

Boys and Girls Clubs of Metro Denver, Inc.

**Financial Statements
and Single Audit Reports**

**September 30, 2022
(With Comparative Totals for September 30, 2021)**

(With Independent Auditor's Report Thereon)

Boys and Girls Clubs of Metro Denver, Inc.
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Independent Auditor's Report

**Board of Directors
Boys and Girls Clubs of Metro Denver, Inc.**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Boys and Girls Clubs of Metro Denver, Inc. which comprise the statement of financial position as of September 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 present fairly, in all material respects, the financial position of the Boys and Girls Clubs of Metro Denver, Inc. as of September 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 for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Boys and Girls Clubs of Metro Denver, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Board of Directors
Boys and Girls Clubs of Metro Denver, Inc.

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 and *Government 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 and *Government 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 the Boys and Girls Clubs of Metro Denver, Inc.'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 the Boys and Girls Clubs of Metro Denver, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Board of Directors
Boys and Girls Clubs of Metro Denver, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023 on our consideration of the Boys and Girls Clubs of Metro Denver, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Boys and Girls Clubs of Metro Denver, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Boys and Girls Clubs of Metro Denver, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Boys and Girls Clubs of Metro Denver, Inc.'s 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kundinger, Corder & Montoya, P.C.

January 17, 2023

Boys and Girls Clubs of Metro Denver, Inc.
Statement of Financial Position
September 30, 2022
(With Summarized Information for September 30, 2021)

	2022	2021
Assets		
Cash and cash equivalents	\$ 10,794,893	8,825,346
Contributions and grants receivable, net (note 3)	1,651,584	1,130,315
Accounts receivable	368,041	367,781
Prepaid expenses and other assets	451,838	452,280
Investments (note 4)	36,638,473	34,725,847
Property and equipment, net (note 5)	17,266,241	17,402,280
Land lease deposit (note 1(j))	222,500	225,000
Operating lease right-of-use asset (note 1(j))	169,058	—
Interest in the net assets of the Boys and Girls Clubs of Metro Denver Foundation (note 6)	—	9,896,086
Total assets	<u>\$ 67,562,628</u>	<u>73,024,935</u>
Liabilities and Net Assets		
Accounts payable	\$ 146,481	206,096
Accrued expenses	1,182,280	1,232,095
Deferred revenue	1,158,770	1,382,872
Operating lease liability (note 1(j))	169,058	—
Total liabilities	<u>2,656,589</u>	<u>2,821,063</u>
Net assets (notes 6 and 7)		
Without donor restrictions		
Property and equipment	17,266,241	17,402,280
Undesignated	10,990,402	20,355,516
Designated	12,139,856	2,067,599
Net assets without donor restrictions	40,396,499	39,825,395
With donor restrictions		
Held by Boys and Girls Clubs of Metro Denver, Inc.	24,509,540	20,482,391
Held by Boys and Girls Clubs of Metro Denver Foundation	—	9,896,086
Net assets with donor restrictions	24,509,540	30,378,477
Total net assets	64,906,039	70,203,872
Commitments (note 9)		
Total liabilities and net assets	<u>\$ 67,562,628</u>	<u>73,024,935</u>

See the accompanying notes to the financial statements.

Boys and Girls Clubs of Metro Denver, Inc.
Statement of Activities
Year Ended September 30, 2022
(With Summarized Information for the Year Ended September 30, 2021)

	2022			2021
	Without Donor Restriction	With Donor Restriction	Total	Total
Operating revenue and support				
Contributions and grants				
Foundations, corporations, and individuals	\$ 5,499,920	2,689,206	8,189,126	7,371,049
Governmental grants	3,169,465	—	3,169,465	3,016,156
Boys and Girls Clubs of Metro				
Denver Foundation	—	—	—	360,000
Contract revenue	2,845,804	—	2,845,804	2,523,110
Donated goods, services, and facilities (note 8)	4,180,326	—	4,180,326	2,112,903
Raffle revenue	7,837,315	—	7,837,315	9,148,910
Raffle prizes	(2,641,583)	—	(2,641,583)	(2,476,465)
Special events revenue	1,313,784	—	1,313,784	946,841
Less direct expenses	(384,359)	—	(384,359)	(295,431)
Other income	216,716	—	216,716	311,770
Net assets released (note 6)	2,706,233	(2,706,233)	—	—
Total operating revenue and support	24,743,621	(17,027)	24,726,594	23,018,843
Operating Expenses				
Program Services				
Academic Success	5,278,872	—	5,278,872	4,639,710
Character and Leadership	4,462,085	—	4,462,085	3,702,605
Healthy Lifestyles	6,715,216	—	6,715,216	6,073,401
Total program services	16,456,173	—	16,456,173	14,415,716
Supporting Services				
Management and general	2,214,870	—	2,214,870	1,654,329
Resource development	1,395,314	—	1,395,314	1,337,182
Raffle	2,466,757	—	2,466,757	2,575,290
Total supporting services	6,076,941	—	6,076,941	5,566,801
Total operating expenses	22,533,114	—	22,533,114	19,982,517
Net income (loss) from operations	2,210,507	(17,027)	2,193,480	3,036,326
Non-operating activities				
Forgiveness of Paycheck Protection				
Program loan	—	—	—	1,854,190
Bequest contributions	2,639,692	—	2,639,692	29,486
Net investment return	(3,567,392)	(6,217,842)	(9,785,234)	4,828,611
Change in net assets held by Foundation	—	365,932	365,932	1,559,883
Depreciation and amortization	(711,703)	—	(711,703)	(813,225)
Loss on disposal of assets	—	—	—	(1,587,958)
Total non-operating activities	(1,639,403)	(5,851,910)	(7,491,313)	5,870,987
Change in net assets	571,104	(5,868,937)	(5,297,833)	8,907,313
Net assets, beginning of year	39,825,395	30,378,477	70,203,872	61,296,559
Net assets, end of year	\$ 40,396,499	24,509,540	64,906,039	70,203,872

See the accompanying notes to the financial statements.

Boys and Girls Clubs of Metro Denver, Inc.
Statement of Functional Expenses
Year Ended September 30, 2022
(With Summarized Information for the Year Ended September 30, 2021)

	Program Services				Supporting Services				2022 Total Expenses	2021 Total Expenses
	Academic Success	Character and Leadership	Healthy Lifestyles	Total	Management and General	Resource Development	Raffle	Total		
Expenses										
Compensation	\$ 2,806,107	2,007,732	3,721,387	8,535,226	1,381,667	1,139,185	—	2,520,852	11,056,078	10,245,009
Raffle prizes	—	—	—	—	—	—	2,641,583	2,641,583	2,641,583	2,476,465
Occupancy	1,096,052	1,087,944	1,093,610	3,277,606	54,810	19,339	—	74,149	3,351,755	2,114,909
Pass-through grants	229,021	229,022	316,096	774,139	—	—	—	—	774,139	1,664,698
Program services	779,651	832,880	1,196,986	2,809,517	600	191	—	791	2,810,308	1,634,864
Marketing and communications	64,101	64,416	64,101	192,618	76,024	49,089	1,347,637	1,472,750	1,665,368	1,443,241
Professional services	38,902	26,272	57,944	123,118	203,638	26,863	803,032	1,033,533	1,156,651	1,323,269
Administration	111,405	101,145	144,280	356,830	212,846	81,461	310,788	605,095	961,925	908,322
Special events	2,755	2,752	4,316	9,823	4,590	427,978	5,300	437,868	447,691	389,757
Insurance	78,936	78,769	79,041	236,746	190,014	209	—	190,223	426,969	345,275
Software	71,942	31,153	37,455	140,550	90,681	35,358	—	126,039	266,589	208,604
Total expenses before depreciation	5,278,872	4,462,085	6,715,216	16,456,173	2,214,870	1,779,673	5,108,340	9,102,883	25,559,056	22,754,413
Expenses netted against revenue										
Special events	—	—	—	—	—	(384,359)	—	(384,359)	(384,359)	(295,431)
Raffle prizes	—	—	—	—	—	—	(2,641,583)	(2,641,583)	(2,641,583)	(2,476,465)
Net expenses before depreciation	5,278,872	4,462,085	6,715,216	16,456,173	2,214,870	1,395,314	2,466,757	6,076,941	22,533,114	19,982,517
Depreciation and amortization	190,892	190,892	235,555	617,339	94,364	—	—	94,364	711,703	813,225
Net expenses after depreciation	<u>\$ 5,469,764</u>	<u>4,652,977</u>	<u>6,950,771</u>	<u>17,073,512</u>	<u>2,309,234</u>	<u>1,395,314</u>	<u>2,466,757</u>	<u>6,171,305</u>	<u>23,244,817</u>	<u>20,795,742</u>

See the accompanying notes to the financial statements.

Boys and Girls Clubs of Metro Denver, Inc.
Statement of Cash Flows
Year Ended September 30, 2022
(With Summarized Information for the Year Ended September 30, 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (5,297,833)	8,907,313
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in net assets held by Foundation	(365,932)	(1,559,883)
Depreciation	709,203	810,725
Amortization of land lease	2,500	2,500
Realized and unrealized losses (gains) on investments	10,197,273	(4,418,948)
Donated capital assets	(70,541)	(42,865)
Contributions restricted for endowment	(1,086,690)	(107,000)
Loss on disposal of fixed assets	—	1,587,958
Investment return on endowment assets	(201,074)	(286,773)
Forgiveness of Paycheck Protection Program loan	—	(1,854,190)
Change in operating assets and liabilities		
Contributions and grants receivable	(521,269)	63,192
Accounts receivable	(260)	(283,991)
Prepaid expenses and other assets	442	(349,977)
Accounts payable and accrued expenses	(109,430)	(195,891)
Deferred revenue	(224,102)	513,906
Net cash provided by operating activities	<u>\$ 3,032,287</u>	<u>2,786,076</u>
Cash flows from investing activities		
Purchases of property and equipment	(502,623)	(718,729)
Net purchases of investments	(12,109,899)	(5,335,812)
Transfer of assets from the Boys and Girls Clubs Foundation	10,262,018	4,839,870
Net cash used in investing activities	<u>(2,350,504)</u>	<u>(1,214,671)</u>
Cash flows from financing activities		
Payment on bond payable	—	(1,000,000)
Investment income on endowment assets	201,074	286,773
Contributions restricted for endowment	1,086,690	107,000
Net cash provided by (used in) financing activities	<u>1,287,764</u>	<u>(606,227)</u>
Net increase in cash and cash equivalents	1,969,547	965,178
Cash and cash equivalents, beginning of year	8,825,346	7,860,168
Cash and cash equivalents, end of year	<u>\$ 10,794,893</u>	<u>8,825,346</u>
Non-cash activities		
Donated capital assets	(70,541)	(42,865)
Property and equipment, disposed	—	1,591,958
Operating lease right-of-use asset	(169,058)	—
Operating lease right-of-use liability	169,058	—
Net non-cash activities	<u>\$ (70,541)</u>	<u>1,549,093</u>
Supplemental cash flow information		
Interest paid	<u>\$ —</u>	<u>10,417</u>

See the accompanying notes to the financial statements.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements
September 30, 2022

(1) Summary of Significant Accounting Policies

(a) Organization

Boys and Girls Clubs of Metro Denver, Inc. (BGCMD) is a Colorado nonprofit organization that provides young people, ages 5 – 18, with quality programming. Programming takes place primarily after school and throughout the summer and offers activities and services to address the needs of the whole child and their family. The programming offered through BGCMD helps youth achieve academic and career success, live healthy lifestyles, and develop good character and leadership skills. BGCMD also provides Club members and families with behavioral health resources and support, including social-emotional learning programs and access to a team of licensed clinical social workers. In fiscal year 2022, BGCMD operated twenty-one neighborhood Clubs serving youth and families and a summer camp in Ward, Colorado. BGCMD currently operates twenty Club locations, including seven freestanding Clubs and thirteen locations based in schools.

BGCMD programming is built around the following core outcome areas:

Character and Leadership

Developing good character and demonstrating leadership skills are critical for young people to succeed in school and in life. BGCMD's Character and Leadership programs challenge kids to be community-minded and empower them through opportunities to affect change by working together.

Club members have the opportunity to develop leadership skills in many ways, such as by serving as a peer mentor or committee officer, working with adults in the community, and giving back to their community. BGCMD members organize and carry out hundreds of projects to lend a hand and make a difference in their schools, Clubs, and neighborhoods each year. Clubs teach young people how to roll up their sleeves, dig in, and become active participants in their community. This civic engagement works: Club members consistently demonstrate positive, productive coping techniques and high levels of responsibility.

Academics & Careers

Education and career development enables youth to become proficient in basic educational disciplines, apply learning to everyday situations, and learn skills to achieve success in career or college after high school graduation. BGCMD staff use all program areas to create opportunities for high-yield learning activities including reading and literacy, writing activities, math, discussions with knowledgeable adults and professionals, helping others, homework support, tutoring, and games that develop cognitive skills. Educationally-enriching activities in every area of the Club – from the art room, to the gym, to the tech lab – focus on deliberate skills-building to complement Club members' traditional academic instruction and spark young people's passions. BGCMD also emphasizes parental/caregiver involvement and collaboration between staff and school professionals as critical factors in creating the best out-of-school time learning environment possible.

Healthy Lifestyles

BGCMD focuses on physical and mental health and life skills programming for all BGCMD members by helping young people make informed decisions about their health and social lives and how those decisions can affect their futures. Programs include social-emotional learning groups, individual mental health support, risky behaviors prevention, reproductive health, positive decision making, healthy habits, exercise and sports teams, nutrition, and conflict resolution.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(a) Organization, Continued

Healthy Lifestyles, Continued

Outdoor education programming seeks to expose Club members to the resources available to them in natural environments through experiential learning activities. Activities such as rock climbing, snowboarding, skiing, snowshoeing, ice-skating, camping, geocaching, fishing, mountain biking, rafting, and hands-on educational experiences heighten participants' awareness of the outdoors and resources available to them – not only in their Club neighborhoods, but in the great Colorado wilderness.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

BGCMD is required to report information regarding its financial position and activities according to the following net asset classes:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of BGCMD. These net assets may be used at the discretion of BGCMD's management and the board of directors and include board designated funds subject to the endowment spending policy.

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

(d) Measure of Operations

The statement of activities reports all changes in net assets, including changes resulting from both operating and non-operating activities. Operating activities consist of those items attributable to BGCMD's ongoing program activities and contributions and grants. Non-operating activities are limited to activities to be of a more unusual or nonrecurring nature, and mainly consist of net investment return, the change in net assets held by the Foundation, depreciation and amortization, and other nonrecurring activities.

(e) Cash and Cash Equivalents

BGCMD considers all highly liquid investments with an original maturity of three months or less, and which are not held by investment managers as a part of an investment portfolio or restricted by donors for long-term purposes, to be cash equivalents.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Concentrations

Financial instruments that potentially subject BGCMD to concentrations of credit risk consist principally of cash and temporary investments and investments in equity securities and alternative assets. BGCMD places its cash and temporary investments with creditworthy, high quality financial institutions. At times, a significant portion of the funds are not insured by the Federal Deposit Insurance Corporation.

Investments are made and monitored by the management of BGCMD pursuant to an investment policy adopted by the board of directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of BGCMD.

Credit risk with respect to receivables is limited due to the number and credit worthiness of the government entities, individuals, and organizations from whom the amounts are due.

(g) Investments

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position. Fair value is more fully described in note 1(h). Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Investment return consists of BGCMD's distributive share of any interest, dividends, and capital gains and losses generated from sales of investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

(h) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. Generally accepted accounting principles in the United States establish a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Assets are grouped in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- | | |
|---------|--|
| Level 1 | Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date. |
| Level 2 | Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly. |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data. |

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Fair Value Measurements, Continued

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

In addition, certain investments are reported using the "practical expedient" method. The practical expedient method allows net asset value per share or its equivalent to represent fair value for reporting purposes when the criteria for using this method are met. Investments valued using net asset value per share or its equivalent are not categorized within the hierarchy.

Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. Investments in equity securities fluctuate in value in response to many factors such as the activities and financial condition of individual companies, business and industry market conditions and the general economic environment. Alternative investments are not publicly traded on national security markets exchanges, are generally illiquid, and may be valued differently should readily available markets exist for such investments. The market values for alternative investments represents the pro-rata interest in the net assets of the investment and is based on financial information determined and reported by the investment manager. Based on inherent uncertainties of valuation of alternative investments, the reported market value of the investment may differ significantly from realizable values.

(i) Property and Equipment

Property and equipment are stated at cost at the date of purchase or, if donated, at the approximate fair market value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. It is BGCMD's policy to capitalize all fixed asset purchases over \$5,000 with an estimated useful life greater than one year, and to expense normal repairs and maintenance as incurred. When assets are sold, retired, or otherwise disposed of, the applicable costs are removed from the accounts and any resulting gain or loss is recognized. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

(j) Leases

Land lease deposit

BGCMD has a 99-year operating land lease for the site of the Nancy P. Anschutz Center. The lease was paid in advance in the amount of \$245,000 and is being amortized over 99 years. The balance of the lease deposit was \$222,500 at September 30, 2022. The lease can be renewed for an additional 99 years with annual payments of \$3,000.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Leases, Continued

Operating lease right-of-use asset and liability

During 2022, BGCMD adopted the provisions of ASU No. 2016-02, *Leases (Topic 842)*. In accordance with the standard, BGCMD has elected not to record on the statement of financial position a lease whose term is twelve months or less and does not include a purchase option that BGCMD is reasonably certain to exercise. BGCMD has elected to use the 30-year treasury bill rate as of September 30, 2022, 3.79%, to determine the present value of the lease payments for purposes of calculating the right-of-use asset and lease liability. In addition, BGCMD has elected the practical expedient not to separate lease and non-lease components for the lease.

(k) Revenue Recognition

Contributions and Grants

Contributions and grants are recognized when cash, securities or other assets, and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend are substantially met. Should BGCMD substantially meet the conditions in the same period that the contribution was received, and barring any further donor restrictions, BGCMD has elected to recognize the revenue in net assets without donor restrictions. Payments received in advance of the conditions being met are recorded as refundable advances in the statement of financial position. At September 30, 2022, conditional contributions from foundations, corporations, and individuals total \$602,888, none of which have been received in advance. At September 30, 2022, the following multi-year conditional contributions have not been recognized in the accompanying financial statements because the conditions have not been met:

Conditioned upon the operating success of the following:

Denver Broncos branch	\$ 502,888
Churchill Owen branch	<u>100,000</u>
Total conditional contributions	\$ <u>602,888</u>

Government grants are treated as contributions that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at September 30, 2022, conditional contributions related to these grants, totaling \$3,135,306, have not been recognized in the accompanying financial statements.

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and grants, including contributions and grants receivable, that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Revenue Recognition, Continued

Contributions and Grants, Continued

Contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. BGCMD uses the allowance method to determine uncollectible contributions and grants receivable. The allowance is based on past collection experience and management's analysis of specific promises made. Contributions and grants deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. At September 30, 2022, there is no allowance for uncollectible amounts because management believes all contributions and grants will be collected in their entirety.

Contracts

A significant portion of BGCMD's revenue is derived from contracts to provide Club services through its normal programming for kids at school sites throughout Metro Denver. This funding is sourced from the schools to serve kids at those specific schools and BGCMD provides services directly for the school districts. Revenue for these contracts is spread out evenly on a monthly basis over the life of the contract. Revenue is earned on a monthly basis as programming is provided at these locations and not recorded until the end of the month. Contract revenue is recognized in the period in which the related service is provided. Cash received but not yet earned is reported as deferred revenue on the statement of financial position.

Accounts receivable represent special event revenue due and fees earned for services provided. BGCMD uses the allowance method to determine uncollectible accounts receivable. The allowance for doubtful accounts is based on past collection experience and on analysis of current accounts receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. BGCMD considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Receivable balances are considered to be past due based on contractual terms.

Raffle and Special Event Revenue

Revenue from the raffles and fundraising events are recognized during the period in which the raffle or special event is held. Cash received but not yet earned is reported as deferred revenue on the statement of financial position.

(l) Donated Goods, Services, and Facilities

Contributed nonfinancial assets include donated rent, supplies, food, professional services, and capitalized leasehold improvements, which are recorded as contributions and corresponding expenses in the accompanying statements at their estimated values at the date of donation. All contributed nonfinancial assets are utilized by BGCMD and BGCMD does not sell donated gifts-in-kind. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by BGCMD. Many individuals volunteer their time and perform a variety of tasks that assist BGCMD in its programs and general operations. However, the value of this contributed time is not reflected in the accompanying financial statements as it does not meet the criteria of recognition under accounting principles. See also note 8.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. BGCMD incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. BGCMD also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. management and general and resource development activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(n) Advertising

BGCMD uses advertising to promote its fundraising efforts and raffle sales. The production costs of advertising for general fundraising are expensed as incurred. The production costs of advertising for special events and raffles are recorded as prepaid expenses until the event or drawing takes place. During the year ended September 30, 2022, BGCMD incurred advertising expense of \$1,193,992, included with marketing and communications on the statement of functional expenses. At September 30, 2022 there were no advertising costs deferred.

(o) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) Income Taxes

BGCMD is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, BGCMD qualifies for the charitable contribution deduction. Income from activities not directly related to BGCMD's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income during 2022.

Management is required to evaluate tax positions taken by BGCMD, and to recognize a tax liability if BGCMD has taken an uncertain position that probably would not be sustained upon examination by taxing authorities. BGCMD believes it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. BGCMD is subject to routine audits by tax jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination by the IRS.

(q) Subsequent Events

BGCMD has evaluated all subsequent events through January 17, 2023, which is the date the financial statements were available to be issued.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(r) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on previously reported net assets or the change in net assets.

(s) Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with BGCMD's financial statements for the year ended September 30, 2021, from which the summarized information was derived.

(t) Adoption of New Accounting Principles

Effective October 1, 2021, BGCMD adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and its related amendments. The standard requires lessees to recognize in the statement of financial position the assets and liabilities that arise from leases. Adoption of ASU 2016-02 resulted in the recognition of operating right-of-use assets totaling \$169,058 as well as an operating lease liability of the same amount. BGCMD implemented the provisions of ASU No. 2016-02 in the accompanying financial statements under a modified prospective basis, without restating any prior year amounts or disclosures. The related policy elections made by the BGCMD and the additional lease disclosures can be found in be found in note 1(j). No cumulative effect adjustment to the beginning net assets was required in connection with the implementation of ASU No. 2016-02.

During 2022, BGCMD adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard is aimed at increasing the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The provisions of ASU No. 2020-07 have been implemented in the accompanying financial statements on a retrospective basis. The amendments under this accounting standard update do not change the recognition and measurement requirements for contributed nonfinancial assets. Accordingly, there is no effect on net assets in connection with the implementation of ASU No. 2020-07.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(2) Availability and Liquidity of Financial Assets

The following represents BGCMD's financial assets as of September 30, 2022, that are available for expenditure for on-going programs and general operations within one year.

Financial assets available to fund general operations:	
Cash and cash equivalents	\$ 10,794,893
Contributions and grants receivable for on-going programs and general operations, current	1,092,048
Accounts receivable	368,041
Investments	<u>36,638,473</u>
Total financial assets	48,893,455
Less financial assets not available within the year ending September 30, 2023:	
Restricted endowments	(21,929,339)
Other funds to be held in perpetuity	(116,784)
Illiquid investments	(112,277)
Funds restricted for scholarships	(362,514)
Board-designated funds	<u>(12,139,856)</u>
Total financial assets not available	(34,660,770)
Plus other funds subject to appropriation for expenditure:	
Fiscal year 2023 estimated Endowment distributions	<u>555,642</u>
Total financial assets available for expenditure within one year	\$ <u>14,788,327</u>

General expenditures include management and general, program, and resource development expenses incurred in the conduct of ongoing activities. BGCMD's activities are sustained primarily through contributions, governmental grants, contracts, raffles, and special events. BGCMD anticipates collecting sufficient revenue in 2023 to cover general expenditures not covered by the above available financial assets.

BGCMD considers donor restricted contributions for ongoing programs to be available for expenditure, provided they are available for expenditure within the next twelve months.

As part of its liquidity management, BGCMD has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. BGCMD invests cash in excess of daily requirements in short-term investments and money market funds.

As discussed in note 7, BGCMD maintains certain donor restricted endowments for the benefit of specific clubs.

(3) Contributions and Grants Receivable

Contributions and grants receivable consist of the following as of September 30, 2022:

Government grants receivable	\$ 683,697
Contributions receivable	165,716
Beneficial interest in lead trust	<u>872,156</u>
	1,721,569
Less: unamortized discount	<u>(69,985)</u>
Total contributions and grants receivable, net	\$ <u>1,651,584</u>

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(3) Contributions and Grants Receivable, Continued

BGCMD has been named as a beneficiary of a charitable lead annuity trust dated July 31, 2021. Under the terms of the trust agreement, BGCMD is entitled to one-fifth of the annual fixed annuity payment, to be paid at the end of each calendar year over five years. The total expected payments have been discounted using a discount rate of 4.25%.

Contributions and grants receivable are due as follows as of September 30, 2022:

Receivable in less than one year	\$ 1,092,048
Receivable in one to five years	<u>629,521</u>
	1,721,569
Less: unamortized discount	<u>(69,985)</u>
Total contributions and grants receivable, net	\$ <u>1,651,584</u>

(4) Investments

Investments consist of the following at September 30, 2022:

Equity mutual funds:	
Domestic	\$ 19,478,322
International	10,881,548
Bond funds	3,735,990
Cash and money market	206,307
River Bend Fund, LLC cash	107,245
Alternative investments:	
River Bend Fund, LLC Real Estate	2,000,000
Perpetual trust held by third party	116,784
Private equity	83,961
Illiquid investments	<u>28,316</u>
Total investments	\$ <u>36,638,473</u>

The following table summarizes the valuation of BGCMD's investments by the fair value hierarchy levels as of September 30, 2022:

	Fair Value	Assets Measured at NAV (a)	Level 1	Level 2 (b)	Level 3
Equity mutual funds	\$ 30,359,870	—	30,359,870	—	—
Bond funds	3,735,990	—	3,735,990	—	—
Cash and money market	206,307	—	206,307	—	—
River Bend Fund, LLC cash	107,245	—	107,245	—	—
Alternative investments	<u>2,229,061</u>	<u>112,277</u>	—	<u>116,784</u>	<u>2,000,000</u>
Total investments	\$ <u>36,638,473</u>	<u>112,277</u>	<u>34,409,412</u>	<u>116,784</u>	<u>2,000,000</u>

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The investments are considered beneficial interests in assets held by others and consist of investments held by the Denver Art Museum, who holds, manages, invests, reinvests, administers, and distributes all such assets.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(4) Investments, Continued

(b) The investments held in the perpetual trust consist of marketable securities. The trust is held by a third party, from which BGCMD receives distributions but has no right to the principal. See also note 6.

The changes in financial instruments measured at fair value for which BGCMD has used Level 3 inputs to determine fair value are as follows:

Balance at September 30, 2021	\$ —
Contributions	2,000,000
Distributions	—
Change in value	—
	<u>—</u>
Balance at September 30, 2022	\$ <u>2,000,000</u>

BGCMD has a 100% membership interest in River Bend Fund, LLC, a Colorado Limited Liability Company (the LLC). The LLC owns certain underlying assets, which have been included in the investments above. These assets include ownership in a limited liability company that holds certain investments in real estate. This investment has been valued using Level 3 inputs, which includes relying on information reported by the limited liability company.

(5) Property and Equipment

Property and equipment consists of the following at September 30, 2022:

Land and improvements	\$ 1,166,363
Buildings and improvements	24,289,280
Furniture, equipment and vehicles	1,734,311
Other improvements	10,967
Construction in progress	16,130
	<u>27,217,051</u>
Less accumulated depreciation	<u>(9,950,810)</u>
Total property and equipment	\$ <u>17,266,241</u>

(6) Net Assets

Board-designated net assets and reserves are reported as net assets without donor restrictions in the accompanying financial statements. Board-designated net assets consist of the following at September 30, 2022:

General endowment fund	\$ 7,477,616
Capital replacement reserve	3,875,247
Luna Legacy endowment fund	744,993
Club funds	32,000
Holiday assistance	10,000
	<u>10,000</u>
Total board designated net assets	\$ <u>12,139,856</u>

During the year ended September 30, 2022, the board elected to establish a general endowment fund and the Kathy Luna Legacy fund for the purpose of maximizing the future benefits of BGCMD's assets to support the ongoing and long-term operations of the organization. The board designated endowment funds are subject to the endowment spending policy as described below.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(6) Net Assets, Continued

Net assets subject to donor restrictions consist of the following at September 30, 2022:

Net assets subject to time and purpose restrictions	\$ 2,463,417
Endowment net assets	21,929,339
Beneficial interest in Anderson perpetual trust	<u>116,784</u>
Total net assets with donor restrictions	<u>\$ 24,509,540</u>

The Anderson trust is held for BGCMD by the PNC Bank of New England. The earnings of the trust are restricted to use for scholarships based on merit and need; unrealized gains and losses are permanently restricted. There were no distributions from the Trust during fiscal year 2022.

Net assets subject to time and purpose restrictions are as follows at September 30, 2022:

Cash on hand restricted for:	
Future periods or program expenditures	\$ 1,158,015
Scholarships	362,514
Contributions receivable restricted for:	
Beneficial interest in lead trust	802,171
Future periods or program expenditures	<u>140,717</u>
Net assets subject to time and purpose restrictions	<u>\$ 2,463,417</u>

During 2022, net assets were released from restrictions for the following expenditures:

Program (including endowment appropriations)	\$ 2,213,728
Scholarships	23,231
Endowment distributions	<u>469,274</u>
Total net assets released	<u>\$ 2,706,233</u>

Net assets restricted for endowments consist of the following at September 30, 2022:

Helen and Arthur E. Johnson Endowment Fund	\$ 9,848,782
Great Futures Endowment Fund	7,687,857
Shopneck Endowment Fund	2,107,245
Clark Endowment Fund	747,498
Wilfley Endowment Fund	1,219,327
Unappropriated earnings on the Wilfley Endowment Fund	<u>318,630</u>
Total endowment net assets	<u>\$ 21,929,339</u>

The Helen and Arthur E. Johnson Endowment Fund (the Fund) was established to support the general operations of the current Arthur E. Johnson Boys and Girls Club or a new facility that replaces the current Arthur E. Johnson Boys and Girls Club. The Fund is subject to BGCMD's endowment and distribution policies. Distributions may be made from the Fund without regard to the actual income or historic dollar value of the Fund.

Upon dissolution of the Boys and Girls Club of Metro Denver Foundation (the Foundation), in February 2022, a gift agreement between the Foundation and BGCMD established an endowment called the Great Futures Fund (the Fund). The Fund is administered consistently with BGCMD's current endowment policy. Concurrent with the creation of the Fund, \$10,262,018 was transferred into the Fund, in accordance with the gift agreement.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(6) Net Assets, Continued

The Shopneck Endowment Fund was established in December 2016 and consists of cash and other assets held by the River Bend Fund, LLC, of which BGCMD is the sole member. All earnings and contributions will be used to support operations of the Robert M. Shopneck Boys & Girls Club in Brighton, Colorado. All principal and interest earned during the first ten years from the date of the agreement will be used to increase the value of the fund. No distributions are allowed within the first ten years.

The Robert J. Clark Endowment Fund (the Clark Fund) was established in December 2021 to support the recruitment, retention, and training of Club-level leadership and/or staff at BGCMD. The Clark Fund is subject to BGCMD's endowment and distribution policies. Distributions may be made quarterly from the Clark Fund, not to exceed 4.5% of the Fund's average net assets on the last day of each of the three fiscal years immediately prior to the year in which such distributions are made.

The George W. Wilfley Endowment Fund (the Wilfley Fund) and subsequent earnings are restricted for general operating expenses of BGCMD facilities. The Wilfley Fund is subject to BGCMD's endowment and distribution policies.

(7) Endowments

At September 30, 2022, BGCMD's endowment funds are comprised of the following:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>Endowments</u>
Board designated endowments	\$ 8,222,609	—	8,222,609
Unappropriated earnings on perpetual endowments	—	318,630	318,630
Perpetual endowments	<u>—</u>	<u>21,610,709</u>	<u>21,610,709</u>
Total endowment net assets	<u>\$ 8,222,609</u>	<u>21,929,339</u>	<u>30,151,948</u>

BGCMD follows the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). BGCMD 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, BGCMD classifies as perpetual endowments (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified as a perpetual endowment represents amounts available for expenditure upon appropriation by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(7) Endowments, Continued

In accordance with UPMIFA, BGCMD 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 BGCMD and the donor-restricted endowment funds
- (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 BGCMD resources
- (7) The investment policies of BGCMD

Following are the changes in the endowment net assets for the year ended September 30, 2022:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>Endowments</u>
Endowment net assets, September 30, 2021	\$ 307,153	17,219,772	17,526,925
Investment return (loss)	(2,729,306)	(6,169,866)	(8,899,172)
Contributions	105,000	1,086,690	1,191,690
Transfers	10,539,762	10,262,017	20,801,779
Appropriated for expenditure	<u>—</u>	<u>(469,274)</u>	<u>(469,274)</u>
Endowment net assets, September 30, 2022	\$ <u>8,222,609</u>	<u>21,929,339</u>	<u>30,151,948</u>

Fund with Deficiency

From time to time, the fair values associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires BGCMD to retain as a fund in perpetual duration. A deficiency of this nature exists at September 30, 2022, as the Helen and Arthur E. Johnson Endowment Fund, the Clark Endowment Fund, and the Great Futures Endowment Fund have original gift values of \$10,750,000, \$1,027,190, and \$10,262,017, respectively, with fair values of \$9,848,782, \$747,498, and \$7,687,858, respectively. The deficiencies resulted from unfavorable market fluctuations and continued appropriations as allowed under the endowment policy.

Return Objectives and Risk Parameters

BGCMD has adopted investment and spending policies for endowment assets that attempt to provide a reasonable, predictable, stable, and sustainable level of income that supports current needs and provides for growth in assets and income over time.

Strategies Employed for Achieving Objectives

To satisfy its objectives, BGCMD 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).

Distribution Policy and How the Investment Objectives Relate to Distribution Policy

Distributions are based on BGCMD's policy of appropriating for distribution each year 4.5% of the three-year calendar year-end average fair market value of the fund. In establishing the distribution policy, management considered the long-term expected return on its endowment. This is consistent with the objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Boys and Girls Clubs of Metro Denver, Inc.
Notes to Financial Statements, Continued

(8) Donated Goods, Services, and Facilities

Donated goods, services, and facilities consist of the following at September 30, 2022:

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Rent	\$ 2,373,598	—	2,373,598
Food	794,968	—	794,968
Supplies	746,969	—	746,969
Professional services	194,250	—	194,250
Leasehold improvements	<u>—</u>	<u>70,541</u>	<u>70,541</u>
Total	<u>\$ 4,109,785</u>	<u>70,541</u>	<u>4,180,326</u>

BGCMD leases various facilities from school districts for use in its programs under no cost or below market value lease agreements. The valuations are provided by the various school districts based on the use of their space on an hourly or per room/square foot basis. Contributed food and supplies are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Contributed professional services are valued based upon the standard hourly rate charged by the donor. BGCMD receives various equipment and leasehold improvement donations for use in its programs under no cost. Property and equipment are recorded at the estimated fair market value on the date of donation.

All gifts-in-kind received during the year ended September 30, 2022 were without donor restrictions.

(9) Employee Benefit Plan

BGCMD has a tax-sheltered defined contribution retirement plan covering all full-time employees. Employees are eligible for the plan after completing one year of service. Employees may voluntarily contribute the maximum allowable by the Internal Revenue Code. In fiscal year 2022, BGCMD made a safe-harbor contribution of 3% of the annual salaries of eligible participants with a 100% match on employee contributions up to 3% of eligible compensation, plus a 50% match on employee contributions above 3% and up to 5% of eligible compensation. BGCMD also elected to make a discretionary matching contribution equal to a percentage of the participant’s elective deferral, not to exceed 6% of eligible compensation. Participants are immediately vested in their pre-tax contributions and the employer’s safe harbor contributions, plus actual earnings thereon. Vesting in the employer’s matching contributions is based on years of service. A participant is 33% vested after one year of credited service, 67% vested after two years of credited service, and 100% vested after three years of credited service. Contributions to the plan by BGCMD during fiscal year 2022 were \$147,508.

Boys and Girls Clubs of Metro Denver
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

Federal grantor/pass-through grantor/program title	Pass-through Entity Identi- fying Number	Grant award year	Assistance listing number	Federal expen- ditures
U.S. Department of Education				
<i>Pass-through Programs</i>				
Colorado Department of Education				
21st Century Community Learning Centers	N/A	10/1/21 - 6/30/22	84.287C	\$ 509,571
21st Century Community Learning Centers	N/A	7/1/22 - 9/30/22	84.287C	114,518
Subtotal 84.287C				<u>624,089</u>
Colorado Department of Education				
COVID-19 Elementary and Secondary Emergency Relief (ESSER I and II) Fund	N/A	10/1/21-6/30/22	84.425D	144,287
COVID-19 Elementary and Secondary Emergency Relief (ESSER I and II) Fund	N/A	7/1/22-9/30/22	84.425D	61,874
COVID-19 Elementary and Secondary Emergency Relief (ESSER I and II) Fund	N/A	10/1/21-9/30/22	84.425D	134,015
Subtotal 84.425D				<u>340,176</u>
Denver Public Schools				
COVID-19 American Rescue Plan- State Educational Agency (ARP-OA SEA) Fund	N/A	10/1/21-6/30/22	84.425U	99,672
COVID-19 American Rescue Plan- State Educational Agency (ARP-OA SEA) Fund	N/A	8/22/22-9/30/22	84.425U	3,952
Subtotal 84.425U				<u>103,624</u>
<i>Total Pass-through Programs</i>				<u>1,067,889</u>
Total U.S. Department of Education				<u>1,067,889</u>
U.S. Department of Labor				
<i>Pass-through Programs</i>				
Boys and Girls Clubs of America				
WIOA Pilots, Demonstrations, and Research Projects	MI-36498-21-60- A-13-16	7/1/22-9/30/22	17.261	13,923
<i>Total Pass-through Programs</i>				<u>13,923</u>
Total U.S. Department of Labor				<u>13,923</u>
Total Expenditures of Federal Awards				<u>\$ 1,081,812</u>

Boys and Girls Clubs of Metro Denver
Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Boys and Girls Clubs of Metro Denver, Inc. (BGCMD) under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of BGCMD, it is not intended to and does not present the financial position, changes in net assets, or cash flows of BGCMD.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

BGCMD has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Subrecipients

BGCMD did not pass through federal awards to subrecipients during the year ended September 30, 2022.

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

**Board of Directors
Boys and Girls Clubs of Metro Denver, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Boys and Girls Clubs of Metro Denver, Inc., which comprise the statement of financial position as of September 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, and have issued our report thereon dated January 17, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Boys and Girls Clubs of Metro Denver, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Boys and Girls Clubs of Metro Denver, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Boys and Girls Clubs of Metro Denver, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Boys and Girls Clubs of Metro Denver, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Board of Directors
Boys and Girls Clubs of Metro Denver, Inc.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kundinger, Corder & Montoya, P.C.

January 17, 2023



**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
over Compliance Required by the Uniform Guidance**

**Board of Directors
Boys and Girls Clubs of Metro Denver, Inc.**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Boys and Girls Clubs of Metro Denver, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Boys and Girls Clubs of Metro Denver, Inc.'s major federal programs for the year ended September 30, 2022. The Boys and Girls Clubs of Metro Denver, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Boys and Girls Clubs of Metro Denver, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Boys and Girls Clubs of Metro Denver, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Boys and Girls Clubs of Metro Denver, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Boys and Girls Clubs of Metro Denver, Inc.'s federal programs.

Board of Directors
Boys and Girls Clubs of Metro Denver, Inc.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Boys and Girls Clubs of Metro Denver, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Boys and Girls Clubs of Metro Denver, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Boys and Girls Clubs of Metro Denver, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Boys and Girls Clubs of Metro Denver, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Boys and Girls Clubs of Metro Denver, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Board of Directors
Boys and Girls Clubs of Metro Denver, Inc.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kundinger, Corder & Montoya, P.C.

January 17, 2023

Boys and Girls Clubs of Metro Denver, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Boys and Girls Clubs of Metro Denver, Inc. (BGCMD) were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of BGCMD, which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit as reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no audit findings over compliance relating to major programs that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was Twenty-First Century Community Learning Centers (Assistance Listing No. 84.287C).
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. BGCMD was determined to not be a low-risk auditee.

B. Findings – Financial Statements Audit

None.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None.

Boys and Girls Clubs of Metro Denver, Inc.
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2022

None.