

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
OF
BOYS & GIRLS CLUB OF SAN MARCOS
JUNE 30, 2023 AND 2022**

**BOYS & GIRLS CLUB OF SAN MARCOS
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JUNE 30, 2023 AND 2022**

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Independent Auditor's Report

To the Board of Directors of
Boys & Girls Club of San Marcos
San Marcos, California

Opinion

We have audited the accompanying financial statements of Boys & Girls Club of San Marcos (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Club of San Marcos as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 and Girls Club of San Marcos, 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 and Girls Club of San Marcos'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 and Girls Club of San Marcos'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 and Girls Club of San Marcos'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.

Covell, Jani & Pasch LLP

Escondido, California

December 18, 2023

**BOYS & GIRLS CLUB OF SAN MARCOS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

ASSETS		2023	2022
CURRENT ASSETS			
Cash and cash equivalents	\$	1,236,996	\$ 1,555,033
Investments, without donor restrictions		1,168,669	565,979
Accounts receivable		17,727	2,330
Grants receivable		239,344	284,956
Unconditional promises to give		285,000	275,000
Prepaid expenses		47,505	72,404
Refunds receivable - ERC		-	162,416
TOTAL CURRENT ASSETS		<u>2,995,241</u>	<u>2,918,118</u>
 PROPERTY AND EQUIPMENT, NET		 2,423,486	 2,067,699
 INVESTMENTS, ENDOWMENT (WITH DONOR RESTRICTIONS)		 <u>65,001</u>	 <u>65,001</u>
 TOTAL ASSETS	\$	 <u>5,483,728</u>	 <u>\$ 5,050,818</u>
 LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	49,306	\$ 78,193
Accrued payroll liabilities		186,397	140,492
Deferred revenue and deposits		110,340	156,978
TOTAL CURRENT LIABILITIES		<u>346,043</u>	<u>375,663</u>
 TOTAL LIABILITIES		 <u>346,043</u>	 <u>375,663</u>
 NET ASSETS			
Without donor restrictions		4,983,355	4,198,863
With donor restrictions		154,330	476,292
TOTAL NET ASSETS		<u>5,137,685</u>	<u>4,675,155</u>
 TOTAL LIABILITIES AND NET ASSETS	\$	 <u>5,483,728</u>	 <u>\$ 5,050,818</u>

See independent auditor's report and notes to financial statements

**BOYS & GIRLS CLUB OF SAN MARCOS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
General club revenue	\$ 945,139	\$ -	\$ 945,139
Grants	3,145,596	242,000	3,387,596
Public support contributions	333,715	10,000	343,715
In-kind donations	101,310	-	101,310
Special events	249,911	-	249,911
Less: special events direct expenses	(191,557)	-	(191,557)
Interest and dividends	68,289	-	68,289
Investment return, net	112,654	-	112,654
TOTAL SUPPORT AND REVENUE	<u>4,765,056</u>	<u>252,000</u>	<u>5,017,056</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>573,962</u>	<u>(573,962)</u>	<u>-</u>
	<u>5,339,018</u>	<u>(321,962)</u>	<u>5,017,056</u>
EXPENSES			
PROGRAM SERVICES			
Jennifer Loscher & Autumn Dr branches	1,189,438	-	1,189,438
San Marcos Unified School District	1,892,234	-	1,892,234
Other programs	739,146	-	739,146
TOTAL PROGRAM SERVICES	<u>3,820,818</u>	<u>-</u>	<u>3,820,818</u>
SUPPORTING SERVICES			
Management and general expenses	715,627	-	715,627
Fundraising costs	18,081	-	18,081
TOTAL SUPPORTING SERVICES	<u>733,708</u>	<u>-</u>	<u>733,708</u>
TOTAL EXPENSES	<u>4,554,526</u>	<u>-</u>	<u>4,554,526</u>
INCREASE (DECREASE) IN NET ASSETS	784,492	(321,962)	462,530
NET ASSETS AT BEGINNING OF YEAR	<u>4,198,863</u>	<u>476,292</u>	<u>4,675,155</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 4,983,355</u></u>	<u><u>\$ 154,330</u></u>	<u><u>\$ 5,137,685</u></u>

See independent auditor's report and notes to financial statements

**BOYS & GIRLS CLUB OF SAN MARCOS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
General club revenue	\$ 714,125	\$ -	\$ 714,125
Grants	1,858,351	1,813,500	3,671,851
Public support contributions	245,960	298,766	544,726
In-kind donations	71,374	-	71,374
Special events	282,302	-	282,302
Less: special events direct expenses	(187,727)	-	(187,727)
Interest and dividends	44,638	-	44,638
Other income	5,405	-	5,405
Investment return, net	<u>(288,115)</u>	<u>-</u>	<u>(288,115)</u>
TOTAL SUPPORT AND REVENUE	2,746,313	2,112,266	4,858,579
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,816,962</u>	<u>(1,816,962)</u>	<u>-</u>
	<u>4,563,275</u>	<u>295,304</u>	<u>4,858,579</u>
EXPENSES			
PROGRAM SERVICES			
Jennifer Loscher & Autumn Dr branches	901,306	-	901,306
San Marcos Unified School District	1,197,214	-	1,197,214
Other programs	<u>484,011</u>	<u>-</u>	<u>484,011</u>
TOTAL PROGRAM SERVICES	<u>2,582,531</u>	<u>-</u>	<u>2,582,531</u>
SUPPORTING SERVICES			
Management and general expenses	438,422	-	438,422
Fundraising costs	<u>121,876</u>	<u>-</u>	<u>121,876</u>
TOTAL SUPPORTING SERVICES	<u>560,298</u>	<u>-</u>	<u>560,298</u>
TOTAL EXPENSES	<u>3,142,829</u>	<u>-</u>	<u>3,142,829</u>
INCREASE (DECREASE) IN NET ASSETS	1,420,446	295,304	1,715,750
NET ASSETS AT BEGINNING OF YEAR	<u>2,778,417</u>	<u>180,988</u>	<u>2,959,405</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 4,198,863</u></u>	<u><u>\$ 476,292</u></u>	<u><u>\$ 4,675,155</u></u>

See independent auditor's report and notes to financial statements

**BOYS & GIRLS CLUB OF SAN MARCOS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services				Support Services			Total Expenses
	JL & AD Branches	San Marcos Unified School District	Other Programs	Total Program Services	Management and General	Fundraising Costs	Total Support Services	Year Ended June 30, 2023
EXPENSES								
Advertising, promotions, and awards	\$ 2,469	\$ 3,546	\$ 2,696	\$ 8,711	\$ 21,037	\$ 3,690	\$ 24,727	\$ 33,438
Bank and merchant fees	4,652	13,666	7,851	26,169	2,908	3,339	6,247	32,416
Board meetings/leadership support	146	-	-	146	956	200	1,156	1,302
Depreciation	33,643	98,827	56,773	189,243	21,028	-	21,028	210,271
Dues and licenses	8,742	4,105	13,875	26,722	16,197	1,390	17,587	44,309
Employee benefits	42,842	57,188	17,117	117,147	53,767	-	53,767	170,914
Employee wages and salaries	697,048	1,354,664	358,285	2,409,997	412,687	-	412,687	2,822,684
Employer payroll taxes, WC insurance and fees	84,446	164,138	43,403	291,987	50,039	-	50,039	342,026
Insurance	5,855	16,765	9,397	32,017	4,375	-	4,375	36,392
In-kind expense	6,921	-	20,000	26,921	-	6,751	6,751	33,672
Meals and entertainment	2,154	153	185	2,492	6,774	143	6,917	9,409
Outside Services	1,952	-	-	1,952	-	-	-	1,952
Postage	-	-	-	-	785	1,272	2,057	2,057
Professional fees	13,062	35,600	31,927	80,589	29,619	-	29,619	110,208
Program field trips	19,404	3,355	27,338	50,097	314	-	314	50,411
Repairs and maintenance	86,864	760	173	87,797	1,860	-	1,860	89,657
Scholarships	-	-	1,000	1,000	-	-	-	1,000
Supplies and equipment	89,996	110,306	60,158	260,460	55,103	84	55,187	315,647
Telephone and utilities	52,528	10,616	4,985	68,129	14,183	1,093	15,276	83,405
Training and conference	24,039	18,436	83,288	125,763	15,412	-	15,412	141,175
Travel	12,675	109	695	13,479	8,583	119	8,702	22,181
TOTAL EXPENSES	\$ 1,189,438	\$ 1,892,234	\$ 739,146	\$ 3,820,818	\$ 715,627	\$ 18,081	\$ 733,708	\$ 4,554,526

See independent auditor's report and notes to financial statements

**BOYS & GIRLS CLUB OF SAN MARCOS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services				Support Services		Total Expenses	
	JL & AD Branches	San Marcos Unified School District	Other Programs	Total Program Services	Management and General	Fundraising Costs	Total Support Services	Year Ended June 30, 2022
EXPENSES								
Advertising, promotions, and awards	\$ 297	\$ 477	\$ 409	\$ 1,183	\$ 10,259	\$ 10,183	\$ 20,442	\$ 21,625
Bank and merchant fees	7,552	12,650	4,659	24,861	4,020	-	4,020	28,881
Board meetings/leadership support	642	-	-	642	1,973	774	2,747	3,389
Depreciation	23,899	40,030	14,742	78,671	12,721	-	12,721	91,392
Dues and licenses	7,682	12,972	6,925	27,579	4,360	9,827	14,187	41,766
Employee benefits	40,975	56,091	16,500	113,566	22,067	-	22,067	135,633
Employee wages and salaries	512,654	858,605	316,282	1,687,541	272,935	-	272,935	1,960,476
Employer payroll taxes, WC insurance and fees	53,793	94,393	37,114	185,300	27,916	-	27,916	213,216
Insurance	3,079	9,495	7,716	20,290	2,771	-	2,771	23,061
Meals and entertainment	635	43	25	703	410	622	1,032	1,735
Outside Services	1,949	-	-	1,949	-	-	-	1,949
Postage	73	-	-	73	704	2,790	3,494	3,567
Professional fees	8,707	25,576	14,692	48,975	30,181	2,245	32,426	81,401
Program field trips	15,589	142	1,194	16,925	23	-	23	16,948
Repairs and maintenance	70,293	-	-	70,293	413	10,172	10,585	80,878
Scholarships	1,000	-	-	1,000	-	-	-	1,000
Supplies and equipment	76,680	57,854	14,953	149,487	30,656	70,833	101,489	250,976
Telephone and utilities	46,230	15,843	11,043	73,116	4,675	7,806	12,481	85,597
Training and conference	18,689	12,797	37,627	69,113	9,413	6,624	16,037	85,150
Travel	10,888	246	130	11,264	2,925	-	2,925	14,189
TOTAL EXPENSES	\$ 901,306	\$ 1,197,214	\$ 484,011	\$ 2,582,531	\$ 438,422	\$ 121,876	\$ 560,298	\$ 3,142,829

See independent auditor's report and notes to financial statements

BOYS & GIRLS CLUB OF SAN MARCOS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 462,531	\$ 1,715,750
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS PROVIDED (USED) BY OPERATING ACTIVITIES		
Depreciation	210,271	91,392
Realized and unrealized (gain) loss on investments	(124,374)	274,704
(Increase) decrease in accounts receivable	(25,397)	(277,330)
(Increase) decrease in grants receivable	45,612	230,310
(Increase) decrease in prepaid expenses	24,899	(32,897)
(Increase) decrease in refunds receivable - ERC	162,416	(162,416)
Increase (decrease) in accounts payable	(28,887)	61,865
Increase (decrease) in accrued expenses	-	(15,934)
Increase (decrease) in accrued payroll expenses	45,902	94,299
Increase (decrease) in deferred revenue and deposits	(46,637)	89,074
Total adjustments	<u>263,805</u>	<u>353,067</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>726,336</u>	<u>2,068,817</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(566,058)	(1,745,869)
Proceeds from sale of investments	866,601	1,413,683
Donation of investments	-	(25,267)
Purchase of investments	<u>(1,344,916)</u>	<u>(949,498)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,044,373)</u>	<u>(1,306,951)</u>
NET INCREASE (DECREASE) IN CASH	(318,037)	761,866
CASH, BEGINNING OF YEAR	<u>1,555,033</u>	<u>793,167</u>
CASH, END OF YEAR	<u>\$ 1,236,996</u>	<u>\$ 1,555,033</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

CASH PAID DURING THE YEAR FOR:

Interest expense	\$ -	\$ -
Income tax	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report and notes to financial statements

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

A. ORGANIZATION

The Boys & Girls Club of San Marcos (the “Club”) was incorporated January 23, 1979 pursuant to the general nonprofit corporation law of the state of California. The specific purpose of the Club is to promote the social, educational, health, leadership, and character development of boys and girls during critical periods of their growth.

The Club maintains two primary facilities (Jennifer Loscher Branch and Walter J. & Betty C. Zable Foundation Branch) and various sub-sites in the San Marcos area. The second site in San Marcos, located on Autumn Drive, opened in June 2022. The new location was made possible by an agreement with the city of San Marcos to pay minimal rent (see Note H) and a grant of \$1,200,000 of additional funding to help pay for the tenant buildout (see Note I).

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Standards/Change in Accounting Principles

ASU 2016-02

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, Leases (Topic 842): Codification Improvements. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (“ROU”) assets and lease liabilities for operating leases on the balance sheet.

The Club adopted FASB Topic 842, Leases, using the modified retrospective approach with July 1, 2022 as the date of initial adoption (effective date method) and utilized all of the available practical expedients. The Club has elected to apply the short-term lease exception to all leases with a term of one year or less and therefore the adoption did not result in any changes to the Club’s balance sheet as no recognition of ROU assets and lease liabilities for operating leases was required. The accounting for finance leases remained substantially unchanged.

ASU 2020-07

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU No. 2020-07 was issued to address certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity’s programs and other activities. The standard was effective for the Club for the year ended June 30, 2022. The adoption of this guidance did not have a material impact on the Club’s financial statements.

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The Club's accounting records and the accompanying financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP) whereby all revenue is recognized when earned rather than received and expenses are recognized when incurred rather than when paid and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Non-For-Profit Entities*. Under ASU 2016-14, the Club is required to report information regarding its financial position and activities according to two classes of net assets:

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

Net assets with donor restriction: net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Club or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Investments

The Club carries investments in marketable securities with readily determinable fair values at their fair values based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Endowment Funds: The Club's endowment was created with a restricted corpus of \$65,001 established in 1998. The corpus is part of the Club's investment account, which is governed by the Endowment Investment Policy adopted by the Board in April 2009. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

The Board of Directors of the Club has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring 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. As a result of this interpretation, the Club classifies as with donor restrictions net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Club and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Club, and (7) the Club investment policies.

Investment Return Objectives, Risk Parameters and Strategies: The investment goal is to achieve a total return that provides incremental value when benchmarked or compared to the relevant indexes. The Endowment Committee adheres to a total return policy in measuring investment performance. Total return is the sum of interest, dividends, and realized and unrealized gains and losses. The objective is for the portfolio to yield a total return (after fees and before distributions to current operations) of 3% over inflation, over a market cycle of usually 3-5 years, as measured by the Consumer Price Index (all urban CPI) annually. The Endowment Committee has the responsibility of determining the asset allocation guidelines that are the highest probability of achieving superior investment performance. The committee believes that the ultimate achievement of its investment mission statement is impacted most by the asset allocation decision. It is also the primary determinant of volatility of returns.

The endowment asset allocation guidelines are designed to portray the investment structure of the fund over a long time horizon. The advisors shall recommend an appropriate asset allocation mix for the portfolio within the following guidelines:

1. The equity portion of the portfolio will be managed within a range of 30% to 70%.
2. The fixed income portion will be managed within a range of 30% to 60%.

If the manager deems it necessary to vary from these ranges, such variance shall be discussed with the Club's Endowment Committee and approved by the Board of Directors if a change is to be made.

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

The following categories of securities transactions are not permissible within the Club's portfolio:

1. Short sales
2. Put and call options (except that calls may be written against securities owned)
3. Margin purchases or lending or borrowing money, except for publicly traded corporate debt
4. Letter stock, private placement, or direct placements
5. Equity securities of any company which has a record of less than three years continuous operation, including the operation of any predecessor
6. Purchase for purposes of exercising control of management
7. Derivatives of any other type
8. Stock loans
9. Commodities
10. Real estate properties
11. Oil or gas real property, without prior consultation with the Endowment Committee

The Endowment Committee is responsible for monitoring the investment management of the endowment funds' assets. The committee will hold formal meetings with the investment advisors periodically, at least semiannually. These meetings will include:

1. A summary of investment performance for the period measured against established performance benchmarks
2. A report of the portfolio's holdings showing individual security positions, at cost and market value
3. A review of all transactions, including a report of all capital gains and losses
4. Discussion on portfolio structure in light of current and anticipated market conditions and investment objectives of the funds

The investment advisors will furnish the Endowment Committee a quarterly report on a timely basis summarizing investment performance and showing individual security positions at cost and market. The report should also include a review of all transactions, including all capital gains and losses. The investment advisors are expected to notify the Endowment Committee whenever significant developments occur that may affect the portfolio. These developments include, but are not limited to, major changes in investment outlook, investment strategy, or any other matters affecting investing policy.

From time to time, the fair value of assets associated with individual or donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Club to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, a deficiency of this nature is reported as unrestricted net assets. There was no such deficiency as of June 30, 2023 and 2022.

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

Spending Policy: This concept calls for a specific dollar amount based on a percentage of endowed assets to be used for the annual operating budget of the Club regardless of interim market fluctuations, income and dividend levels or capital gains/losses. The board will designate which funds will be considered endowed for purposes of this policy. Any funds not a part of the Club's endowment may be subject to other donor or board spending restrictions.

The percentage of total endowed fund assets used annually by the Club is the spending policy. The Board of Directors will set this percentage. The spending policy percentage will be multiplied by the "adjusted asset base" to determine the dollar value available for club operations. The "adjusted asset base" figure will be a moving aggregate of the previous 12-quarter end market values of eligible assets.

For the purposes of this policy, the Club will use 5% of the eligible assets on an annual basis to support club operations. This spending policy will go into effect once the fund's total "eligible asset base" reaches \$5 million. However, this may be reviewed and/or changed by the Board of Directors.

Cash and Cash Equivalents

The Club considers instruments purchased with a fixed maturity date of three months or less to be cash equivalents for the purposes of the statement of cash flows.

Promises to Give

Unconditional promises to give in future periods are recognized as support in the period in which the promises are received and as assets, decreases of liabilities, or expenses depending on the form of benefit received. Promises to give are recorded at net realizable value if they are expected to be collected within one year and at net present value if they are expected to be collected in more than one year.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Accounts Receivable

Accounts receivable consist of program fees due and grant contracts and are stated at the amount management expects to collect from unpaid balances. Balances that are still outstanding after management has used reasonable collection efforts are written off to bad debt expense.

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Generally, the Club capitalizes assets with a value of \$2,500 or more. Expenditures for maintenance, repairs, and improvements, which do not materially extend the useful lives of the assets, are charged to operations in the periods incurred. Depreciation is provided on the straight-line and double declining methods over the estimated useful lives of the assets as follows:

<u>Asset</u>	<u>Life</u>
Building	30 years
Building improvements – Autumn Drive	30 years
Computers and peripherals	5-7 years
Furniture and fixtures	7 years
Leasehold improvements	10-30 years
Office equipment	5-7 years
Software	3 years
Vehicles	5-10 years

Contributions of long-lived assets, or cash or other assets that must be used to acquire these assets, are reported as increases in temporarily restricted net assets. Restrictions are considered met, and an appropriate amount is reclassified to unrestricted net assets over the useful life of the long-lived assets as determined by the Club's depreciation policy.

Use of 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Donated Assets and Services

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skill, are provided by entities or persons possessing those skills, and would typically need to be purchased if they were not donated, are recorded at their fair value in the period received. See Note K.

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue streams that fall under *Revenue from Contracts with Customers (Topic 606)* are as follows:

Membership Fees – Membership fees for access to the Club’s support services, which include admittance into the facility, access to technology resources, and access to sports and recreational activities, which are nonrefundable, are recognized over the membership period remaining based on when the fees are collected. Memberships are utilized for access to the Club’s support services, and as such, performance obligations include ensuring the Club has educators and other resources available over time in order to have activities for which individuals who pay such fees are participating. Membership fee revenue was \$43,330 and \$21,310 for the years ended June 30, 2023 and 2022, respectively and is included in general club revenue on the statements of activities.

Program Fees – The Club generates revenue from registration fees for after-school, teen, school holiday and summer programs, which are nonrefundable. Program fees are considered exchange transactions by nature and are recognized over the period the activity is provided. Program fee revenue was \$889,399 and \$680,482 for the years ended June 30, 2023 and 2022, respectively and is included in general club revenue on the statements of activities.

Overall economic conditions can impact the nature, timing, and uncertainty of the Club’s revenues and cash flows.

The Club has additional revenue streams that are not within the scope of *Revenue Contracts with Customers (Topic 606)*:

Contributions and Grants, including unconditional promises to give, are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Grants and contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted grants and contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a 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 statements of activities as net assets released from restrictions. When restrictions are satisfied in the same accounting period that the contribution is received, both the revenue and the related expense are reported as without donor restrictions.

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition (Continued)

The Club receives some grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as contribution revenue when the Club has incurred expenditures in compliance with specific contract or grant provisions. Any amounts received prior to incurring qualifying expenditures would be reported as refundable advances in the statement of financial position. The Club had grants receivable in the amount of \$239,344 and \$284,956 at June 30, 2023 and 2022, respectively, for qualifying expenditures that have been incurred, but not yet reimbursed to the Club.

Deferred Revenue

Program fee revenue and membership fees collected prior to the fiscal year to which they apply are deferred and recognized over the periods to which the dues and fees relate. Special event donations that are collected prior to the fiscal year in which the events occur are also deferred and recognized in the periods where the related expenses and events occur. Grant revenue collected prior to the fiscal year of the project timeframe are deferred and recognized in the appropriate fiscal year.

Leases

The Company leases certain buildings. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in the statements of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in the statements of financial position. For the years ended June 30, 2023 and 2022, the Club did not have any finance lease or material long-term operating lease obligations.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses which report certain categories of expenses that are attributable to more than one program or support function. The expenses include employee wages and salaries, which are allocated to program and support services based on payroll costs for those services. Scholarships are allocated based on the program they benefit. All other expenses are allocated based on management's estimate.

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Club expenses advertising costs as they are incurred. The total advertising expense for the years ended June 30, 2023 and 2022 was \$33,437 and \$21,625, respectively.

Income Tax

The Club is a private not-for-profit corporation organized under the laws of the state of California. As a Section 501(c)(3) organization, it is exempt from income tax under the U.S. Internal Revenue Code and Section 23701(d) of the California State Revenue and Taxation Code, except for unrelated business activities or unrelated business income. During the years ended June 30, 2023 and 2022, there were no unrelated business activities or unrelated business income.

C. FAIR VALUE MEASUREMENTS

The Club follows guidance issued by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, which provides the framework for measuring the fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

In January 2016 and February 2018, the FASB issued Accounting Standards Update (ASU) 2016-01 and ASU 2018-03, "Technical Corrections and Improvements to Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU-2018-03), respectively. ASU 2016-01 changes accounting for equity investments, financial liabilities under the fair value option, and presentation and disclosure requirements for financial instruments. Equity investments with readily determinable fair values will be measured at fair value with changes in fair value recognized in net income instead of comprehensive income as was previously reported before the new standards.

Following is a description of the three input levels of the fair value hierarchy:

- | | |
|---------|---|
| Level 1 | Unadjusted quoted prices for identical assets or liabilities in active markets |
| Level 2 | Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and inputs other than quoted prices that are observable or that can be corroborated by observable market data by correlation or other means. |
| Level 3 | Unobservable inputs based upon the reporting entity's internally developed assumptions that market participants would use in pricing the asset or liability. |

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

C. FAIR VALUE MEASUREMENTS (CONTINUED)

Assets and liabilities are classified in their entirety based on the lowest level of any input that is significant to the fair value measurement. The Club's assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have been no changes in methodologies used at June 30, 2023.

Following is a description of the valuation methodologies used for assets measured at fair value:

Equities and exchange traded, alternative investments, real asset funds and real estate investment trusts: valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: valued at the net asset value (NAV) of shares held by the Club at year end.

The following table sets forth by level, within the fair value hierarchy, the Club's investments, other than money market funds, included in cash at fair value as of June 30:

<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Bond funds	\$ 104,458	\$ -	\$ -	\$ 104,458
Corporate bonds	348,465	-	-	348,465
High Yield bonds	49,896	-	-	49,896
Equities & exchange-traded				
Communication services	59,372	-	-	59,372
Consumer cyclical	29,841	-	-	29,841
Consumer defensive	37,494	-	-	37,494
Consumer goods	83,968	-	-	83,968
Energy	46,225	-	-	46,225
Financial services	34,100	-	-	34,100
Health	60,673	-	-	60,673
Industrial goods	1,381	-	-	1,381
Large blend	84,223	-	-	84,223
Large growth	73,145	-	-	73,145
Preferred stock (ETF)	1,392	-	-	1,392
Short Government	72,090	-	-	72,090
Technology	146,947	-	-	146,947
Total asset fair value	<u>\$ 1,233,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,233,670</u>

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

C. FAIR VALUE MEASUREMENTS (CONTINUED)

<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Bond funds	\$ 96,017	\$ -	\$ -	\$ 96,017
Large blend funds	34,937	-	-	34,937
Equities & exchange-traded				
Communication services	105,744	-	-	105,744
Consumer cyclical	24,688	-	-	24,688
Consumer defensive	33,806	-	-	33,806
Consumer goods	52,640	-	-	52,640
Financial services	27,302	-	-	27,302
Health	12,183	-	-	12,183
Industrial goods	16,922	-	-	16,922
Large blend	30,180	-	-	30,180
Large growth	31,672	-	-	31,672
Preferred stock (ETF)	1,480	-	-	1,480
Technology	116,136	-	-	116,136
Utilities	47,273	-	-	47,273
Total asset fair value	<u>\$ 630,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630,980</u>

D. INVESTMENTS

The amortized cost of securities and their approximate fair values are as follows at June 30:

	<u>Gross Amortized Cost</u>	<u>Gross Unrealized Gains/Losses</u>	<u>Fair Value</u>
<u>2023</u>			
Equities and exchange traded	\$ 611,453	\$ 119,398	\$ 730,851
Mutual funds	496,049	6,770	502,819
	<u>\$ 1,107,502</u>	<u>\$ 126,168</u>	<u>\$ 1,233,670</u>
<u>2022</u>			
Equities and exchange traded	\$ 520,366	\$ (20,340)	\$ 500,026
Mutual funds	123,746	7,208	130,954
	<u>\$ 644,112</u>	<u>\$ (13,132)</u>	<u>\$ 630,980</u>

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

D. INVESTMENTS (CONTNUED)

Investments are classified as follows at June 30:

	<u>2023</u>	<u>2022</u>
Investments, without donor restrictions	\$ 1,168,669	\$ 565,979
Investments, endowment (restricted)	<u>65,001</u>	<u>65,001</u>
	<u>\$1,233,670</u>	<u>\$ 630,980</u>

Investment return, net consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Realized and unrealized gains (losses), net	\$ 124,374	\$ (274,704)
Investment management fees	<u>(11,720)</u>	<u>(13,441)</u>
	<u>\$ 112,654</u>	<u>\$ (288,115)</u>

E. AVAILABILITY AND LIQUIDITY

The following reflects the Club's financial assets as of June 30, 2023, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,236,996
Investments	1,233,670
Accounts receivable	17,727
Grants receivable	239,344
Promises to give	<u>285,000</u>
Total financial assets available	3,012,737
Less amounts not available for general use:	
Investment endowment	<u>(65,001)</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u>\$ 2,947,736</u>

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

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

F. RECEIVABLES

Receivables consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
<u>Accounts receivable</u>		
Program fees receivable	\$ 17,727	\$ 2,330
	<u>\$ 17,727</u>	<u>\$ 2,330</u>
<u>Grants receivable</u>		
Reimbursable grant contracts	\$ 239,344	\$ 284,956
	<u>\$ 239,344</u>	<u>\$ 284,956</u>
<u>Unconditional promises to give</u>		
Without donor restrictions	\$ -	\$ 25,000
With donor restrictions for capital project	255,000	250,000
With donor restrictions for wellness program	30,000	-
	<u>\$ 285,000</u>	<u>\$ 275,000</u>

Accounts and grants receivable are receivable in less than one year. The promises to give consist of unconditional pledges that had not yet been collected at year end and are due within one year. The Club believes all receivables are fully collectible and that no allowance for uncollectible accounts is needed.

G. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30:

	<u>2023</u>	<u>2022</u>
Building	\$ 1,318,013	\$ 1,318,013
Building improvements – Autumn Drive	1,152,874	1,112,522
Computers and peripherals	168,233	138,293
Furniture and fixtures	313,751	155,020
Leasehold improvements	1,076,844	875,758
Office equipment	43,200	20,630
Software	12,121	12,121
Vehicles	208,136	38,125
Construction in process	-	56,633
	4,293,172	3,727,115
Less accumulated depreciation	<u>(1,869,686)</u>	<u>(1,659,416)</u>
	<u>\$ 2,423,486</u>	<u>\$ 2,067,699</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$210,271 and \$91,392, respectively.

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

H. OPERATING LEASE OBLIGATIONS

The Club leases land for \$1 per year from the City of San Marcos for the Pico Avenue location in San Marcos, California, under an agreement expiring in September 2043. No amounts have been reflected in the financial statements for donated rent or a promise to give because there is no clear measurable and objective basis for determining its value.

The Club leases a space for \$1 per year from the City of San Marcos at 413 Autumn Drive, San Marcos, California, under an agreement expiring in April 2046 with an option of five years and an additional option of four years and eleven months. No amounts have been reflected in the financial statements for donated rent or a promise to give because there is no clear measurable and objective basis for determining its value.

I. MAJOR GRANT CONTRACTS

After School Education and Safety (ASES) Program: There are contract agreements between San Marcos Unified School District and the Club (contractor) to operate an ASES program to improve academic achievement and provide safe and healthy recreation and prevention activities for students at qualified school sites. Initial grant contract terms covered a three year period with extensions. Although this period has expired, the contract terms are eligible for renewal on an annual basis, and were renewed for the years ended June 30, 2023 and 2022. Award amounts totaled \$904,007 and \$904,400 for the years ended June 30, 2023 and 2022, respectively. Payments received totaled \$904,007 and \$904,400 for the years ended June 30, 2023 and 2022, respectively.

After School Education and Safety (ASES) Summer Program: There are contract agreements between San Marcos Unified School District and the Club (contractor) to provide English language summer school at three school sites. Award amounts totaled \$0 and \$97,320 for the years ended June 30, 2023 and 2022, respectively. Payments received totaled \$0 and \$176,347 for the years ended June 30, 2023 and 2022, respectively.

Expanded Learning Opportunity Program (ELOP): There is a contract agreement between San Marcos Unified School District and the Club (contractor) to implement the Expanded Learning Opportunity Program at numerous school sites in San Marcos. Award amounts totaled \$1,975,220 and \$0 for the years ended June 30, 2023 and 2022, respectively. Payments received totaled \$1,225,917 and \$0 for the years ended June 30, 2023 and 2022, respectively.

Boys & Girls Club National Youth Mentoring Program (OJP): There are contract agreements between Boys & Girls Clubs of America and the Club (contractor) to create and/or preserve full-time equivalent paid staff positions and to implement or expand an evidence-based mentoring program. Grant contract terms cover a calendar year period. Any remaining amounts may carry forward to the next year. Total payments received for the years ended June 30, 2023 and 2022 were \$87,100 and \$40,000, respectively.

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

I. MAJOR GRANT CONTRACTS (CONTINUED)

Copper Creek After School Program: There are contract agreements between BRIDGE Housing Corporation and the Club (contractor) to operate after school programs at Copper Creek Apartments to provide academic readiness and decreased tolerance for bullying and violence programs to youth members. The grant contract terms cover a calendar year period. Total payments received for the years ended June 30, 2023 and 2022 were \$ 28,239 and \$22,902, respectively.

Clubhouse Network: There are contract agreements between The Clubhouse Network and the Club (contractor) that provide grants to the Club when it establishes certain programs as follows: (1) Clubhouse-to-Career Pathways to Success Program for which \$75,000 and \$50,000 were received for the years ended June 30, 2023 and 2022, respectively, (2) Refresh & Retool Grant for the Club's Teen Tech Center for which \$10,000 and \$10,000 were received for the years ended June 30, 2023 and 2022, respectively and (3) an annual membership that includes a grant and license agreement for the Club's Best Buy Teen Tech Center for which \$135,000 and \$10,000 were received for the years ended June 30, 2023 and 2022, respectively.

Hope through Housing After School Program: There are contract agreements between the Hope Through Housing Foundation and the Club (contractor) to operate after school programs at satellite sites located in four different affordable housing sites to provide academic readiness and decreased tolerance for bullying and violence programs to youth members. The grant contract terms covered ten-month periods from August through June. Award amounts totaled \$12,500 per month (up to \$125,000) for the year ended June 30, 2023 and totaled \$12,000 (up to \$120,000) for the year ended June 30, 2022. For the years ended June 30, 2023 and 2022, there were additional funds provided for summer programs. Total payments received for the years ended June 30, 2023 and 2022 were \$152,000 and \$125,000, respectively.

Funding Agreement for Autumn Drive Project (Walter J. & Betty C. Zable Foundation Branch): In August 2021, a funding agreement was established for facility improvements and associated operations and program support between the City of San Marcos (City) and the Club (lessee) in the amount of \$1,200,000. The agreement was amended in March 2022 to allow the funds to also be used at the Jennifer Loscher Branch. See Notes A and H.

State of California Natural Resources Agency Grant: The Club received a grant from the state of California to purchase three vans and provide cultural field trips and programs, which were purchased during the year ended June 30, 2023. The grant reimbursed up to \$300,000 of eligible costs. Total payments received for the years ended June 30, 2023 and 2022 were \$200,515 and \$0, respectively.

County of San Diego Neighborhood Reinvestment Program Grant: The Club received a grant from the County of San Diego to help with infrastructure enhancement including the replacement of doors and locks, exterior painting and the purchase of furniture for the Jennier Loscher Branch. The total grant of \$150,000 was received in the year ended June 30, 2023.

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

J. CASH FLOW INFORMATION

The Club did not have any non-cash financing transactions relating to the purchase of fixed assets for the years ended June 30, 2023 and 2022.

K. GIFTS IN-KIND

The Club received in-kind donations for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Prizes for fundraising events	\$ 67,699	\$ 66,183
Supplies for fundraising events	6,691	2,390
Supplies for programs	<u>26,920</u>	<u>2,801</u>
	<u>\$ 101,310</u>	<u>\$ 71,374</u>

All in-kind donations received by the Club for the years ended June 30, 2023 and 2022 were classified as without donor restrictions since they were received and utilized in the same period.

L. NET ASSETS WITH DONOR RESTRICTIONS

Changes in restricted net assets for the year ended June 30, 2023 are as follows:

<u>Purpose restrictions</u>	<u>2022</u>	<u>Additions</u>	<u>Released</u>	<u>2023</u>
Autumn Drive improvements	\$ 358,100	\$ 10,000	\$ (368,100)	\$ -
Best Buy Teen Tech Center	-	75,000	(28,933)	46,067
The Clubhouse Network				
C2C internship	5,000	-	(5,000)	-
Pathways	5,362	75,000	(80,362)	-
Forte for Children – Music program	19,901	15,000	(26,639)	8,262
Leaders in training program	19,359	42,000	(61,359)	-
Sundt Foundation C2C internship	-	5,000	-	5,000
Walmart – C2C internship	1,000	-	(1,000)	-
Wellness program	<u>2,569</u>	<u>30,000</u>	<u>(2,569)</u>	<u>30,000</u>
	<u>411,291</u>	<u>252,000</u>	<u>(573,962)</u>	<u>89,329</u>
 <u>Permanently restricted</u>				
Endowment fund	<u>65,001</u>	<u>-</u>	<u>-</u>	<u>65,001</u>
	<u>65,001</u>	<u>-</u>	<u>-</u>	<u>65,001</u>
	<u>\$ 476,292</u>	<u>\$ 252,000</u>	<u>\$ (573,962)</u>	<u>\$ 154,330</u>

BOYS AND GIRLS CLUB OF SAN MARCOS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

L. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Changes in restricted net assets for the year ended June 30, 2022 are as follows:

<u>Purpose restrictions</u>	<u>2021</u>	<u>Additions</u>	<u>Released</u>	<u>2022</u>
Autumn Drive improvements	\$ 110,487	\$ 1,978,266	\$ (1,730,653)	\$ 358,100
Best Buy scholarship	5,000	-	(5,000)	-
Flapjacks for backpacks	500		(500)	-
The Clubhouse Network				
C2C internship	-	10,000	(5,000)	5,000
Pathways	-	50,000	(44,638)	5,362
Forte for Children – Music program	-	20,000	(99)	19,901
Leaders in training program	-	50,000	(30,641)	19,359
Walmart – C2C internship	-	1,000	-	1,000
Wellness program	-	3,000	(431)	2,569
	<u>115,987</u>	<u>2,112,266</u>	<u>(1,816,962)</u>	<u>411,291</u>

Permanently restricted

Endowment fund	<u>65,001</u>	\$ <u>-</u>	\$ <u>-</u>	<u>65,001</u>
	<u>65,001</u>	<u>-</u>	<u>-</u>	<u>65,001</u>
	<u>\$ 180,988</u>	<u>\$ 2,112,266</u>	<u>\$ (1,816,962)</u>	<u>\$ 476,292</u>

M. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Club to concentrations of credit risk consist principally of cash deposits and investment securities in banks and financial institutions.

The Club maintains cash and cash equivalents and short and long-term investments with major banks. Accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. At June 30, 2023 and 2022, the Club had balances in excess of the FDIC coverage of \$0 and \$405,915, respectively.

The Club also maintains accounts with a brokerage company. These accounts contain cash and securities and balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Company (SIPC). At June 30, 2023 and 2022, the Club had a balance in excess of coverage of \$733,670 and \$430,980, respectively.

N. REVENUE CONCENTRATION

The Club received numerous grants from the San Marcos Unified School District, which provided \$2,129,924 and \$1,132,762, or approximately 56% and 27%, of the Club's total grant and public support revenue for the years ended June 30, 2023 and 2022, respectively.

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N. REVENUE CONCENTRATION (CONTINUED)

The Club also received several grants from the City of San Marcos, which provided \$1,325,000, or approximately 31%, of the Club's total grant and public support revenue for the year ended June 30, 2022. There was no revenue concentration from the City of San Marcos for the year ended June 30, 2023.

O. PENSION PLAN

The Club has adopted a defined 401(k) profit sharing plan. The plan is open to all eligible employees. The Club makes a mandatory three percent (3%) contribution per the requirements of Boys and Girls Club of America. In addition, the Club matches 100% up to 4% of employees' compensation. Employees become vested in the plan based on a two-to-six year graded vesting scale. The total pension expense for the years ended June 30, 2023 and 2022 was \$36,183 and \$33,011, respectively.

P. CARES ACT EARNED RETENTION CREDIT/ADOPTION OF ACCOUNTING POLICY

The CARES Act provides an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

The Club is eligible for the ERC and filed Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ended March 31, 2020, June 30, 2020, December 31, 2020, March 31, 2021 and June 30, 2021 totaling \$428,478. The total refund receivable and grant revenue was recorded in the year ended June 30, 2021. Refunds of \$266,062 were received in the year ended June 30, 2022 and \$162,416 was received in the year ended June 30, 2023. Management and the board of directors were of the opinion that all of the conditions had been met and the Club would receive the refunds. Accordingly, the funds were accounted for in accordance with FASB ASC 958-605 whereby the ERC credits are treated as a conditional governmental grant and recorded as a refund receivable. The amounts receivable of \$0 and \$162,416 have been reflected in refunds receivable on the statements of financial position at June 30, 2023 and 2022, respectively.

Q. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2023, the date the financial statements were available to be issued. Management is not aware of any events that have occurred subsequent to June 30, 2023 that would require adjustment to, or disclosure in the financial statements.