

Boys and Girls Clubs of the Peninsula

Financial Statements

June 30, 2022
(With Comparative Totals for 2021)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 24



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Boys and Girls Clubs of the Peninsula
Menlo Park, California

Opinion

We have audited the accompanying financial statements of Boys and Girls Clubs of the Peninsula (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 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 Boys and Girls Clubs of the Peninsula as of June 30, 2022, and the changes in its net assets and its 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. 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 Clubs of the Peninsula 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.

Report on Summarized Comparative Information

We have previously audited Boys and Girls Clubs of the Peninsula's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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



An independent firm
associated with Moore
Global Network Limited

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 Clubs of the Peninsula'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 Clubs of the Peninsula'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 Clubs of the Peninsula'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.



Armanino^{LLP}
San Jose, California

January 31, 2023

Boys and Girls Clubs of the Peninsula
Statement of Financial Position
June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,834,504	\$ 10,277,595
Accounts receivable, net	117,579	328,720
Contributions receivable, current portion	4,032,891	2,013,251
Prepaid expenses	303,011	334,098
Total current assets	15,287,985	12,953,664
Property and equipment, net	12,247,092	8,238,263
Other assets		
Investments	20,523,804	23,665,821
Contributions receivable, net of current portion	619,814	1,082,000
Total other assets	21,143,618	24,747,821
Total assets	\$ 48,678,695	\$ 45,939,748
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,526,287	\$ 1,645,191
Other current liabilities	4,500	-
Total current liabilities	2,530,787	1,645,191
Net assets		
Without donor restrictions		
Undesignated	6,748,730	14,374,047
Board-designated maintenance reserve	334,021	334,021
Board-designated operating reserve	12,000,000	4,875,000
Board-designated investment in property and equipment	12,247,092	8,238,263
Board-designated quasi-endowments	4,195,389	4,909,916
Total without donor restrictions	35,525,232	32,731,247
With donor restrictions		
Net assets restricted for a specified purpose	4,246,636	2,793,750
Net assets restricted to the passage of time	2,304,000	4,004,000
Unappropriated earnings on endowment	2,147,040	2,840,560
Perpetual endowment	1,925,000	1,925,000
Total with donor restrictions	10,622,676	11,563,310
Total net assets	46,147,908	44,294,557
Total liabilities and net assets	\$ 48,678,695	\$ 45,939,748

The accompanying notes are an integral part of these financial statements.

Boys and Girls Clubs of the Peninsula
Statement of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Support and revenue				
Grants and contributions	\$ 15,848,259	\$ 4,472,966	\$ 20,321,225	\$ 20,596,519
Special events	3,220,841	-	3,220,841	3,165,408
Contract revenue	2,611,858	-	2,611,858	1,304,561
In-kind contributions	805,229	-	805,229	4,990,481
Rental income	1,440	-	1,440	-
Loss on disposal of property and equipment	(6,146)	-	(6,146)	-
Investment income (loss), net	(2,420,776)	(693,520)	(3,114,296)	2,485,383
Forgiveness of Paycheck Protection Program loan	-	-	-	1,891,500
Net assets released from restriction	<u>4,720,080</u>	<u>(4,720,080)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>24,780,785</u>	<u>(940,634)</u>	<u>23,840,151</u>	<u>34,433,852</u>
Functional expenses				
Program services	17,161,628	-	17,161,628	19,336,004
Management and general	3,378,487	-	3,378,487	3,101,864
Fundraising	<u>1,446,685</u>	<u>-</u>	<u>1,446,685</u>	<u>1,198,506</u>
Total functional expenses	<u>21,986,800</u>	<u>-</u>	<u>21,986,800</u>	<u>23,636,374</u>
Change in net assets	2,793,985	(940,634)	1,853,351	10,797,478
Net assets, beginning of year	<u>32,731,247</u>	<u>11,563,310</u>	<u>44,294,557</u>	<u>33,497,079</u>
Net assets, end of year	<u>\$ 35,525,232</u>	<u>\$ 10,622,676</u>	<u>\$ 46,147,908</u>	<u>\$ 44,294,557</u>

The accompanying notes are an integral part of these financial statements.

Boys and Girls Clubs of the Peninsula
Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>2021 Total</u>
Personnel expenses					
Salaries and wages	\$ 9,952,290	\$ 1,719,645	\$ 950,915	\$ 12,622,850	\$ 10,689,789
Employee benefits	1,352,069	272,161	136,545	1,760,775	1,578,607
Payroll taxes	737,878	106,653	65,564	910,095	700,463
Total personnel expenses	<u>12,042,237</u>	<u>2,098,459</u>	<u>1,153,024</u>	<u>15,293,720</u>	<u>12,968,859</u>
Other expenses					
Program expenses, including in-kind	1,622,163	2,100	-	1,624,263	819,245
Office expenses	610,045	198,033	45,555	853,633	745,730
Depreciation and amortization	824,138	19,814	1,412	845,364	868,036
Professional fees, including in-kind	167,570	642,131	60	809,761	359,530
Counseling services	504,638	-	-	504,638	170,456
Facilities	434,919	57,159	-	492,078	364,659
Student and community meals	270,532	-	-	270,532	1,286,740
Staff meeting and employee events	164,787	64,718	6,533	236,038	65,268
Utilities	189,424	28,596	-	218,020	177,564
Telecommunications	129,896	51,211	8,280	189,387	227,520
Training and conferences	176,432	8,176	4,110	188,718	16,543
Special events	-	-	160,692	160,692	103,514
Insurance	-	116,426	-	116,426	95,627
Miscellaneous	8,714	19,349	66,714	94,777	68,979
Dues	-	38,845	-	38,845	51,064
Recruiting	-	32,900	-	32,900	21,297
Transportation	16,133	570	72	16,775	6,962
Marketing	-	-	9,578	9,578	3,837
Bad debt	-	-	(9,345)	(9,345)	456,715
Donated food distributed	-	-	-	-	4,758,229
Total other expenses	<u>5,119,391</u>	<u>1,280,028</u>	<u>293,661</u>	<u>6,693,080</u>	<u>10,667,515</u>
	<u>\$ 17,161,628</u>	<u>\$ 3,378,487</u>	<u>\$ 1,446,685</u>	<u>\$ 21,986,800</u>	<u>\$ 23,636,374</u>
Percentage of total	<u>78 %</u>	<u>15 %</u>	<u>7 %</u>	<u>100 %</u>	

The accompanying notes are an integral part of these financial statements.

Boys and Girls Clubs of the Peninsula
Statement of Cash Flows
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 1,853,351	\$ 10,797,478
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	845,364	868,036
Net realized and unrealized (gains) losses	3,633,868	(2,198,693)
Loss on disposal of property and equipment	6,146	-
Donated food received	-	(4,758,229)
Donated food distributed	-	4,758,229
Forgiveness of Paycheck Protection Program loan	-	(1,891,500)
Changes in operating assets and liabilities		
Accounts receivable, net	211,141	298,461
Contributions receivable	(1,557,454)	3,906,178
Prepaid expenses	31,087	(309,678)
Accounts payable and accrued expenses	881,096	351,748
Other current liabilities	4,500	-
Net cash provided by operating activities	5,909,099	11,822,030
Cash flows from investing activities		
Purchases of property and equipment	(4,860,339)	(94,066)
Proceeds from sale of investments	-	17,869,474
Purchases of investments	(491,851)	(29,445,141)
Net cash used in investing activities	(5,352,190)	(11,669,733)
Net increase in cash and cash equivalents	556,909	152,297
Cash and cash equivalents, beginning of year	10,277,595	10,125,298
Cash and cash equivalents, end of year	\$ 10,834,504	\$ 10,277,595

The accompanying notes are an integral part of these financial statements.

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

1. NATURE OF OPERATIONS

The Boys and Girls Clubs of the Peninsula (the "Organization" or the "Club") provides a place where youth are welcome and can belong to an after-school program, and an all-day program during summer. The Organization's clubs are located in the most challenged areas of Menlo Park, East Palo Alto, and Redwood City, California. Staff and volunteers work through a broad range of programs to help guide and inspire youth, to help them develop attitudes and life skills to thrive. The Organization was founded in 1958 and is now regarded as one of the most comprehensive youth development organizations in the Bay Area. Programs are focused on academics, science and technology, social education and life skills, athletics and fitness, and the arts. Many of the programs are partnerships with local schools and other community organizations. The Organization's annual budget is dependent on a balanced combination of support from individuals, foundations, corporations, and public partnerships.

The Club focuses its efforts in three specific area of services:

- Academics Focus - The Organization collaborates with its school partners to provide structured programming for grades K to 12th. During the school year, the Club served 2,784 active members at its 14 school sites and 3 clubhouses. The Club offered a 5-week summer program daily, which included 4 hours of academics that were taught by certified teachers, and 3.5 hours of enrichment.
- Teens Focus - The Organization offers programs during the academic school year and for summer, for teens and pre-teens. These programs help them stay on track in school and graduate with a plan. The Organization provides tutoring, homework support, and academic case management at the clubhouses and on high school campuses. There are three primary teen programs offered, which are Future Grads, Career Pathways, and High School Success Advising.
- Enrichment Focus - The Club offers a broad range of activities to help build skills and allow youth to explore their passions. The enrichment programs are to help inspire youth to succeed in school.

During the past years, due to COVID-19 and shelter-in-place orders, the Club adapted the programming from its usual model, providing in-person learning hubs during the school day, and virtual crews during after-school hours. In addition to supporting the students' academic success, social and emotional well-being and mental health during the pandemic, the Club's dinner distribution program prepared, packaged and distributed 480,000 meals to anyone in need in the community during the year ended June 30, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Club prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met by actions of the Club, and/or the passage of time or are maintained in perpetuity by the Club. When the donor-imposed stipulation ends or the Club satisfies an action, the Club reclassifies net assets with donor restrictions to net assets without donor restrictions.

Adoption of accounting standards update

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including fixed assets, supplies, services, and other items. The update includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Club adopted ASU 2020-07 with a date of the initial application of July 1, 2021, using the full retrospective method.

The adoption of ASU 2020-07 did not have a significant impact on the Club's financial position, result of operations, or cash flows. The Club has updated disclosures as necessary.

Comparative financial information

The financial statements include prior year summarized comparative information in total, but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include highly-liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Club maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Club has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments

Investments may include cash, corporate bonds, municipal bonds, governmental obligations and equity securities. Such investments with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair value measurements

The Club's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflect future fair values. Furthermore, although the Club believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are indirectly observable, and Level 3 inputs are unobservable and have the lowest priority. The Club uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Club measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 and 3 inputs were needed for the Club for the years ended June 30, 2022 and 2021.

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

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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

Property and equipment

The Club capitalizes property and equipment in excess of \$4,500 at cost or if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method with lives ranging from 3 to 40 years. Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed as incurred.

Impairment of long-lived assets

The Club reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2022 and 2021, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2022 and 2021, and is included in accounts payable and accrued expenses in the statement of financial position. The accrued vacation balance as of June 30, 2022 and 2021 was \$434,298 and \$437,054, respectively.

Contributions receivable

Contributions receivable are recorded at their net realizable value. Contributions receivable which are due in more than one year have been discounted to the present value of their estimated future cash flows, if material to the financial statements. As of June 30, 2022 and 2021, a present value discount of \$32,186 and \$22,000 was recorded to the financial statements, respectively.

An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history and type of contribution. As of June 30, 2022 and 2021, an allowance of \$37,905 and \$47,250 was recorded for doubtful accounts for contributions receivable to the financial statements, respectively.

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Contributions are recorded at their fair value and are recognized as revenue when the donor makes an unconditional promise to give to the Club. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Net assets released from restriction represent the satisfaction of donor restrictions or the passage of time and the appropriation of previously unappropriated endowment earnings. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. There were no conditional promises as of June 30, 2022.

The Organization generates revenue through contracts with school districts and municipalities. The Organization follows the following steps to determine revenue recognition:

- Identifying the contract(s) with a customer,
- Identifying the performance obligations in the contract(s),
- Determining the transaction price,
- Allocating the transaction price to the performance obligations in the contract(s), and
- Recognizing revenue when, or as, the Organization satisfies a performance obligation.

Contract revenue from school districts and municipalities is recognized when earned for services rendered.

Special event revenue is recognized when the event occurs.

In-kind contributions

The Club records various types of in-kind contributions including professional services, supplies, and other tangible assets. Donated supplies and equipment are recorded at their fair market value as of the date of the donation. Contributed services, which require specialized skills and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered. Donated foods are recorded at the value based on a cost study conducted for Feeding America.

Functional expenses

Certain indirect costs have been allocated by management among programs and support services based on estimates of time, space and other factors.

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

The Club has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue Taxation Code. In addition, the Club 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.

Management evaluated the Club's tax positions and concluded that the Club had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Reclassifications

Certain expense reclassifications have been made to the 2021 financial statement presentation to correspond to the current year's format. Change in net assets are unchanged due to these reclassifications.

Subsequent events

The Club evaluated subsequent events from June 30, 2022 through January 31, 2023, the date these financial statements were available to be issued. See Note 16 for any subsequent events.

3. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE

As part of the Club's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Investments include endowment funds consisting of donor-restricted endowments and board-designated quasi-endowments. Unless otherwise stated by donors, income from donor-restricted endowments is restricted until appropriated in accordance with the California version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and, therefore, is not available for general expenditure until appropriated. As described in Note 14, the endowment has a spending rate of up to 5% of the market value of the portfolio as calculated on a 3-year rolling average.

The Club expects that accounts receivable from contract revenue will be collected and available within 90 days of the fiscal year-end.

Short-term contributions receivable consists of contributions receivable expected to be received within one year from June 30, 2022. Unrestricted short-term contributions receivable will be available to support general operations of the Club.

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

3. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2022 to fund general expenditures and other obligations as they become due:

Cash and cash equivalents	\$ 10,834,504
Investments	20,523,804
Accounts receivable, net	117,579
Contributions receivable	<u>4,652,705</u>
	<u>36,128,592</u>
Less: portion not available for current use:	
Board-designated maintenance reserve	(334,021)
Board-designated operating reserve (\$12,000,000 less planned release for next year \$3,250,000)	(8,750,000)
Board-designated quasi-endowments	(4,195,389)
Net assets restricted for a specified purpose	(4,246,636)
Net assets restricted to the passage of time (\$2,304,000 less amount collectible in next year \$1,650,000)	(654,000)
Unappropriated earnings on endowment	(2,147,040)
Perpetual endowment	<u>(1,925,000)</u>
	<u>(22,252,086)</u>
	<u>\$ 13,876,506</u>

As of June 30, 2022, the Club had \$13,876,506 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. In addition, the board-designated maintenance reserve of \$334,021, board-designated operating reserve of \$8,750,000, and board-designated quasi-endowments of \$4,195,389 could be made available if needed.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2022	2021
Contributions receivable	<u>\$ 4,722,796</u>	<u>\$ 3,164,501</u>
Less:		
Allowance for doubtful accounts	(37,905)	(47,250)
Discount on pledges	<u>(32,186)</u>	<u>(22,000)</u>
	<u>(70,091)</u>	<u>(69,250)</u>
	<u>\$ 4,652,705</u>	<u>\$ 3,095,251</u>

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

4. CONTRIBUTIONS RECEIVABLE (continued)

Contributions receivable are expected to be collected as follows as of June 30, 2022:

Contributions receivable due in one year or less	\$ 4,032,891
Contributions receivable due in one to five years	<u>619,814</u>
	<u>\$ 4,652,705</u>

At June 30, 2022, 21% of the contributions receivable were due from board of directors, advisory council members, their foundations and companies and are included above.

5. INVESTMENTS

Investments consisted of the following:

	2022	2021
Endowment investments	\$ 8,267,429	\$ 9,675,476
Non-endowment investments	<u>12,256,375</u>	<u>13,990,345</u>
	<u>\$ 20,523,804</u>	<u>\$ 23,665,821</u>

The following table sets forth by level, within the fair value hierarchy, the Club's investments at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Fair Value
Money market funds	\$ <u>152,020</u>	\$ -	\$ -	\$ <u>152,020</u>
Mutual funds				
U.S. fixed income fund	8,732,980	-	-	8,732,980
Non-U.S. fixed income fund	1,457,978	-	-	1,457,978
U.S. equity fund	6,041,572	-	-	6,041,572
Non-U.S. equity fund	<u>4,139,254</u>	-	-	<u>4,139,254</u>
	<u>20,371,784</u>	-	-	<u>20,371,784</u>
	<u>\$20,523,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$20,523,804</u>

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

5. INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Club's investments at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Money market funds	<u>\$ 151,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,761</u>
Mutual funds				
U.S. fixed income fund	10,244,755	-	-	10,244,755
Non-U.S. fixed income fund	1,704,756	-	-	1,704,756
U.S. equity fund	6,843,514	-	-	6,843,514
Non-U.S. equity fund	<u>4,721,035</u>	<u>-</u>	<u>-</u>	<u>4,721,035</u>
	<u>23,514,060</u>	<u>-</u>	<u>-</u>	<u>23,514,060</u>
	<u>\$23,665,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$23,665,821</u>

Investment income (loss) consisted of the following:

	<u>2022</u>	<u>2021</u>
Net realized and unrealized gains (losses)	\$ (3,633,868)	\$ 2,198,693
Interest and dividends	<u>519,576</u>	<u>286,700</u>
	(3,114,292)	2,485,393
Investment expenses	<u>(4)</u>	<u>(10)</u>
	<u>\$ (3,114,296)</u>	<u>\$ 2,485,383</u>

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2022	2021
Buildings	\$ 14,254,604	\$ 14,254,604
Leasehold improvements	1,367,742	1,012,769
Office equipment	680,839	649,680
Computer equipment	628,806	614,925
Automobiles	<u>423,299</u>	<u>423,299</u>
	<u>17,355,290</u>	<u>16,955,277</u>
 Residential property		
Building	2,695,606	-
Land	<u>1,754,394</u>	<u>-</u>
	<u>4,450,000</u>	<u>-</u>
 Less: accumulated depreciation and amortization	<u>(9,558,198)</u>	<u>(8,717,014)</u>
	<u>\$ 12,247,092</u>	<u>\$ 8,238,263</u>

Depreciation and amortization expense totaled \$845,364 and \$868,036 for the years ended June 30, 2022 and 2021, respectively.

7. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

On April 20, 2020, the Club received loan proceeds of \$1,891,500 from a promissory note issued by Boston Private Bank and Trust Company, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and is administered by the U.S. Small Business Administration ("SBA"). The term on the loan was two years and the annual interest rate was 1%. Payments of principal and interest were deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

In May 2021, the Organization received formal forgiveness of PPP loan, and recognized \$1,891,500 as forgiveness of Paycheck Protection Program loan on the statement of activities for the year ended June 30, 2021.

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

8. PENSION PLAN

The Club has made available, to qualified employees, a 401(k)-safe harbor plan. This plan includes a non-elective employer contribution of 3% of eligible participants' compensation and the Club can elect to make an additional discretionary contribution that vests over 3 years. Employees are eligible to participate in the plan after one year of employment if they work over 1,000 hours per year. For the years ended June 30, 2022 and 2021, total pension expense was \$786,443 and \$583,143, respectively.

9. COMMITMENTS AND CONTINGENCIES

Leases

The Club has entered into several exchange agreements to lease its facilities at Menlo Park, Redwood City and East Palo Alto from various municipalities where the facilities are situated. These exchange agreements require the Club to perform certain duties and provide joint use of the facilities in return for lease payments of \$1 per year. In addition, the buildings and improvements, constructed by the Club, will revert to the municipalities in the event the Club abandons the premises, which is not deemed probable by management, or at lease termination. The leases run from 25 years (June 2023) to 66 years (May 2064) with options to renew. Lease payments are recognized as expense annually and the buildings and improvements are included in property and equipment in accompanying statement of financial position. Additionally, as part of a transfer agreement, as acknowledged in Note 16, the Club has secured a three-year lease, with three one-year options to renew, in the amount of \$1 per year, for the Clubhouse operated by Boys and Girls Clubs of North San Mateo County and is awaiting final execution of the agreement from the City of South San Francisco upon completion of necessary site surveying.

Legal matters

The Club may from time to time be involved in various legal actions in the ordinary course of operations. In the opinion of management, the outcome of such actions will not have a material adverse effect on the financial position of the Club.

10. CONCENTRATIONS OF RISK

Contributions receivable are due from various individuals and organizations which mitigate the risk associated therein. Six donors represent 79% of contributions receivable as of June 30, 2022. One donor represents 63% of contributions receivable as of June 30, 2021.

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

11. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following:

	2022	2021
Program supplies	\$ 426,909	\$ 232,252
Professional services	369,378	-
Foods	8,942	4,758,229
	\$ 805,229	\$ 4,990,481

Donated professional services consist primarily of pro bono legal services associated with the merger (see Note 16). The value of these legal services are measured using the estimated hourly rate for the attorneys providing the services. Donated program supplies consists of supplies contributed by donors for use by the Club's program, and are valued at the price paid by the donor to acquire the supplies. Donated foods from Second Harvest of Silicon Valley was valued at \$1.92 per pound for the year ended June 30, 2022. Donated foods from Second Harvest of Silicon Valley were valued ranging from \$1.70 to \$1.79 per pound for the year ended June 30, 2021. The valuation is based on a cost study conducted for Feeding America.

12. RELATED PARTY TRANSACTIONS

Contributions received from members of the Club's board of directors, officers, advisory council members, their foundations and companies totaled approximately \$4,570,000 or 22% of total contribution revenue for the year ended June 30, 2022. Contributions received from members of the Club's board of directors, officers, advisory council, their foundations and companies totaled approximately \$9,600,000 or 47% of total contribution revenue for the year ended June 30, 2021.

In addition, the Co-CEO of the Club entered into a Residential Lease Agreement starting in 2016 for the property that the Club purchased on June 22, 2022. The most recent lease term was month to month and monthly rent was \$4,800. The Club continues to rent the property to the Co-CEO at the same rate of \$4,800 per month. The Club recognized rental income of \$1,440 for the period from the purchase date to June 30, 2022.

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	Balance at June 30, 2021	Additions	Releases	Balance at June 30, 2022
Pledges, time restricted	\$ 4,004,000	\$ 500,000	\$ (2,200,000)	\$ 2,304,000
Program services	2,793,750	3,972,966	(2,520,080)	4,246,636
Unappropriated earnings on endowment	2,840,560	(693,520)	-	2,147,040
Perpetual endowment	<u>1,925,000</u>	<u>-</u>	<u>-</u>	<u>1,925,000</u>
	<u>\$ 11,563,310</u>	<u>\$ 3,779,446</u>	<u>\$ (4,720,080)</u>	<u>\$ 10,622,676</u>

Net assets with donor restrictions released from restriction during the year were as follows:

General support released from time restrictions	<u>\$ 2,200,000</u>
Program related released from purpose restrictions	
Sports League	615,254
Future Grads	608,099
Mental Health	512,535
Site Specific	271,928
Summer Program	250,531
Other programs	112,860
Student and Family Assistance	107,528
COVID-19	20,100
Career Pathway Program	10,000
Keystone	5,956
High School Success Advising	5,000
K-8 Program	145
Building Readers	144
	<u>2,520,080</u>
	<u>\$ 4,720,080</u>

14. ENDOWMENT

The Organization's endowment consists of several individual funds established for a variety of purposes. Its endowment includes both board-designated and donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

14. ENDOWMENT (continued)

Interpretation of relevant law

The Organization's board of directors has interpreted 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 Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual endowment is classified as unappropriated earnings on endowment until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization 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 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 Organization
- (7) The investment policies of the Organization

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the board of directors, the Organization diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2022 and 2021.

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

14. ENDOWMENT (continued)

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Club is expecting to provide annual distributions of 5% of the market value of the portfolio as calculated on a 3-year rolling average. There was no distribution taken during the years ended June 30, 2022 and 2021. The investment managers are required to invest funds so as to ensure that required distributions of income or principal are met.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total
		Unappropriated Earnings on Endowment	Perpetual Endowment	
Board-designated endowment funds	\$ 4,195,389	\$ -	\$ -	\$ 4,195,389
Donor-restricted endowment funds	<u>-</u>	<u>2,147,040</u>	<u>1,925,000</u>	<u>4,072,040</u>
	<u>\$ 4,195,389</u>	<u>\$ 2,147,040</u>	<u>\$ 1,925,000</u>	<u>\$ 8,267,429</u>

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

14. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings on Endowment	Perpetual Endowment	
Board-designated endowment funds	\$ 4,909,916	\$ -	\$ -	\$ 4,909,916
Donor-restricted endowment funds	<u>-</u>	<u>2,840,560</u>	<u>1,925,000</u>	<u>4,765,560</u>
	<u>\$ 4,909,916</u>	<u>\$ 2,840,560</u>	<u>\$ 1,925,000</u>	<u>\$ 9,675,476</u>

Changes in endowment net assets for the fiscal year ended June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings on Endowment	Perpetual Endowment	
Balance, June 30, 2021	\$ 4,909,916	\$ 2,840,560	\$ 1,925,000	\$ 9,675,476
Investment income (loss)				
Net realized and unrealized loss	(822,225)	(798,051)	-	(1,620,276)
Interest and dividends	<u>107,698</u>	<u>104,531</u>	<u>-</u>	<u>212,229</u>
Balance, June 30, 2022	<u>\$ 4,195,389</u>	<u>\$ 2,147,040</u>	<u>\$ 1,925,000</u>	<u>\$ 8,267,429</u>

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

14. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Unappropriated Earnings on Endowment	Perpetual Endowment	
Balance, June 30, 2020	\$ 3,986,726	\$ 1,944,513	\$ 1,925,000	\$ 7,856,239
Investment income				
Net realized and unrealized gains	853,232	828,146	-	1,681,378
Interest and dividends	<u>69,958</u>	<u>67,901</u>	<u>-</u>	<u>137,859</u>
Balance, June 30, 2021	<u>\$ 4,909,916</u>	<u>\$ 2,840,560</u>	<u>\$ 1,925,000</u>	<u>\$ 9,675,476</u>

15. RISKS AND UNCERTAINTIES

During the COVID-19 pandemic, the Organization's services have not been materially interrupted. As the situation continues to evolve, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business, including how it impacts the Organization's vendors, employees, and ability to provide services (see Note 1). The Organization believes the ultimate impact of the COVID-19 pandemic on its program services and financial condition is likely to be determined by factors which are uncertain, unpredictable and outside of its control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely impact the Organization.

Investments are held by high quality institutions and consist of publicly traded fixed income and equity investments. Investment securities are exposed to various risks such as interest rate, market, and credit risks.

16. SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2022, the Club entered into a transfer agreement with Boys and Girls Clubs of North San Mateo County ("BGCNSMC") to take over the long-term lease and operation of the Orange Park Clubhouse in South San Francisco, including programs at one school site, Sunshine Gardens, in South San Francisco. Though the transfer agreement for the lease has been authorized by the City of South San Francisco City Council (see Note 9), is not executed as of January 31, 2023, the date these financial statements were available to be issued. The Club, however, started managing these sites at the beginning of summer 2022 programming, and has officially hired all the former BGCNSMC staff who worked at these locations.

Boys and Girls Clubs of the Peninsula
Notes to Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

16. SUBSEQUENT EVENTS (continued)

In addition, the Club entered into a merger agreement with Mid-Peninsula Boys and Girls Club ("MPBGC"). The merger agreement was executed on January 17, 2023.

On or around November 15, 2022, the Club was served with a lawsuit. The plaintiff asserts claims, from the mid-1990s, for negligent hiring, supervision, and retention and negligence per se. The plaintiff seeks an award of unspecified general and special damages, costs of suit, and pre- and post-judgment interest. Management and its legal counsel believe it is too early to evaluate the likelihood of an unfavorable outcome or to provide an estimate of the range of potential loss.