Boys and Girls Clubs of the Peninsula

Consolidated Financial Statements

June 30, 2023
(With Comparative Totals for 2022)

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Boys and Girls Clubs of the Peninsula (a California nonprofit corporation) (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 Peninsula as of June 30, 2023, and the changes in their net assets and their 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys and Girls Clubs of the Peninsula and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Peninsula's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Peninsula's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the 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 Peninsula's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Boys and Girls Clubs of the Peninsula's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Armanino LLP

Armanino[LLP]
San Jose, California

January 4, 2024

Boys and Girls Clubs of the Peninsula
Consolidated Statement of Financial Position
June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 12,984,308	$ 10,834,504
Accounts receivable, net	192,718	117,579
Contributions receivable, current portion	2,978,819	4,032,891
Donated rent receivable, current portion	79,400	-
Prepaid expenses	366,751	303,011
Total current assets	16,601,996	15,287,985
Property and equipment, net	13,327,908	12,247,092
Other assets		
Investments	28,339,012	20,523,804
Contributions receivable, net of current portion	1,474,244	619,814
Donated rent receivable, net of current portion	454,900	-
Total other assets	30,268,156	21,143,618
Total assets	$ 60,198,060	$ 48,678,695
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 2,960,667	$ 2,526,287
Deferred revenue	387,500	-
Other current liabilities	200,000	4,500
Total current liabilities	3,548,167	2,530,787
Net assets		
Without donor restrictions		
Undesignated	10,533,856	6,748,730
Board-designated maintenance reserve	334,021	334,021
Board-designated operating reserve	8,750,000	12,000,000
Board-designated investment in property and equipment	13,327,908	12,247,092
Board-designated quasi-endowment - Club	4,606,147	4,195,389
Board-designated quasi-endowment - Foundation	1,577,960	-
Total without donor restrictions	39,129,892	35,525,232
With donor restrictions		
Net assets restricted for a specified purpose	4,997,636	4,246,636
Net assets restricted to the passage of time	3,787,200	2,304,000
Unappropriated earnings on endowment - Club	2,545,722	2,147,040
Perpetual endowment - Club	1,925,000	1,925,000
Unappropriated earnings on endowment - Foundation	649,505	-
Perpetual endowment - Foundation	3,614,938	-
Total with donor restrictions	17,520,001	10,622,676
Total net assets	56,649,893	46,147,908
Total liabilities and net assets	$ 60,198,060	$ 48,678,695

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

Boys and Girls Clubs of the Peninsula
Consolidated Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and revenue				
Grants and contributions	$ 6,453,789	$ 8,403,603	$ 14,857,392	$ 20,321,225
Special events	6,824,058	-	6,824,058	3,220,841
Contract revenue	4,388,760	-	4,388,760	2,611,858
Investment income (loss), net	1,328,363	354,451	1,682,814	(3,114,296)
In-kind contributions	1,011,781	-	1,011,781	805,229
Rental income	57,600	-	57,600	1,440
Other revenue	45,632	-	45,632	-
Loss on disposal of property and equipment	-	-	-	(6,146)
Net assets released from restriction	7,026,099	(7,026,099)	-	-
Total support and revenue	27,136,082	1,731,955	28,868,037	23,840,151
Functional expenses				
Program services	23,144,478	-	23,144,478	17,161,628
Management and general	4,333,775	-	4,333,775	3,378,487
Fundraising	2,276,842	-	2,276,842	1,446,685
Total functional expenses	29,755,095	-	29,755,095	21,986,800
Change in net assets from operations	(2,619,013)	1,731,955	(887,058)	1,853,351
Excess of assets acquired over liabilities assumed in acquisitions (see Note 2)	4,629,736	752,690	5,382,426	-
Change in net assets	2,010,723	2,484,645	4,495,368	1,853,351
Net assets, beginning of year	35,525,232	10,622,676	46,147,908	44,294,557
Net assets from consolidation of Foundation (see Note 3)	1,593,937	4,412,680	6,006,617	-
Net assets, end of year	$ 39,129,892	$ 17,520,001	$ 56,649,893	$ 46,147,908

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

Boys and Girls Clubs of the Peninsula
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services	Management and General	Fundraising	2023 Total	2022 Total
Personnel expenses					
Salaries and wages	$ 13,966,396	$ 1,605,452	$ 1,138,502	$ 16,710,350	$ 12,622,850
Employee benefits	1,737,399	210,358	143,396	2,091,153	1,760,775
Payroll taxes	1,016,412	95,159	71,254	1,182,825	910,095
Total personnel expenses	16,720,207	1,910,969	1,353,152	19,984,328	15,293,720
Other expenses					
Program expenses, including in-kind	2,156,006	8,232	611	2,164,849	1,624,263
Professional fees, including in-kind	582,085	1,149,420	170,860	1,902,365	809,761
Depreciation and amortization	987,911	77,277	1,412	1,066,600	845,364
Office expenses	652,642	326,477	34,450	1,013,569	853,633
Facilities, including in-kind	684,812	67,559	-	752,371	492,078
Special events	300	65	650,436	650,801	160,692
Training and conferences	319,202	43,920	4,589	367,711	188,718
Miscellaneous	10,707	271,228	53,361	335,296	94,777
Student and community meals	296,441	-	-	296,441	270,532
Utilities	256,961	29,218	-	286,179	218,020
Staff meeting and employee events	109,529	167,393	4,673	281,595	236,038
Telecommunications	152,309	45,282	3,640	201,231	189,387
Insurance	2,135	141,288	-	143,423	116,426
Counseling services	140,000	-	-	140,000	504,638
Transportation	71,686	3,442	350	75,478	16,775
Dues	-	51,924	1,620	53,544	38,845
Recruiting	1,545	40,081	-	41,626	32,900
Marketing	-	-	11,206	11,206	9,578
Bad debt	-	-	(13,518)	(13,518)	(9,345)
Total other expenses	6,424,271	2,422,806	923,690	9,770,767	6,693,080
	$ 23,144,478	$ 4,333,775	$ 2,276,842	$ 29,755,095	$ 21,986,800
Percentage of total	78 %	14 %	8 %	100 %	

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

Boys and Girls Clubs of the Peninsula
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 4,495,368	$ 1,853,351
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,066,600	845,364
Net realized and unrealized (gains) losses	(915,777)	3,633,868
Loss on disposal of property and equipment	-	6,146
Excess of assets acquired over liabilities assumed in acquisitions (see Note 2)	(5,382,426)	-
Donated rent receivable amortization	25,700	-
Changes in operating assets and liabilities		
Accounts receivable, net	(75,139)	211,141
Contributions receivable	199,642	(1,557,454)
Prepaid expenses	(63,740)	31,087
Accounts payable and accrued expenses	300,521	881,096
Deferred revenue	387,500	-
Other current liabilities	195,500	4,500
Net cash provided by operating activities	233,749	5,909,099
Cash flows from investing activities		
Purchases of property and equipment	(635,939)	(4,860,339)
Proceeds from sale of property and equipment	2,004,808	-
Purchases of investments	(520,490)	(491,851)
Cash and cash equivalents acquired from acquisitions (see Note 2)	1,067,676	-
Net cash provided by (used in) investing activities	1,916,055	(5,352,190)
Net increase in cash and cash equivalents	2,149,804	556,909
Cash and cash equivalents, beginning of year	10,834,504	10,277,595
Cash and cash equivalents, end of year	$ 12,984,308	$ 10,834,504

Supplemental schedule of noncash investing and financing activities

	2023	2022
Total assets acquired through acquisitions (see Note 2)	$ 4,448,609	$ -
Total liabilities assumed through acquisitions (see Note 2)	$ 133,859	$ -
Investments acquired through consolidation (see Note 3)	$ 6,006,617	$ -

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

1. NATURE OF OPERATIONS

Founded in 1958, the Boys and Girls Clubs of the Peninsula (the "Club") is the largest expanded learning provider in San Mateo County, serving students from East Palo Alto in the south to Daly City in the north. The Club's vision is for all youth to grow up to lead fulfilling lives fueled by their passions, talents and a love of learning and its mission is to empower the youth in our community with equitable access to social, academic and career opportunities to thrive. Students benefit from up to 830 additional learning hours over the traditional school year. Holistic programming offers a variety of academic support to address pandemic learning loss, enriching activities to help students pursue their passions and develop their interests, and access to critical mental health services to ensure the Clubs's students' well-being. The Club's annual budget is dependent on a balanced combination of support from individuals, foundations, corporations, district partners and government sources.

On January 18, 2023, an Agreement of Merger was entered into between the Club and Mid-Peninsula Boys & Girls Club, Inc. ("MPBGC"), a California nonprofit public benefit corporation. MPBGC was merged into the Club with the Club being the surviving entity (see Note 2).

Mid-Peninsula Boys & Girls Club Foundation (the “Foundation”) (organized in 1968), a California non-profit corporation, operates solely to fund the operational support of MPBGC. On January 18, 2023, an Amendment of Articles of Incorporation was filed to amend the purpose of the Foundation to raise, receive, manage and disburse funds for the direct benefit of the Club. In accordance with the Amended and Restated Bylaws of the Foundation, the membership of the Foundation shall be comprised exclusively of the Board of Directors of the Club. The Club and the Foundation are collectively referred as the "Organization".

On February 28, 2023, the Club obtained control over certain assets and operations of Boys & Girls Clubs North San Mateo County ("BGCNSMC") through an Asset Transfer Agreement. Certain operations transferred included all rights under contracts and agreements related to the delivery of services for those operations. The contractual consideration in the transaction consisted of $1 plus the assumption of the obligation to pay all the liabilities of those operations when such liabilities become due. In connection with the Asset Transfer Agreement, the Club took over the long-term lease and operation of the Orange Park Clubhouse in South San Francisco, including programs at two school sites, Paradise Valley and Sunshine Gardens, and entered into a Lease Agreement with the City of South San Francisco (the "City"). The Club started managing these sites at the beginning of 2022 summer programming, and has officially hired all the former BGCNSMC staff who worked at these locations (see Note 2).

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

- Academics Focus - The Club collaborates with its school partners to provide structured programming for grades K to 12th. During the school year, the Club served 4,826 active members at its 20 school sites and 4 clubhouses. The Club offered a 5-week summer program daily, which included 4 hours of academics that were taught by certificated teachers, and 3.5 hours of enrichment.

1. NATURE OF OPERATIONS (continued)

- Teens Focus - The Club offers programs during the academic school year and for summer, for teens and pre-teens. These programs help them stay on track in school and graduate with a plan. The Club provides tutoring, homework support, and academic case management at the clubhouses and on high school campuses. There are three primary teen programs offered, which are Future Grads, Career Pathways, and High School Success Advising.
- Enrichment Focus - The Club offers a broad range of activities to help build skills and allow youth to explore their passions. The enrichment programs are to help inspire youth to succeed in school.

2. ACQUISITIONS

On January 18, 2023, the Club merged with MPBGC through an Agreement of Merger to serve the Club's missions in the county of San Mateo. In this transaction, MPBGC was merged into the Club with the Club being the surviving entity. As such, no purchase consideration was delivered in the transaction and the transfer of assets and activities was effected.

On February 28, 2023, the Club obtained control over certain assets and operations of BGCNSMC through an Asset Transfer Agreement. The certain operations transferred included all rights under contracts and agreements related to the delivery of services for those operations. The contractual consideration in the transaction consisted of $1 plus the assumption of the obligation to pay all the liabilities of those operations when such liabilities become due. In connection with the Asset Transfer Agreement, the Club took over the long-term lease and operation of the Orange Park Clubhouse in South San Francisco and entered into a Lease Agreement with City of South San Francisco (the "City"). The lease is $1 per year. The lease is scheduled to expire on October 1, 2025, and has an extension option up to three times for period of one year each upon the same terms and conditions set in the Lease Agreement upon written request to City and approval of a Renewal Term by the City.

As the Club obtained control over the transferred assets and certain operations and control was not ceded to a new entity, the Club accounted for both transactions using the acquisition method of accounting in accordance with Accounting Standards Codification 805: *Business Combinations*, which requires the identifiable assets and liabilities assumed to be recognized at their fair values as of the acquisition dates.

2. ACQUISITIONS (continued)

The fair value of assets and liabilities at the acquisition dates are as follows:

	MPBGC (January 18, 2023)	BGCNSMC (February 28, 2023)	Total
Assets			
Cash and cash equivalents	$ 1,067,676	$ -	$ 1,067,676
Investments	372,324	-	372,324
Donated rent receivable, net of discount	-	560,000	560,000
Property and equipment	2,006,485	1,509,800	3,516,285
	3,446,485	2,069,800	5,516,285
Liabilities			
Accounts payable and accrued expenses	(133,859)	-	(133,859)
	(133,859)	-	(133,859)
	$ 3,312,626	$ 2,069,800	$ 5,382,426

Net assets at the acquisition dates consisted of the following:

	MPBGC (January 18, 2023)	BGCNSMC (February 28, 2023)	Total
Without donor restrictions	$ 3,312,626	$ 1,317,110	$ 4,629,736
With donor restrictions	-	752,690	752,690
	$ 3,312,626	$ 2,069,800	$ 5,382,426

The excess of the assets acquired over the liabilities assumed was recognized in the Club's consolidated statement of activities.

3. CONSOLIDATION OF THE FOUNDATION

On January 18, 2023, an Amendment of Articles of Incorporation was filed to amend the purpose of the Foundation to raise, receive, manage and disburse funds for the direct benefit of the Club. In accordance with the Amended and Restated Bylaws of the Foundation, the membership of the Foundation shall be comprised exclusively of the Board of Directors of the Club. The Foundation and the Club maintain their distinct Federal Tax ID numbers and 501(c)(3) designations.

3. CONSOLIDATION OF THE FOUNDATION (continued)

The fair value of the Foundation's assets at the date the Club obtained the control was as follows:

Investments	$ 6,006,617

Net assets consisted of the following:

Without donor restrictions	$ 1,593,937
With donor restrictions	
Endowment held in perpetuity	3,614,938
Endowment accumulated investment earnings	797,742
	4,412,680
	$ 6,006,617

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of consolidation

Organizations that: 1) have a majority of voting interest; 2) have economic interest; and 3) exercise economic control over a related company, are required to consolidate their financial statements. Because the Club and the Foundation are commonly controlled by a same board and the Club has economic interest over the Foundation, according to U.S. GAAP, their financial statements are consolidated as presented here. The consolidated financial statements consist of the consolidated statement of financial position of the Club and the Foundation (collectively, the "Organization") as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows and the related notes to the consolidated financial statements and include the activity of the Club from July 1, 2022 through June 30, 2023 and the activity of the Foundation from January 18, 2023 (date control and economic interest was obtained) through June 30, 2023 (see Note 3). All material intercompany balances and transactions have been eliminated in consolidation.

Adoption of accounting standards update

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* ("ASU 2016-02"). ASU 2016-02 aims to increase transparency and comparability among organizations by requiring lessees to recognize leases with a term greater than 12 months as right-of-use ("ROU") assets and corresponding lease liabilities on the statement of financial position, regardless of lease classification, and requiring disclosure of key information about leasing arrangements. The lease liabilities should be initially measured at the present value of the remaining contractual lease payments. Subsequently, the ROU assets will be amortized generally on a straight-line basis over the lease term, and the lease liabilities will bear interest expense and be reduced for lease payments.

ASU 2016-02 is effective for the fiscal year beginning after December 15, 2021. The Organization adopted ASU 2016-02 on July 1, 2022, using the modified retrospective approach.

The adoption of the new lease accounting standard had no impact on the Organization's consolidated statement of financial position, operating results and cash flows.

Comparative financial information

The consolidated financial statements include prior year summarized comparative information in total, but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

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

Cash and cash equivalents

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

Investments

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

Fair value measurements

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

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are indirectly observable, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. There were no Level 2 or 3 assets or liabilities for the years ended June 30, 2023 and 2022.

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

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

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

Property and equipment

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

Impairment of long-lived assets

The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of June 30, 2023 and 2022, there were no events or changes in circumstances indicating that the carrying amount of property and equipment may not be recoverable.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2023 and 2022, and is included in accounts payable and accrued expenses in the consolidated statement of financial position. The accrued vacation balance as of June 30, 2023 and 2022 was $632,816 and $434,298, respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions receivable

Contributions receivable are recorded at their net realizable value. Contributions receivable which are due in more than one year have been discounted to the present value of their estimated future cash flows, if material to the consolidated financial statements. As of June 30, 2023 and 2022, a present value discount of $47,756 and $32,186 was recorded in the consolidated financial statements, respectively.

An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history and type of contribution. As of June 30, 2023 and 2022 , an allowance of $24,387 and $37,905 was recorded for doubtful accounts for contributions receivable in the consolidated financial statements, respectively.

Revenue recognition

Contributions are recorded at their fair value and are recognized as revenue when the donor makes an unconditional promise to give to the Club. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction. Net assets released from restriction represent the satisfaction of donor restrictions or the passage of time and the appropriation of previously unappropriated endowment earnings. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. There were no conditional promises as of June 30, 2023.

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

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

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

Special event revenue is recognized when the event occurs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions

The Organization records various types of in-kind contributions including food, professional services, supplies, rent, and other tangible assets. In-kind contributions are recorded at their fair market value as of the date of the donation (see Note 13).

Functional expenses

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

Income tax

The Club and the Foundation have been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue Taxation Code. In addition, the Club and the Foundation have been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

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

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2023 for potential recognition or disclosure in the consolidated financial statements. The Organization did not have subsequent events that required recognition or disclosure in the consolidated financial statements for the year ended June 30, 2023. Subsequent events have been evaluated through the date the consolidated financial statements became available to be issued, January 4, 2024.

5. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE

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

5. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE (continued)

Investments include endowment funds consisting of donor-restricted endowments and board-designated quasi-endowments. Unless otherwise stated by donors, income from donor-restricted endowments is restricted until appropriated in accordance with the California version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and, therefore, is not available for general expenditure until appropriated. As described in Note 16, the Club's endowment has a spending rate of up to 5% of the market value of the portfolio as calculated on a 3-year rolling average and the Foundation's endowment has a spending rate generally up to 4% for operations.

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

Short-term contributions receivable consists of contributions receivable expected to be received within one year from June 30, 2023. Unrestricted short-term contributions receivable will be available to support general operations of the Organization.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2023 to fund general expenditures and other obligations as they become due:

Financial assets	
Cash and cash equivalents	$ 12,984,308
Accounts receivable, net	192,718
Contributions receivable	4,453,063
Investments	28,339,012
	45,969,101
Less: portion not available for current use:	
Board-designated maintenance reserve	(334,021)
Board-designated operating reserve ($8,750,000 less planned release for next year $3,250,000)	(5,500,000)
Board-designated quasi-endowment - Club	(4,606,147)
Board-designated quasi-endowments - Foundation	(1,577,960)
Net assets restricted for a specified purpose	(4,997,636)
Net assets restricted to the passage of time ($3,787,200 less amount collectible in next year $2,882,000)	(905,200)
Unappropriated earnings on endowment - Club	(2,545,722)
Perpetual endowment - Club	(1,925,000)
Unappropriated earnings on endowment - Foundation	(649,505)
Perpetual endowment - Foundation	(3,614,938)
	(26,656,129)
	$ 19,312,972

5. INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE (continued)

As of June 30, 2023, the Organization had $19,312,972 of financial assets available within one year of the consolidate statement of financial position date to meet cash needs for general expenditures. In addition, the board-designated maintenance reserve of $334,021, board-designated operating reserve of $5,500,000, and board-designated quasi-endowments of $6,184,107 could be made available if needed.

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2023	2022
Contributions receivable	$ 4,525,206	$ 4,722,796
Less:		
Allowance for doubtful contributions receivable	(24,387)	(37,905)
Discount on contributions receivable	(47,756)	(32,186)
	(72,143)	(70,091)
	$ 4,453,063	$ 4,652,705

Contributions receivable are expected to be collected as follows as of June 30, 2023:

Contributions receivable due in one year or less	$ 2,978,819
Contributions receivable due in one to five years	1,474,244
	$ 4,453,063

7. DONATED RENT RECEIVABLE

On March 1, 2023, the Club entered into a Lease Agreement with City of South San Francisco (the "City") for authorized use of the City's Premises. The Club shall pay to the City rent in the amount of $1 per year. The lease is scheduled to expire on October 1, 2025, and has an extension option up to three times for period of one year each upon the same terms and conditions set in the Lease Agreement upon written request to City and approval of a Renewal Term by the City.

The Club recognized the benefit of this lease agreement as donated rent receivable. The Club established the fair market value of the rent under the agreement, including extensions, at approximately $131,100 per year for a total of $743,000 for the lease term. The Club estimated the discount rate of net present value of the future contribution to be 9%, which was estimated based on a low end of the range for land leases in the general area of 7% plus an increase of 200 basis points to account for the uncertainty associated with renewal for the three renewal periods. Based on the lease commencement date of March 1, 2023, the Club recognized $42,500 as rent expense for the year ended June 30, 2023.

7. DONATED RENT RECEIVABLE (continued)

Donated rent receivable consisted of the following:

Year ending June 30,		
2024	$	127,500
2025		127,900
2026		129,600
2027		132,700
2028		136,600
Thereafter		46,200
		700,500
Less: discount		(166,200)
Donated rent receivable, net of discount		534,300
Current portion		(79,400)
	$	454,900

8. INVESTMENTS

Investments consisted of the following:

	2023	2022
Endowment investments	$ 14,919,272	$ 8,267,429
Non-endowment investments	13,419,740	12,256,375
	$ 28,339,012	$ 20,523,804

8. INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Club's and the Foundation's investments at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Fair Value
The Club				
Money market fund	$ 157,747	$ -	$ -	$ 157,747
U.S. fixed income fund	8,811,595	-	-	8,811,595
Non-U.S. fixed income fund	1,461,843	-	-	1,461,843
U.S. equity fund	7,311,545	-	-	7,311,545
Non-U.S. equity fund	4,753,879	-	-	4,753,879
	22,496,609	-	-	22,496,609
The Foundation				
Cash and cash equivalents	41,619	-	-	41,619
U.S. fixed income fund	2,236,445	-	-	2,236,445
U.S. equity fund	1,955,174	-	-	1,955,174
Non-U.S. equity fund	1,609,165	-	-	1,609,165
	5,842,403	-	-	5,842,403
	$ 28,339,012	$ -	$ -	$ 28,339,012

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

	Level 1	Level 2	Level 3	Fair Value
The Club				
Money market funds	$ 152,020	$ -	$ -	$ 152,020
U.S. fixed income fund	8,732,980	-	-	8,732,980
Non-U.S. fixed income fund	1,457,978	-	-	1,457,978
U.S. equity fund	6,041,572	-	-	6,041,572
Non-U.S. equity fund	4,139,254	-	-	4,139,254
	20,523,804	-	-	20,523,804
	$ 20,523,804	$ -	$ -	$ 20,523,804

8. INVESTMENTS (continued)

Investment income (loss) consisted of the following:

	2023	2022
Net realized and unrealized gains (losses)	$ 915,777	$ (3,633,868)
Interest and dividends	780,048	519,576
	1,695,825	(3,114,292)
Investment expenses	(13,011)	(4)
	$ 1,682,814	$ (3,114,296)

9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	2023	2022
Buildings	$ 14,254,604	$ 14,254,604
Leasehold improvements	3,334,590	1,367,742
Office equipment	680,839	680,839
Computer equipment	634,906	628,806
Automobiles	597,768	423,299
	19,502,707	17,355,290
Residential property		
Building	2,695,606	2,695,606
Land	1,754,394	1,754,394
	4,450,000	4,450,000
Less: accumulated depreciation and amortization	(10,624,799)	(9,558,198)
	$ 13,327,908	$ 12,247,092

Depreciation and amortization expense totaled $1,066,600 and $845,364 for the years ended June 30, 2023 and 2022, respectively.

10. PENSION PLAN

The Club has made available, to qualified employees, a 401(k)-safe harbor plan. This plan includes a non-elective employer contribution of 3% of eligible participants' compensation and the Club can elect to make an additional discretionary contribution that vests over 3 years. Employees are eligible to participate in the plan after 90 days of employment. For the years ended June 30, 2023 and 2022, total pension expense was $942,368 and $786,443, respectively.

11. COMMITMENTS AND CONTINGENCIES

Leases

The Club has entered into several exchange agreements to lease its facilities at Menlo Park, Redwood City and East Palo Alto from various municipalities where the facilities are situated. These exchange agreements require the Club to perform certain duties and provide joint use of the facilities in return for lease payments of $1 per year. In addition, the buildings and improvements, constructed by the Club, will revert to the municipalities in the event the Club abandons the premises, which is not deemed probable by management, or at lease termination. The leases run from 35 years (June 2033) to 66 years (May 2064) with options to renew. Lease payments are recognized as expense annually and the buildings and improvements are included in property and equipment in accompanying consolidated statement of financial position. Additionally, as part of a transfer agreement, as acknowledged in Note 2, the Club has secured a three-year lease, with three one-year options to renew, in the amount of $1 per year, for the Clubhouse operated by Boys & Girls Clubs North San Mateo County and the lease agreement with the City of South San Francisco, which was executed on March 1, 2023 (see Note 7).

Legal matters

On or around November 15, 2022, the Club was served with a lawsuit. The plaintiff asserts claims, from the mid-1990s, for negligent hiring, supervision, and retention and negligence per se. The plaintiff seeks an award of unspecified general and special damages, cost of suit, and pre- and post-judgment interest. Other current liabilities includes $200,000 associated with this matter which represents management's current estimate of the loss that will ultimately be incurred.

12. CONCENTRATIONS OF RISK

Contributions receivable are due from various individuals and organizations which mitigate the risk associated therein. Three donors represent 60% of contributions receivable as of June 30, 2023. Six donors represent 79% of contributions receivable as of June 30, 2022.

13. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following:

	2023	2022
Food	$ 466,661	$ 8,942
Professional services	392,736	369,378
Program supplies	135,584	426,909
Rent	16,800	-
	$ 1,011,781	$ 805,229

13. IN-KIND CONTRIBUTIONS (continued)

Donated food from Second Harvest of Silicon Valley was valued ranging from $1.57 to $1.93 per pound for the year ended June 30, 2023. Donated food from Second Harvest of Silicon Valley was valued at $1.92 per pound for the year ended June 30, 2022. The valuation is based on a cost study conducted for Feeding America. Donated professional services consist primarily of pro bono coaching hours for the programs and pro bono legal services associated with the acquisitions (see Note 2). The value of these professional services is measured using the estimated hourly rate for the coaches and attorneys providing the services. Donated program supplies consist of supplies contributed by donors for use by the Club's program, and are valued at the price paid by the donor to acquire the supplies. Donated rent consists of facilities rented to the Club valued based on the rent price for comparable space in the general area on the date of contribution.

14. RELATED PARTY TRANSACTIONS

Contributions received from members of the Club's Board of Directors, officers, advisory council members, their foundations and companies totaled approximately $6,300,000 or 42% of total contribution revenue for the year ended June 30, 2023. Contributions received from members of the Club's Board of Directors, officers, advisory council, their foundations and companies totaled approximately $4,570,000 or 22% of total contribution revenue for the year ended June 30, 2022.

In addition, the CEO of the Club entered into a Residential Lease Agreement starting in 2016 for the property that the Club purchased on June 22, 2022. The most recent lease term was month to month and monthly rent was $4,800. The Club continues to rent the property to the CEO at the same rate of $4,800 per month. The Club recognized rental income of $57,600 for the year ended June 30, 2023 and $1,440 for the period from the purchase date to June 30, 2022.

15. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	Balance at June 30, 2022	Additions	Releases	Balance at June 30, 2023
Program services	$ 4,246,636	$ 6,006,293	$ (5,255,293)	$ 4,997,636
Pledges, time restricted	2,304,000	3,150,000	(1,666,800)	3,787,200
Unappropriated earnings on endowment - Club	2,147,040	398,682	-	2,545,722
Perpetual endowment - Club	1,925,000	-	-	1,925,000
Unappropriated earnings on endowment - Foundation	-	753,511	(104,006)	649,505
Perpetual endowment - Foundation	-	3,614,938	-	3,614,938
	$ 10,622,676	$ 13,923,424	$ (7,026,099)	$ 17,520,001

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

General support released from time restrictions	$ 1,666,800
Program related released from purpose restrictions	
Legacy programs	1,585,510
Sports League	850,477
Site Specific	640,533
Mental Health	554,227
Building Readers	441,788
COVID-19	377,146
Future Grads	353,413
K-8 Program	274,777
Career Pathway Program	64,000
Student and Family Assistance	60,922
Student food	52,500
	5,255,293
Appropriation of earnings on endowment	104,006
	$ 7,026,099

16. ENDOWMENT

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

Interpretation of relevant law

The Organization's Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual endowment is classified as unappropriated earnings on endowment until those amounts are appropriated for expenditure by the Club and the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Organization

(7) The investment policies of the Organization

Return objectives and risk parameters

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

16. ENDOWMENT (continued)

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2023 and 2022.

Strategies employed for achieving objectives

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

Spending policy

The Club is expecting to provide annual distributions of 5% of the market value of the portfolio as calculated on a 3-year rolling average. There was no distribution taken during the years ended June 30, 2023 and 2022. The Foundation has a policy of appropriating a portion of endowment earnings (generally up to 4%) for operations. The investment managers are required to invest funds so as to ensure that required distributions of income or principal are met.

16. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions: Unappropriated Earnings on Endowment	With Donor Restrictions: Perpetual Endowment	Total
The Club				
Board-designated endowment funds	$ 4,606,147	$ -	$ -	$ 4,606,147
Donor-restricted endowment funds	-	2,545,722	1,925,000	4,470,722
	4,606,147	2,545,722	1,925,000	9,076,869
The Foundation				
Board-designated endowment funds	1,577,960	-	-	1,577,960
Board-designated endowment funds	-	649,505	3,614,938	4,264,443
	1,577,960	649,505	3,614,938	5,842,403
	$ 6,184,107	$ 3,195,227	$ 5,539,938	$ 14,919,272

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

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

16. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2023 is as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Earnings on Endowment	Perpetual Endowment	Total
Balance, June 30, 2022	$ 4,195,389	$ 2,147,140	$ 1,925,000	$ 8,267,529
Investment income				
Net realized and unrealized gains	260,872	170,323	-	431,195
Interest and dividends	133,909	184,128	-	318,037
Total investment income, net	394,781	354,451	-	749,232
Endowment funds from consolidation (see Note 3)	1,593,937	797,742	3,614,938	6,006,617
Appropriation of net assets	-	(104,006)	-	(104,006)
	1,988,718	1,048,187	3,614,938	6,651,843
Balance, June 30, 2023	$ 6,184,107	$ 3,195,327	$ 5,539,938	$ 14,919,372

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

		With Donor Restrictions		
	Without Donor Restrictions	Unappropriated Earnings on Endowment	Perpetual Endowment	Total
Balance, June 30, 2021	$ 4,909,916	$ 2,840,560	$ 1,925,000	$ 9,675,476
Investment loss				
Net realized and unrealized losses	(822,225)	(798,051)	-	(1,620,276)
Interest and dividends	107,698	104,631	-	212,329
Total investment loss, net	(714,527)	(693,420)	-	(1,407,947)
Balance, June 30, 2022	$ 4,195,389	$ 2,147,140	$ 1,925,000	$ 8,267,529

17. RISKS AND UNCERTAINTIES

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