December 31,**

2023	\$ 299,704
2024	291,719
2025	295,046
2026	300,513
2027	<u>180,858</u>
<b>Total</b>	<b>\$ <u>1,367,840</u></b>

**Boys & Girls Clubs of Metro Los Angeles**  
**Notes to Financial Statements—Continued**

**Note 16—Risks and Uncertainties**

In March 2023, subsequent to year-end, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As disclosed in Note 1, at times, BGCMLA maintains cash and cash equivalents balances in excess of federally-insured limits. Given the uncertainty of the situation, the potential related financial impact cannot be reasonably estimated at this time.

**Note 17—Subsequent Events**

On January 1, 2023, subsequent to year-end, BGCMLA acquired Boys and Girls Club of Venice (BGCV), resulting in a net increase in net assets of \$21,803,315, comprised of assets and liabilities measured at fair market value.

Management evaluated all activities of BGMLA through September 26, 2023, which is the date the financial statements were available to be issued, and concluded that, other than the banking crisis described in Note 16, and the acquisition of BGCV described above, no other material subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.