

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES
AND BOYS AND GIRLS CLUB OF
THE TWIN CITIES FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED AUGUST 31, 2023 AND 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
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YEARS ENDED AUGUST 31, 2023 AND 2022**

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Board of Directors
Boys and Girls Clubs of the Twin Cities and
Boys and Girls Club of the Twin Cities Foundation
St. Paul, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Boys and Girls Clubs of the Twin Cities and Boys and Girls Club of the Twin Cities Foundation, (the Organization) which comprise the consolidated balance sheets as of August 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of the Twin Cities and Boys and Girls Club of the Twin Cities Foundation as of August 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in 2023, the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Boys and Girls Clubs of the Twin Cities and Boys and Girls Club of the Twin Cities Foundation 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Clubs of the Twin Cities and Boys and Girls Club of the Twin Cities Foundation's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

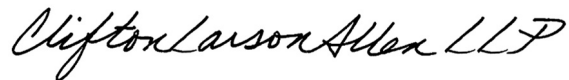
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures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

Board of Directors
Boys and Girls Clubs of the Twin Cities and
Boys and Girls Club of the Twin Cities Foundation

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating statement of activities following the notes to the consolidated financial statements are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 14, 2023

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED BALANCE SHEETS
AUGUST 31, 2023 AND 2022**

| | 2023 | 2022 |
|---|---------------|---------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 1,417,130 | \$ 883,210 |
| Receivables | 82,826 | 63,450 |
| Pledges and Grants Receivable | 869,179 | 1,180,180 |
| Prepaid Expenses | 97,959 | 128,345 |
| Investments | 10,807,880 | 13,543,217 |
| Cash Surrender Value of Life Insurance Policies | 162,000 | 149,600 |
| Community Foundation Funds | 202,981 | 205,557 |
| Right-of-Use Asset | 213,522 | - |
| Fixed Assets - Net | 11,013,158 | 11,180,268 |
| Total Assets | \$ 24,866,635 | \$ 27,333,827 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable | \$ 204,886 | \$ 355,851 |
| Fiscal Agent Payable | 333,794 | 302,240 |
| Accrued Expenses | 280,184 | 211,762 |
| Line of Credit | 365,410 | - |
| Lease Liability | 213,522 | - |
| Notes Payable | 420,202 | 465,393 |
| Total Liabilities | 1,817,998 | 1,335,246 |
| NET ASSETS | | |
| Without Donor Restrictions: | | |
| Undesignated | 7,418,236 | 7,397,763 |
| Board Designated | 4,254,706 | 6,438,297 |
| Subtotal - Without Donor Restrictions | 11,672,942 | 13,836,060 |
| With Donor Restrictions | 11,375,695 | 12,162,521 |
| Total Net Assets | 23,048,637 | 25,998,581 |
| Total Liabilities and Net Assets | \$ 24,866,635 | \$ 27,333,827 |

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| OPERATING - REVENUE, GAINS, AND OTHER SUPPORT | | | |
| Contributions | \$ 3,619,571 | \$ 340,959 | \$ 3,960,530 |
| In-Kind Contributions | 194,100 | - | 194,100 |
| Special Events, Net of Expenses of \$223,924 | 438,262 | - | 438,262 |
| Grants and Contracts | 1,606,252 | 6,667 | 1,612,919 |
| Program Fees | 95,325 | 1,099 | 96,424 |
| Investment Gain | 139,736 | - | 139,736 |
| Change in Value of Split-Interest Agreements | - | 12,400 | 12,400 |
| Rental Income | 20,438 | - | 20,438 |
| Other Income | 3,763 | - | 3,763 |
| Net Assets Released from Restrictions - Operating | <u>1,443,719</u> | <u>(1,443,719)</u> | <u>-</u> |
| Total Operating - Revenue, Gains, and Other Support | 7,561,166 | (1,082,594) | 6,478,572 |
| EXPENSES | | | |
| Program Services | 8,081,023 | - | 8,081,023 |
| Support Services: | | | |
| Administration | 1,197,264 | 8,720 | 1,205,984 |
| Fundraising | 761,083 | - | 761,083 |
| Total Support Services | <u>1,958,347</u> | <u>8,720</u> | <u>1,967,067</u> |
| Total Expenses | <u>10,039,370</u> | <u>8,720</u> | <u>10,048,090</u> |
| CHANGE IN NET ASSETS OPERATING | (2,478,204) | (1,091,314) | (3,569,518) |
| NONOPERATING | | | |
| Change in Value of Community Foundation | - | (2,576) | (2,576) |
| Capital Grants for Clubs | 289,500 | - | 289,500 |
| Capital Government Grants for Clubs | - | - | - |
| Investment Gain | - | 348,650 | 348,650 |
| Campaign Expenses | (16,000) | - | (16,000) |
| Net Assets Released from Restrictions - Capital | <u>41,586</u> | <u>(41,586)</u> | <u>-</u> |
| Change in Net Assets Nonoperating | <u>315,086</u> | <u>304,488</u> | <u>619,574</u> |
| TOTAL CHANGE IN NET ASSETS | (2,163,118) | (786,826) | (2,949,944) |
| Net Assets - Beginning of Year | <u>13,836,060</u> | <u>12,162,521</u> | <u>25,998,581</u> |
| NET ASSETS - END OF YEAR | <u>\$ 11,672,942</u> | <u>\$ 11,375,695</u> | <u>\$ 23,048,637</u> |

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31 2022**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| OPERATING - REVENUE, GAINS, AND OTHER SUPPORT | | | |
| Contributions | \$ 8,693,176 | \$ 557,524 | \$ 9,250,700 |
| In-Kind Contributions | 222,006 | - | 222,006 |
| Special Events, Net of Expenses of \$195,197 | 257,544 | - | 257,544 |
| Grants and Contracts | 2,066,348 | 630,568 | 2,696,916 |
| Program Fees | 75,355 | - | 75,355 |
| Investment Loss | (26,808) | - | (26,808) |
| Change in Value of Split-Interest Agreements | - | (27,500) | (27,500) |
| Rental Income | 23,603 | - | 23,603 |
| Other Income | 19,364 | - | 19,364 |
| Net Assets Released from Restrictions - Operating | <u>1,430,107</u> | <u>(1,430,107)</u> | <u>-</u> |
| Total Operating - Revenue, Gains, and Other Support | 12,760,695 | (269,515) | 12,491,180 |
| EXPENSES | | | |
| Program Services | 6,290,101 | - | 6,290,101 |
| Support Services: | | | |
| Administration | 987,894 | 7,579 | 995,473 |
| Fundraising | 648,318 | - | 648,318 |
| Total Support Services | <u>1,636,212</u> | <u>7,579</u> | <u>1,643,791</u> |
| Total Expenses | <u>7,926,313</u> | <u>7,579</u> | <u>7,933,892</u> |
| CHANGE IN NET ASSETS OPERATING | 4,834,382 | (277,094) | 4,557,288 |
| NONOPERATING | | | |
| Change in Value of Community Foundation | - | (18,442) | (18,442) |
| Capital Grants for Clubs | - | - | - |
| Capital Government Grants for Clubs | - | - | - |
| Investment Loss | - | (1,086,429) | (1,086,429) |
| Campaign Expenses | - | - | - |
| Net Assets Released from Restrictions - Capital | <u>295,744</u> | <u>(295,744)</u> | <u>-</u> |
| Change in Net Assets Nonoperating | <u>295,744</u> | <u>(1,400,615)</u> | <u>(1,104,871)</u> |
| TOTAL CHANGE IN NET ASSETS | 5,130,126 | (1,677,709) | 3,452,417 |
| Net Assets - Beginning of Year | <u>8,705,934</u> | <u>13,840,230</u> | <u>22,546,164</u> |
| NET ASSETS - END OF YEAR | <u>\$ 13,836,060</u> | <u>\$ 12,162,521</u> | <u>\$ 25,998,581</u> |

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2023**

| | 2023 | | | | Total |
|----------------------------|---------------------|---------------------|---------------------|------------------------------|----------------------|
| | Program Services | Support Services | | Total Support Services | |
| | Administration | Fundraising | | | |
| OPERATING | | | | | |
| Salaries and Wages | \$ 4,179,889 | \$ 635,971 | \$ 533,135 | \$ 1,169,106 | \$ 5,348,995 |
| Payroll Taxes | 344,518 | 45,277 | 40,539 | 85,816 | 430,334 |
| Benefits | 474,362 | 83,033 | 51,257 | 134,290 | 608,652 |
| Total Personnel Costs | <u>4,998,769</u> | <u>764,281</u> | <u>624,931</u> | <u>1,389,212</u> | <u>6,387,981</u> |
| Utilities | 385,553 | 14,043 | 15,393 | 29,436 | 414,989 |
| Supplies | 567,139 | 12,057 | 6,613 | 18,670 | 585,809 |
| In-Kind Program Incentives | 19,100 | - | - | - | 19,100 |
| Insurance | 137,012 | 6,757 | 6,475 | 13,232 | 150,244 |
| Professional Fees | 383,152 | 231,844 | 10,961 | 242,805 | 625,957 |
| Maintenance and Repairs | 295,774 | 25,896 | 29,508 | 55,404 | 351,178 |
| Interest Expense | 13,411 | 56,619 | 17,059 | 73,678 | 87,089 |
| Staff Training | 20,366 | 6,126 | 1,602 | 7,728 | 28,094 |
| National and Regional Dues | 50,825 | 1,094 | 696 | 1,790 | 52,615 |
| Telephone | 90,984 | 16,968 | 14,488 | 31,456 | 122,440 |
| Rent | 23,000 | - | - | - | 23,000 |
| In-Kind Rent | 74,720 | - | - | - | 74,720 |
| Travel | 65,901 | 23,888 | 10,742 | 34,630 | 100,531 |
| Postage and Printing | 28,463 | 3,127 | 18,886 | 22,013 | 50,476 |
| Scholarships | 86,971 | 3,500 | - | 3,500 | 90,471 |
| Other | 36,453 | 29,238 | 2,443 | 31,681 | 68,134 |
| Total Before Depreciation | <u>7,277,593</u> | <u>1,195,438</u> | <u>759,797</u> | <u>1,955,235</u> | <u>9,232,828</u> |
| Depreciation | 803,430 | 10,546 | 1,286 | 11,832 | 815,262 |
| Total Operating | <u>8,081,023</u> | <u>1,205,984</u> | <u>761,083</u> | <u>1,967,067</u> | <u>10,048,090</u> |
| Comprehensive Campaign | - | - | 16,000 | 16,000 | 16,000 |
| Special Events | - | - | 223,924 | 223,924 | 223,924 |
| Total | <u>\$ 8,081,023</u> | <u>\$ 1,205,984</u> | <u>\$ 1,001,007</u> | <u>\$ 2,206,991</u> | <u>\$ 10,288,014</u> |

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2022**

| | 2022 | | | | Total |
|----------------------------|---------------------|-------------------|-------------------|------------------------------|---------------------|
| | Program Services | Support Services | | Total Support Services | |
| | Administration | Fundraising | | | |
| OPERATING | | | | | |
| Salaries and Wages | \$ 3,016,134 | \$ 553,333 | \$ 427,623 | \$ 980,956 | \$ 3,997,090 |
| Payroll Taxes | 206,194 | 32,650 | 24,272 | 56,922 | 263,116 |
| Benefits | 396,195 | 66,128 | 47,742 | 113,870 | 510,065 |
| Total Personnel Costs | <u>3,618,523</u> | <u>652,111</u> | <u>499,637</u> | <u>1,151,748</u> | <u>4,770,271</u> |
| Utilities | 370,118 | 14,367 | 14,315 | 28,682 | 398,800 |
| Supplies | 502,497 | 19,301 | 7,195 | 26,496 | 528,993 |
| In-Kind Program Incentives | 4,278 | - | - | - | 4,278 |
| Insurance | 121,113 | 5,218 | 5,308 | 10,526 | 131,639 |
| Professional Fees | 180,633 | 168,543 | 32,961 | 201,504 | 382,137 |
| Maintenance and Repairs | 321,633 | 31,260 | 36,174 | 67,434 | 389,067 |
| Interest Expense | 14,344 | 20,219 | 17,443 | 37,662 | 52,006 |
| Staff Training | 25,673 | 5,266 | 1,643 | 6,909 | 32,582 |
| National and Regional Dues | 50,436 | 917 | 503 | 1,420 | 51,856 |
| Telephone | 83,737 | 13,478 | 12,224 | 25,702 | 109,439 |
| Rent | 23,000 | - | - | - | 23,000 |
| In-Kind Rent | 74,720 | - | - | - | 74,720 |
| Travel | 58,377 | 16,173 | 6,788 | 22,961 | 81,338 |
| Postage and Printing | 30,778 | 4,503 | 10,958 | 15,461 | 46,239 |
| Scholarships | 100,348 | 8,500 | - | 8,500 | 108,848 |
| Other | 19,722 | 25,478 | 807 | 26,285 | 46,007 |
| Total Before Depreciation | <u>5,599,930</u> | <u>985,334</u> | <u>645,956</u> | <u>1,631,290</u> | <u>7,231,220</u> |
| Depreciation | 690,171 | 10,139 | 2,362 | 12,501 | 702,672 |
| Total Operating | <u>6,290,101</u> | <u>995,473</u> | <u>648,318</u> | <u>1,643,791</u> | <u>7,933,892</u> |
| Comprehensive Campaign | - | - | - | - | - |
| Special Events | - | - | 195,475 | 195,475 | 195,475 |
| Total | <u>\$ 6,290,101</u> | <u>\$ 995,473</u> | <u>\$ 843,793</u> | <u>\$ 1,839,266</u> | <u>\$ 8,129,367</u> |

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2023 AND 2022**

| | 2023 | 2022 |
|--|----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets - Operating | \$ (3,569,518) | \$ 4,557,288 |
| Adjustments to Reconcile Change in Operating Net Assets to Net Cash Provided by Operating Activities: | | |
| Net Nonoperating Activity | 619,574 | (1,104,871) |
| Depreciation | 815,262 | 702,672 |
| Amortization of Donated Building Lease | 74,720 | 74,720 |
| Donated Fixed Assets | (175,000) | (217,728) |
| Unrealized and Realized (Gain) Loss on Investments | (139,222) | 1,414,476 |
| Change in Cash Surrender Value of Life Insurance Policies | (12,400) | 27,500 |
| Change in Value of Community Foundation Assets | 2,576 | 18,442 |
| (Increase) Decrease in Current Assets: | | |
| Receivables | (19,376) | (35,575) |
| Pledges and Grants Receivable | 311,001 | (74,507) |
| Prepaid Expenses and Other Current Assets | 30,386 | (46,487) |
| Increase (Decrease) in Current Liabilities: | | |
| Accounts Payable | (150,965) | 135,409 |
| Fiscal Agent Payable | 31,554 | 7,125 |
| Accrued Expenses | 68,422 | 8,690 |
| Net Cash Provided (Used) by Operating Activities | (2,112,986) | 5,467,154 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Marketable Securities | (4,039,331) | (8,234,007) |
| Sales of Marketable Securities | 6,913,890 | 2,469,320 |
| Purchase of Fixed Assets | (547,872) | (640,154) |
| Net Cash Provided (Used) by Investing Activities | 2,326,687 | (6,404,841) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments of Notes Payable | (45,191) | (43,401) |
| Advances on Line of Credit | 3,943,794 | - |
| Payments on Line of Credit | (3,578,384) | - |
| Net Cash Provided (Used) by Financing Activities | 320,219 | (43,401) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 533,920 | (981,088) |
| Cash and Cash Equivalents - Beginning of Year | 883,210 | 1,864,298 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 1,417,130 | \$ 883,210 |
| SUPPLEMENTAL INFORMATION | | |
| Cash Paid for Interest | \$ 26,982 | \$ 19,935 |
| Property and Equipment Additions Included in Accounts Payable | \$ - | \$ 30,962 |
| Right-of-Use Assets Obtained in Exchange for New Lease Liabilities | \$ 240,079 | \$ - |

See accompanying Notes to Consolidated Financial Statements.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Activities

Boys and Girls Clubs of the Twin Cities (the Clubs) is a nonprofit organization which provides programs to build character for boys and girls, ages 6 through 18. These programs are provided through ten urban Twin Cities youth facilities and one camp facility located outside of the Twin Cities metropolitan area. Substantially all of the Clubs' activities are financed by public support.

Boys and Girls Club of the Twin Cities Foundation (the Foundation) was incorporated to, among other matters, advance, support, and promote the growth and development of the Clubs. In January 1986, the Clubs transferred all assets of the Living Memorial Endowment Fund and the Boys and Girls Clubs of Minneapolis Endowment Fund to the Foundation. In March 1998, the Clubs transferred \$98,113 to the Foundation to be used to fund scholarships. The Foundation has agreed to abide by all restrictions imposed by the donors as to the use of these funds and the related investment income.

The majority of members of the Foundation's board of directors are also members of the Clubs' board of directors. Because of this common control of the two entities, the accompanying financial statements present the balance sheet and activities of the Clubs and the Foundation on a consolidated basis.

The consolidated financial statements include the accounts of the Clubs and the Foundation (collectively referred to as the Organization). All significant transactions between the two entities have been eliminated.

Basis of Presentation

Net assets and revenues, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization has elected to present contributions with restrictions that are temporary in nature, which are fulfilled in the same time period, within the net asset without donor restrictions.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonoperating Income and Expense

Nonoperating income and expense includes the investment income of the Foundation, the change in value of community foundation funds, gain, or loss on disposal of assets, and capital campaign activities.

Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash deposits, receivables, and investments. The Organization maintains cash reserves and cash balances in one financial institution. At times, the amounts on deposit may exceed federally insured limits. With respect to investments, the Organization places its investments with one financial institution.

There were no contribution concentrations for the year ended August 31, 2023. A contribution totaling \$4,800,000 was received from a single donor for the year ended August 31, 2022, which represents 52% of contributions. Pledges and grants receivable of \$330,587 and \$466,666 was due from two and one donors for the year ended August 31, 2023 and 2022, respectively. Should these contribution levels decrease, the Club may be adversely affected.

Cash and Cash Equivalents

The Organization considers all highly liquid securities purchased with an original maturity of 90 days or less to be cash equivalents.

Accounts Receivable

Receivables are recorded at their net realizable value. The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. An allowance is provided for accounts when a significant pattern of delinquency has occurred. No allowance for bad debts was recorded at August 31, 2023 and 2022.

Pledges and Grants Receivable

Pledges and grants that are expected to be collected within one year are recorded at their net realizable value. Grants and pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until such time as the conditions are substantially met. An allowance of \$-0- has been recorded at August 31, 2023 and 2022.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Organization carries its investments at market value and realized and unrealized gains and losses are reflected in the consolidated statements of activities. Mutual funds, real estate, and complementary strategies consist of equities mutual funds, real estate funds, and alternative funds carried at quoted market values. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets.

All investment income of the Clubs is included in operating income, and all investment income of the Foundation is included in nonoperating income.

Capitalization Policy and Depreciation

The Organization capitalizes land, buildings, and equipment in excess of \$1,000 cost per item. Facilities that are leased for rent below market rate are recorded at fair value and are recorded in net assets with donor restrictions. Donated fixed assets are capitalized at their fair market value or appraised value. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as net assets without donor restrictions. Costs of current repairs and minor replacements are charged to expense as incurred.

The Organization provides for depreciation of buildings and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|--------------------------------------|----------------|
| Buildings and Leasehold Improvements | 15 to 30 Years |
| Donated Building Use and Land Leases | 50 Years |
| Furniture and Equipment | 5 to 10 Years |
| Software and IT Equipment | 3 Years |
| Vehicles | 4 Years |

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Grants and Contracts

Governmental grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. As of August 31, 2023, the Organization had \$1,689,276 of available expenditures on existing government grants. This amount is considered to be conditional and will be recognized as revenue when eligible expenditures are incurred. Expenditures under governmental contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Contributions

Contributions, unconditional promises to give (pledges receivable), and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When these restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. It is the Organization's policy to record contributions received with donor restrictions and expended in the same accounting period in net assets without donor restrictions.

Donated Goods and Services

Donated goods and services are valued at their fair market value and are presented as revenue and offsetting program costs.

Functional Expenses

The costs of programs and supporting services have been summarized on a functional basis. Salaries and related benefits are allocated based on department and employee job descriptions as well as estimated time spent on each program. All other costs are either allocated on a direct basis or are allocated on management's best estimate of usage.

Income Tax Status

Both Organization are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota statute. The Internal Revenue Service (IRS) determined the Organization are not private foundations. The Organization are public charities and contributions to the organizations qualify as charitable tax deductions by the contributor.

The Organization follows guidance in the Accounting for Uncertainty in Income Taxes Standard. The Organization has no current obligation for unrelated business income tax.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

The Organization accounts for its investments at fair value. The Organization has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets recorded on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes long/short funds, private equity, venture capital, hedge fund, and real assets.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the consolidated balance sheets.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated balance sheet.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirements of the guidance effective September 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the ROU assets.

Lease disclosures for the year ended August 31, 2022 are made under prior lease guidance in FASB ASC 840.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 14, 2023, the date the consolidated financial statements were available to be issued.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
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NOTE 2 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consist of the following at August 31:

| | 2023 | | |
|---|---------------------|-------------|---------------------|
| | Clubs | Foundation | Total |
| Pledges and Grants Receivable Due Within One Year | \$ 869,179 | \$ - | \$ 869,179 |
| Pledges and Grants Receivable Due Within One to Five Years | - | - | - |
| Gross Pledges and Grants Receivable | 869,179 | - | 869,179 |
| Allowance for Uncollectible Pledges | - | - | - |
| Net Pledges and Grants Receivable | <u>\$ 869,179</u> | <u>\$ -</u> | <u>\$ 869,179</u> |
| | 2022 | | |
| | Clubs | Foundation | Total |
| Pledges and Grants Receivable Due Within One Year | \$ 946,847 | \$ - | \$ 946,847 |
| Pledges and Grants Receivable Due Within One to Five Years | 233,333 | - | 233,333 |
| Gross Pledges and Grants Receivable | 1,180,180 | - | 1,180,180 |
| Allowance for Uncollectible Pledges | - | - | - |
| Net Pledges and Grants Receivable | <u>\$ 1,180,180</u> | <u>\$ -</u> | <u>\$ 1,180,180</u> |

NOTE 3 FIXED ASSETS

Fixed assets consist of the following at August 31:

| | 2023 | 2022 |
|-------------------------------------|----------------------|----------------------|
| | Clubs | Clubs |
| Land and Improvements | \$ 626,131 | \$ 626,131 |
| Building and Leasehold Improvements | 18,812,668 | 18,461,107 |
| Construction in Progress | - | 28,310 |
| Donated Building Use and Land Lease | 2,245,848 | 2,320,568 |
| Furniture and Equipment | 3,379,003 | 3,064,809 |
| Subtotal | 25,063,650 | 24,500,925 |
| Accumulated Depreciation | (14,050,492) | (13,320,657) |
| Fixed Assets, Net | <u>\$ 11,013,158</u> | <u>\$ 11,180,268</u> |

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NOTE 4 NOTES PAYABLE AND LINE OF CREDIT

The following schedule of notes payable reflects the current value of outstanding loans at August 31:

| <u>Description</u> | <u>2023</u> | <u>2022</u> |
|--|--------------------------|--------------------------|
| Note Payable - \$611,688 fixed interest at 4.35%. Monthly principal and interest payments of \$6,319 for 59 months and one balloon payment at time of maturity. Loan secured by property and equipment. Note matures on August 16, 2024. | <u>\$ 420,202</u> | <u>\$ 465,393</u> |
| Total | <u><u>\$ 420,202</u></u> | <u><u>\$ 465,393</u></u> |

The future annual debt payments consist of the following:

| <u>Year Ending August 31,</u> | <u>Amount</u> |
|-------------------------------|--------------------------|
| 2024 | \$ 47,029 |
| 2025 | 49,016 |
| 2026 | 51,042 |
| 2027 | 53,151 |
| Thereafter | <u>219,964</u> |
| Total | <u><u>\$ 420,202</u></u> |

The Organization entered into a business line of credit agreement with a limit of \$700,000. The agreement expires February 10, 2024. Interest on the line of credit is the financial institution's index plus .50%, with an interest rate of no less than 9% (9.5% at August 31, 2023) and is secured by a mortgage on certain property. Outstanding balance was \$365,410 and \$-0- at August 31, 2023 and 2022, respectively.

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NOTE 5 LEASES

On August 1, 1993, the city of St. Paul and the Boys and Girls Clubs entered into a 30-year lease with the option to renew the lease for two successive terms of 10 years for land for the East Side Club. The yearly rental rate is \$1. The fair value of this land was appraised at \$1,130,000. The value of the land usage had been recorded at fair market value at the date of donation and is being amortized over the 50-year lease term. Accumulated amortization as of August 31, 2023 and 2022 was \$679,882 and \$657,282, respectively. Rent expense was \$22,600 for 2023 and 2022.

On June 1, 1996, the Organization entered into a lease with the city of St. Paul for land for the West Side Club. The lease is a 30-year lease with the option to renew for two successive terms of 10 years. The yearly rental rate is \$1. The fair value of the property had been appraised at \$606,000. The value of the land usage has been recorded at fair market value and is being amortized over the 50-year term. Accumulated amortization as of August 31, 2023 and 2022 was \$330,270 and \$318,150, respectively. Rent expense was \$12,120 for 2023 and 2022.

During the year ended August 31, 2012, the Organization entered into a lease with the city of St. Paul for the building for the Mount Airy Club and Administrative Center. The lease is a 30-year lease with the option to renew for two successive terms of 10 years. The yearly rental rate is \$1. The fair value of the property had been estimated at \$2,000,000. The value of the building usage had been reflected as in-kind revenue in 2012 at its fair market value and is being amortized over the 50-year lease term. Accumulated amortization as of August 31, 2023 and 2022 was \$480,000 and \$440,000, respectively. Rent expense was \$40,000 for 2023 and 2022.

On July 1, 2014, the Organization entered into a 10-year lease with the city of Minneapolis for the Phelps Park Building with an option to renew for two successive terms of five years each. Rent expense was \$23,000 for the year ended August 31, 2022.

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NOTE 5 LEASES (CONTINUED)

Lease Agreements - ASC 842

The Organization lease equipment as well as certain office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2029.

The following table provides the Organization's right of use assets and lease liability for the year ended August 31, 2023:

| | | |
|-----------------------|----|----------------|
| Right-of-Use Assets: | | |
| Operating Leases, Net | \$ | 213,522 |
| Lease Liabilities: | | |
| Current: | | |
| Operating Leases | | 37,717 |
| Noncurrent: | | |
| Operating Leases | | 175,805 |
| Total | \$ | <u>213,522</u> |

The following table provides quantitative information concerning the Organization's leases for the year ended August 31, 2023:

| | | |
|---|----|-----------|
| Lease Costs | | |
| Operating Lease Costs | \$ | 32,425 |
| Other Information | | |
| Cash Paid for Amounts Included in the Measurement of Lease Liabilities: | | |
| Operating Cash Flows from Operating Leases | \$ | 32,425 |
| Right of Use Assets Obtained in Exchange for New Operating Lease Liabilities | \$ | 240,079 |
| Weighted-Average Remaining Lease Term Operating Leases | | 5.3 years |
| Weighted-Average Discount Rate - Operating Leases | | 3.43% |

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NOTE 5 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of August 31, 2023, is as follows:

| <u>Year Ending August 31,</u> | <u>Amount</u> |
|-------------------------------|-------------------|
| 2024 | \$ 44,309 |
| 2025 | 44,309 |
| 2026 | 44,309 |
| 2027 | 44,309 |
| 2028 | 34,885 |
| Thereafter | 21,084 |
| Undiscounted Cash Flows | 233,205 |
| Less: Imputed Interest | (19,683) |
| Total Present Value | <u>\$ 213,522</u> |

NOTE 6 EMPLOYEE BENEFIT PLAN

The Clubs offer a tax-deferred annuity 403(b) plan to all eligible employees under which eligible employees may contribute 25% of their salary not to exceed annual IRS limitations. The Clubs match \$.50 for every \$1.00 of employee contributions up to 3% of the employees' salary. All employee contributions are fully vested. The Clubs' contributions vest 20% per year of eligible service after two years. Full vesting occurs after five years of eligible service. The pension expense was \$54,705 and \$44,149 for the years ended August 31, 2023 and 2022, respectively.

NOTE 7 NET ASSETS

Without Donor Restrictions – Board-Designated

The board of directors have designated by board action \$4,254,706 and \$6,438,297 to be used for an operating reserve and scholarships in 2023 and 2022, respectively. The net assets without donor restrictions – board designated consists of the following:

| | <u>2023 Clubs</u> | <u>2022 Clubs</u> |
|-----------------------------------|-----------------------|-----------------------|
| Board-Designated Reserve | \$ 3,683,386 | \$ 5,963,837 |
| Boys and Girls Clubs Scholarships | 153,872 | 125,684 |
| Weinert Voyageur Scholarship | 1,993 | 1,993 |
| Lenzmeier Scholarships | 142,099 | 120,893 |
| Nigon Scholarship | 62,635 | 47,002 |
| KERICK Scholarships | 97,966 | 76,466 |
| Skovran Scholarships | 6,000 | 6,000 |
| BGCA Golf Scholarship | 3,500 | 3,500 |
| All Star HomeTeam Scholarships | 103,255 | 92,922 |
| Total | <u>\$ 4,254,706</u> | <u>\$ 6,438,297</u> |

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NOTE 7 NET ASSETS (CONTINUED)

Without Donor Restrictions – Board-Designated (Continued)

The scholarship funds were designated by the board to be used for post-secondary scholarships for Club members. Each year, members apply for the available scholarships and are awarded based on criteria set-up by the scholarship sponsor. The annual awards can be from \$500 to \$5,000.

Each year the funds are replenished by the sponsor based on the number of recipients each year.

With Donor Restrictions

Net assets with donor restrictions consist of the following donor restrictions:

| | 2023 | | |
|--|---------------------|---------------------|----------------------|
| | Clubs | Foundation | Total |
| Subject to Expenditure for Specified Purpose or Period of Time: | | | |
| Donated Building Lease | \$ 2,245,848 | \$ - | \$ 2,245,848 |
| Donor Advisory Fund | - | 6,955 | 6,955 |
| Voyageur Camp Operations | 94,135 | - | 94,135 |
| Capital Campaign Contributions | 28,141 | - | 28,141 |
| Cash Surrender Value of Life Insurance | - | 162,000 | 162,000 |
| Other Time and Program Restrictions | 728,547 | - | 728,547 |
| Total | <u>3,096,671</u> | <u>168,955</u> | <u>3,265,626</u> |
| Subject to Foundation Endowment Spending Policy and Appropriation | - | 167,105 | 167,105 |
| Original Donor-Restricted Endowment Amount and Amounts Required to be Maintained in Perpetuity by Donor: | | | |
| Scholarship | 5,580 | - | 5,580 |
| Endowment Fund | - | 7,734,403 | 7,734,403 |
| Community Foundation (Note 12) | - | 202,981 | 202,981 |
| Total | <u>5,580</u> | <u>7,937,384</u> | <u>7,942,964</u> |
| Total Net Assets With Donor Restrictions | <u>\$ 3,102,251</u> | <u>\$ 8,273,444</u> | <u>\$ 11,375,695</u> |

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NOTE 7 NET ASSETS (CONTINUED)

With Donor Restrictions (Continued)

| | 2022 | | |
|--|---------------------|---------------------|----------------------|
| | Clubs | Foundation | Total |
| Subject to Expenditure for Specified Purpose or Period of Time: | | | |
| Donated Building Lease | \$ 2,320,568 | \$ - | \$ 2,320,568 |
| Donor Advisory Fund | - | 7,019 | 7,019 |
| Voyageur Camp Operations | 119,167 | - | 119,167 |
| Capital Campaign Contributions | 28,141 | - | 28,141 |
| Cash Surrender Value of Life Insurance | - | 149,600 | 149,600 |
| Other Time and Program Restrictions | 1,355,138 | - | 1,355,138 |
| Total | <u>3,823,014</u> | <u>156,619</u> | <u>3,979,633</u> |
| Subject to Foundation Endowment Spending Policy and Appropriation: | - | 237,348 | 237,348 |
| Original Donor-Restricted Endowment Amount and Amounts Required to be Maintained in Perpetuity by Donor: | | | |
| Scholarship | 5,580 | - | 5,580 |
| Endowment Fund | - | 7,734,403 | 7,734,403 |
| Community Foundation (Note 12) | - | 205,557 | 205,557 |
| Total | <u>5,580</u> | <u>7,939,960</u> | <u>7,945,540</u> |
| Total Net Assets With Donor Restrictions | <u>\$ 3,828,594</u> | <u>\$ 8,333,927</u> | <u>\$ 12,162,521</u> |

Net Assets Released from Restrictions

Net assets were released from donor restriction by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

| | 2023 | | |
|-------------------------------------|---------------------|-------------------|---------------------|
| | Clubs | Foundation | Total |
| Land Usage | \$ 74,720 | \$ - | \$ 74,720 |
| Other Time and Program Restrictions | 958,762 | 410,237 | 1,368,999 |
| Subtotal - Operating | 1,033,482 | 410,237 | 1,443,719 |
| Capital Expenditures | 41,586 | - | 41,586 |
| Total Releases | <u>\$ 1,075,068</u> | <u>\$ 410,237</u> | <u>\$ 1,485,305</u> |
| | | | |
| | 2022 | | |
| | Clubs | Foundation | Total |
| Land Usage | \$ 74,720 | \$ - | \$ 74,720 |
| Other Time and Program Restrictions | 966,091 | 389,296 | 1,355,387 |
| Subtotal - Operating | 1,040,811 | 389,296 | 1,430,107 |
| Capital Expenditures | 295,744 | - | 295,744 |
| Total Releases | <u>\$ 1,336,555</u> | <u>\$ 389,296</u> | <u>\$ 1,725,851</u> |

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NOTE 8 FAIR VALUE MEASUREMENTS

The Organization use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization value all other assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis at August 31:

| | 2023 | | | Total |
|----------------------------|---------------------|---------------------|-------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Investments: | | | | |
| Bond Mutual Funds | \$ 199,872 | \$ - | \$ - | \$ 199,872 |
| Mutual Funds - Equities | 4,563,709 | - | - | 4,563,709 |
| Real Estate Securities | 481,239 | 229,672 | - | 710,911 |
| Complementary Strategies | 560,658 | - | - | 560,658 |
| Government Obligations | - | 1,238,958 | - | 1,238,958 |
| Corporate Obligations | - | 3,395,287 | - | 3,395,287 |
| Subtotal Investments | <u>5,805,478</u> | <u>4,863,917</u> | <u>-</u> | <u>10,669,395</u> |
| Cash and Cash Equivalents | - | - | - | 138,485 |
| Community Foundation Funds | - | - | 202,981 | 202,981 |
| Total | <u>\$ 5,805,478</u> | <u>\$ 4,863,917</u> | <u>\$ 202,981</u> | <u>\$ 11,010,861</u> |

| | 2022 | | | Total |
|----------------------------|---------------------|---------------------|-------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Investments: | | | | |
| Bond Mutual Funds | \$ 752,564 | \$ - | \$ - | \$ 752,564 |
| Mutual Funds - Equities | 4,060,369 | - | - | 4,060,369 |
| Real Estate Securities | 566,055 | 232,642 | - | 798,697 |
| Complementary Strategies | 978,022 | - | - | 978,022 |
| Government Obligations | - | 877,719 | - | 877,719 |
| Corporate Obligations | - | 3,463,131 | - | 3,463,131 |
| Subtotal Investments | <u>6,357,010</u> | <u>4,573,492</u> | <u>-</u> | <u>10,930,502</u> |
| Cash and Cash Equivalents | - | - | - | 2,612,715 |
| Community Foundation Funds | - | - | 205,557 | 205,557 |
| Total | <u>\$ 6,357,010</u> | <u>\$ 4,573,492</u> | <u>\$ 205,557</u> | <u>\$ 13,748,774</u> |

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
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NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets

The following tables provide summary of changes in fair value of the Organization's Level 3 financial assets for the years ended August 31:

| | 2023 | | |
|-----------------------------|----------------------------------|----------------------------------|-------------------|
| | Remainder Trust Receivable | Community Foundation Funds | Total |
| Balance - September 1, 2022 | \$ - | \$ 205,557 | \$ 205,557 |
| Investment Activity: | | | |
| Investment Income | - | 3,442 | 3,442 |
| Interest and Dividends | - | 3,774 | 3,774 |
| Disbursements: | | | |
| Grants Paid | - | (8,029) | (8,029) |
| Administrative Fees | - | (1,763) | (1,763) |
| Balance - August 31, 2023 | <u>\$ -</u> | <u>\$ 202,981</u> | <u>\$ 202,981</u> |

| | 2022 | | |
|-----------------------------|----------------------------------|----------------------------------|-------------------|
| | Remainder Trust Receivable | Community Foundation Funds | Total |
| Balance - September 1, 2021 | \$ 124,000 | \$ 223,999 | \$ 347,999 |
| Investment Activity: | | | |
| Investment Loss | - | (14,197) | (14,197) |
| Interest and Dividends | - | 4,287 | 4,287 |
| Contributions | 67,404 | - | 67,404 |
| Disbursements: | | | |
| Grants Paid | (191,404) | (7,864) | (199,268) |
| Administrative Fees | - | (424) | (424) |
| Investment Expenses | - | (244) | (244) |
| Balance - August 31, 2022 | <u>\$ -</u> | <u>\$ 205,557</u> | <u>\$ 205,557</u> |

Community Foundation Funds and Remainder Trust Receivables are valued at fair value using the underlying assets of the fund or trust and the Organization's portion. There were no changes in valuation techniques and related inputs from the prior year.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 9 ENDOWMENTS

The Organization have donor-restricted endowment funds established for the purpose of securing the Organization's long-term financial viability and continuing to meet the operational needs of the Organization. As required by GAAP, net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors of both organizations have interpreted the state's 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, management of the Organization retain in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization rely on a total return strategy called Balanced: Appreciation Biased. This strategy places a primary emphasis on potential capital appreciation through the use of a diversified selection of stocks and a very important secondary emphasis on current income through the use of bonds and stock dividends.

Return Objectives and Risk Parameters

The Organization have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Clubs' programs supported by its endowments 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 endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a blended benchmark while assuming a moderate level of investment risk. The Organization expect its endowment funds, over time, to generate a total return which exceeds the annual payout to the Clubs plus reasonable expenses for custody and investment management plus the rate of inflation as measured by CPI over a market cycle.

Spending Policy

The spending policy of the Foundation was updated in April 2016 after the Foundation received a court order to consolidate all endowment funds into one fund and to adopt a spending policy for the new fund as a whole. The distribution value is now an amount equal to 5% of the fund's average of the fair market value of the fund of the preceding 12 quarters as of the close of June 30 each year. The fund's market value shall be based upon all assets in the fund including principal and retained earnings and determined as of the last business day of the quarter.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 9 ENDOWMENTS (CONTINUED)

Spending Policy (Continued)

This is consistent with the Organization's objective to generate a total return which exceeds the annual payout to the Clubs plus reasonable expenses for custody and investment management plus the rate of inflation as measured by CPI over a market cycle.

Changes in endowment net assets for the years ended August 31 were as follows:

| | 2023 | | |
|---|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Net Assets - September 1, 2022 | \$ - | \$ 7,971,751 | \$ 7,971,751 |
| Investment Return: | | | |
| Investment Income | - | 273,212 | 273,212 |
| Net Realized and Unrealized Gains | - | 124,707 | 124,707 |
| Total Investment Return | - | 397,919 | 397,919 |
| Contributions | - | - | - |
| Appropriations of Endowment Assets for Expenditure | - | (468,162) | (468,162) |
| Endowment Net Assets - August 31, 2023 | <u>\$ -</u> | <u>\$ 7,901,508</u> | <u>\$ 7,901,508</u> |
| | | | |
| | 2022 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Net Assets - September 1, 2021 | \$ - | \$ 9,453,721 | \$ 9,453,721 |
| Investment Return: | | | |
| Investment Income | - | 361,520 | 361,520 |
| Net Realized and Unrealized Losses | - | (1,376,709) | (1,376,709) |
| Total Investment Return | - | (1,015,189) | (1,015,189) |
| Contributions | - | - | - |
| Appropriations of Endowment Assets for Expenditure | - | (466,781) | (466,781) |
| Endowment Net Assets - August 31, 2022 | <u>\$ -</u> | <u>\$ 7,971,751</u> | <u>\$ 7,971,751</u> |

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. As of August 31, 2023, funds with original gift values of \$2,997,801 and fair values of \$2,879,534, and the deficiencies of \$118,267 were reported in net assets with donor restrictions. As of August 31, 2022, funds with original gift values of \$3,498,786 and fair values of \$3,410,540, and the deficiencies of \$88,246 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations in the endowment fund's investments and continued appropriations that were deemed prudent by the board of directors.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 10 DONATED GOODS AND SERVICES

Donated materials and services have been valued at their estimated fair value which have been provided by donors or are estimated based on current rates for similar goods or services. The value of donated materials and services included in the consolidated financial statements and the corresponding expenditures are as follows:

| | 2023 | | |
|------------------------------------|-------------------|-------------|-------------------|
| | Clubs | Foundation | Total |
| In-Kind Revenue: | | | |
| Donated Supplies and Tickets | \$ 1,775 | \$ - | \$ 1,775 |
| Donated Services | 17,325 | - | 17,325 |
| Donated Buildings and Improvements | 175,000 | - | 175,000 |
| Total | <u>\$ 194,100</u> | <u>\$ -</u> | <u>\$ 194,100</u> |
| In-Kind Expenses: | | | |
| Program Supplies and Tickets | \$ 1,775 | \$ - | \$ 1,775 |
| Rent (See Note 5) | 74,720 | - | 74,720 |
| Donated Services | 17,325 | - | 17,325 |
| Total | <u>\$ 93,820</u> | <u>\$ -</u> | <u>\$ 93,820</u> |
| Fixed Assets: | <u>\$ 175,000</u> | <u>\$ -</u> | <u>\$ 175,000</u> |
| | | | |
| | 2022 | | |
| | Clubs | Foundation | Total |
| In-Kind Revenue: | | | |
| Donated Supplies and Tickets | \$ 4,278 | \$ - | \$ 4,278 |
| Donated Furniture and Equipment | 17,728 | - | 17,728 |
| Donated Buildings and Improvements | 200,000 | - | 200,000 |
| Total | <u>\$ 222,006</u> | <u>\$ -</u> | <u>\$ 222,006</u> |
| In-Kind Expenses: | | | |
| Program Supplies and Tickets | \$ 4,278 | \$ - | \$ 4,278 |
| Rent (See Note 5) | 74,720 | - | 74,720 |
| Total | <u>\$ 78,998</u> | <u>\$ -</u> | <u>\$ 78,998</u> |
| Fixed Assets: | <u>\$ 217,728</u> | <u>\$ -</u> | <u>\$ 217,728</u> |

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 11 RELATED PARTIES

The Clubs are required to pay dues to the Boys and Girls Clubs of America. The dues for 2023 and 2022 were \$19,674 and \$18,238, respectively. The Clubs also received \$467,065 and \$1,449,136 of grants from the National organization in 2023 and 2022, respectively. The Clubs also paid dues to the Boys and Girls Clubs of Minnesota Alliance of \$32,046 in 2023 and 2022.

At August 31, 2023 and 2022, pledges totaling \$-0- and \$40,000, respectively, were outstanding from board members of the Organization. Contributions totaling \$338,251 and \$377,522 were received from board members during the years ended August 31, 2023 and 2022, respectively.

NOTE 12 COMMUNITY FOUNDATION FUNDS

The St. Paul Foundation holds and administers funds totaling \$1,398,082 and \$1,415,644 for the years ended August 31, 2023 and 2022, respectively, of donor advised contributions from individuals to the St. Paul Foundation for the benefit of the Boys and Girls Clubs of the Twin Cities. The Organization's agreement with the Foundation requires that the principal be maintained in four separate advised funds with the income available for distribution to Boys and Girls Clubs of the Twin Cities subject to the St. Paul Foundation's Board of Trustees approval and subject to their "variance powers" to redirect such gifts.

The four funds held assets as of August 31 as follows:

| | 2023 | 2022 |
|--|--------------|--------------|
| Camping Scholarships | \$ 148,845 | \$ 150,734 |
| Endowment Fund | 845,243 | 855,788 |
| Facilities Maintenance Fund | 201,013 | 203,565 |
| Subtotal St. Paul Foundation Net Asset | 1,195,101 | 1,210,087 |
| Endowment Fund - Foundation Net Assets | 202,981 | 205,557 |
| Total Held by St. Paul Foundation | \$ 1,398,082 | \$ 1,415,644 |

The four donor advised funds were set up at the St. Paul Foundation for the following purposes:

- Camping – designated for camp scholarships
- Endowment – designated for general support
- Facilities – designated for on-going maintenance at the Club's facilities
- Endowment – Foundation Net Assets – designated for general support

The amount received each year from the funds are based on the spending rate determined by the St. Paul Foundation based on their spending policy. To stabilize the annual distribution amount, the annual spending rate will not be less than 4.25% or more than 5.5% of a fund's current market rate. The amount distributed each year is calculated in the first quarter of each year with December 31 of the previous year as the last measurement point.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 12 COMMUNITY FOUNDATION FUNDS (CONTINUED)

The portion of the endowment fund recorded as net assets by the Foundation represents the amount contributed by the Foundation to St. Paul Foundation for its own benefit. Total contributions received from the St. Paul Foundation for the years ended August 31, 2023 and 2022 was \$55,152 and \$54,159, respectively.

NOTE 13 LIQUIDITY AND AVAILABILITY

Based on the analysis of its revenue cycle and according to its financial policies, the Clubs' goal is to maintain a minimum operating reserve of 30 days, with the value calculated as no less than one twelfth of the budgeted annual operating expenses.

Operating Reserve Required per Policy - 30 Days

| | |
|---|---------------------|
| Budgeted Annual Operating Expenses FY2023 | <u>\$ 8,592,335</u> |
| One Twelfth of the Budgeted Operating Expenses FY2023 | <u>\$ 716,028</u> |

The reserve itself consists of those assets without restrictions: cash, receivables, and pledges and grants receivable. The portion of assets with donor restrictions included in the reserve is an estimate of funds likely to be released from restrictions within one year.

| | <u>Clubs</u> | <u>Foundation</u> |
|-------------------------------------|---------------------|-------------------|
| Cash | \$ 633,161 | \$ 783,969 |
| Receivables | 82,826 | - |
| Pledges and Grants Receivable | 869,179 | - |
| Transfer to/(from) BGCTC Foundation | 783,969 | (783,969) |
| Total | <u>\$ 2,369,135</u> | <u>\$ -</u> |

In addition, the board of directors has also designated \$3,683,386 as an operating reserve that can be used to meet general expenditures as necessary.

NOTE 14 SUBSEQUENT EVENTS

Subsequent to year end, the Boys & Girls Club of the North Star transferred and assigned Elk River Club assets to the Boys & Girls Clubs of the Twin Cities effective October 5, 2023.

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATING BALANCE SHEET
AUGUST 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)**

| | Clubs | Foundation | Consolidated Total |
|--|---------------|--------------|-----------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 633,161 | \$ 783,969 | \$ 1,417,130 |
| Receivables | 82,826 | - | 82,826 |
| Pledges and Grants Receivable | 869,179 | - | 869,179 |
| Prepaid Expenses | 97,959 | - | 97,959 |
| Investments | 3,683,386 | 7,124,494 | 10,807,880 |
| Cash Surrender Value of Life Insurance Policies | - | 162,000 | 162,000 |
| Community Foundation Funds | - | 202,981 | 202,981 |
| Right-of-Use Asset | 213,522 | - | 213,522 |
| Fixed Assets, Net of Accumulated Depreciation of \$14,050,492 | 11,013,158 | - | 11,013,158 |
| Total Assets | \$ 16,593,191 | \$ 8,273,444 | \$ 24,866,635 |
| LIABILITIES AND NET ASSETS | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 204,886 | \$ - | \$ 204,886 |
| Fiscal Agent Payable | 333,794 | - | 333,794 |
| Accrued Expenses | 280,184 | - | 280,184 |
| Line of Credit | 365,410 | - | 365,410 |
| Lease Liability | 213,522 | - | 213,522 |
| Notes Payable | 420,202 | - | 420,202 |
| Total Liabilities | 1,817,998 | - | 1,817,998 |
| NET ASSETS | | | |
| Without Donor Restrictions: | | | |
| Undesignated | 7,418,236 | - | 7,418,236 |
| Board Designated | 4,254,706 | - | 4,254,706 |
| Subtotal - Without Donor Restrictions | 11,672,942 | - | 11,672,942 |
| With Donor Restrictions | 3,102,251 | 8,273,444 | 11,375,695 |
| Total Net Assets | 14,775,193 | 8,273,444 | 23,048,637 |
| Total Liabilities and Net Assets | \$ 16,593,191 | \$ 8,273,444 | \$ 24,866,635 |

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023
(SEE INDEPENDENT AUDTIORS' REPORT)**

| | Clubs | | | |
|--|---|---------------------|----------------------------|----------------------|
| | Without Donor Restrictions - Undesignated | Board Designated | With Donor Restrictions | Total |
| | | | | |
| OPERATING - REVENUE, GAINS, AND OTHER SUPPORT | | | | |
| Contributions | \$ 3,564,419 | \$ - | \$ 340,959 | \$ 3,905,378 |
| In-Kind Contributions | 194,100 | - | - | 194,100 |
| Special Events, Net of Expenses of \$223,924 | 438,262 | - | - | 438,262 |
| Grants and Contracts | 1,606,252 | - | 6,667 | 1,612,919 |
| Program Fees | 95,325 | - | 1,099 | 96,424 |
| Investment Gain | 139,736 | - | - | 139,736 |
| Change in Value of Split-Interest Agreements | - | - | - | - |
| Rental Income | 20,438 | - | - | 20,438 |
| Other Income | 3,763.00 | - | - | 3,763 |
| Net Assets Released from Restrictions - Operating | 1,033,482 | - | (1,033,482) | - |
| Total Operating - Revenue, Gains, and Other Support | 7,095,777 | - | (684,757) | 6,411,020 |
| EXPENSES | | | | |
| Program Services | 8,081,023 | - | - | 8,081,023 |
| Support Services: | | | | |
| Administration | 1,197,264 | - | - | 1,197,264 |
| Fundraising | 761,083 | - | - | 761,083 |
| Total Support Services | 1,958,347 | - | - | 1,958,347 |
| Total Expenses | 10,039,370 | - | - | 10,039,370 |
| CHANGE IN NET ASSETS OPERATING | (2,943,593) | - | (684,757) | (3,628,350) |
| NONOPERATING REVENUE (EXPENSE) | | | | |
| Change in Value of Community Foundation | - | - | - | - |
| Capital Grants for Clubs | 289,500 | - | - | 289,500 |
| Capital Government Grants for Clubs | - | - | - | - |
| Investment Gain | - | - | - | - |
| Campaign Expenses | (16,000) | - | - | (16,000) |
| Net Assets Released from Restrictions - Capital | 41,586 | - | (41,586) | - |
| Change in Net Assets Nonoperating | 315,086 | - | (41,586) | 273,500 |
| NET ASSETS CHANGE PRIOR TO OTHER CHANGES | (2,628,507) | - | (726,343) | (3,354,850) |
| OTHER CHANGES IN NET ASSETS | | | | |
| Transfers (to) from Clubs/Foundation | 465,389 | - | - | 465,389 |
| Transfer of Designated Funds | 2,183,591 | (2,183,591) | - | - |
| CHANGE IN NET ASSETS | 20,473 | (2,183,591) | (726,343) | (2,889,461) |
| Net Assets - Beginning of Year | 7,397,763 | 6,438,297 | 3,828,594 | 17,664,654 |
| NET ASSETS - END OF YEAR | <u>\$ 7,418,236</u> | <u>\$ 4,254,706</u> | <u>\$ 3,102,251</u> | <u>\$ 14,775,193</u> |

**BOYS AND GIRLS CLUBS OF THE TWIN CITIES AND
BOYS AND GIRLS CLUB OF THE TWIN CITIES FOUNDATION (CONTINUED)
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023
(SEE INDEPENDENT AUDTIORS' REPORT)**

| | Foundation | | | Eliminations | 2023 |
|--|-------------------------------|----------------------------|--------------|--------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | | Consolidated Total |
| OPERATING - REVENUE, GAINS, AND OTHER SUPPORT | | | | | |
| Contributions | \$ 55,152 | \$ - | \$ 55,152 | \$ - | \$ 4,250,030 |
| In-Kind Contributions | | | | | 194,100 |
| Special Events, Net of Expenses of \$223,924 | | | | | 438,262 |
| Grants and Contracts | | | | | 1,612,919 |
| Program Fees | | | | | 96,424 |
| Investment Gain | | | | | 139,736 |
| Change in Value of Split-Interest Agreements | | 12,400 | 12,400 | | 12,400 |
| Rental Income | | | | | 20,438 |
| Other Income | | | | | 3,763 |
| Net Assets Released from Restrictions - Operating | 410,237 | (410,237) | - | | - |
| Total Operating - Revenue, Gains, and Other Support | 465,389 | (397,837) | 67,552 | | 6,768,072 |
| EXPENSES | | | | | |
| Program Services | | | | | 8,081,023 |
| Support Services: | | | | | |
| Administration | | 8,720 | 8,720 | | 1,205,984 |
| Fundraising | | | | | 761,083 |
| Total Support Services | | 8,720 | 8,720 | | 1,967,067 |
| Total Expenses | | 8,720 | 8,720 | | 10,048,090 |
| CHANGE IN NET ASSETS OPERATING | 465,389 | (406,557) | 58,832 | | (3,280,018) |
| NONOPERATING REVENUE (EXPENSE) | | | | | |
| Change in Value of Community Foundation | | (2,576) | (2,576) | | (2,576) |
| Investment Gain | | 348,650 | 348,650 | | 348,650 |
| Campaign Expenses | | | | | (16,000) |
| Net Assets Released from Restrictions - Capital | | | | | - |
| Change in Net Assets Nonoperating | | 346,074 | 346,074 | | 330,074 |
| NET ASSETS CHANGE PRIOR TO OTHER CHANGES | 465,389 | (60,483) | 404,906 | | (2,949,944) |
| OTHER CHANGES IN NET ASSETS | | | | | |
| Transfers (to) from Clubs/Foundation | (465,389) | | (465,389) | | - |
| Transfer of Designated Funds | | | | | |
| CHANGE IN NET ASSETS | | (60,483) | (60,483) | | (2,949,944) |
| Net Assets - Beginning of Year | | 8,333,927 | 8,333,927 | | 25,998,581 |
| NET ASSETS - END OF YEAR | \$ - | \$ 8,273,444 | \$ 8,273,444 | \$ - | \$ 23,048,637 |



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