

**BOYS AND GIRLS CLUBS
OF THE MIDLANDS**

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022
(WITH INDEPENDENT AUDITOR'S REPORT)



FRANKEL

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Boys and Girls Clubs of the Midlands
Omaha, Nebraska:

Opinion

We have audited the accompanying financial statements of Boys and Girls Clubs of the Midlands (a nonprofit organization) which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of the Midlands as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits 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 Boys and Girls Clubs of the Midlands 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 Boys and Girls Clubs of the Midlands' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Clubs of the Midlands' 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024, on our consideration of Boys and Girls Clubs of the Midlands' 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 Boys and Girls Clubs of the Midlands' 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 Boys and Girls Clubs of the Midlands' internal control over financial reporting and compliance.

FRANKE, LLC

Omaha, Nebraska
December 6, 2024

BOYS AND GIRLS CLUBS OF THE MIDLANDS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31	2023	Restated 2022
ASSETS		
Cash	\$ 588,157	900,182
Investments (Notes 3, 6 and 13)	20,158,324	19,390,670
Receivables		
United Way of the Midlands	233,333	197,500
Grants	1,084,135	578,308
Other	9,707	136,453
Pledges, net (Note 4)	4,212,171	3,221,728
Total receivables	5,539,346	4,133,989
Cash restricted for capital projects	280,028	592,821
Equipment lease right of use assets, net (Note 10)	381,422	494,774
Land, buildings and equipment, net (Note 7)	12,340,510	9,707,040
Intangible assets, net (Note 8)	11,247,367	11,798,562
Other	105,098	21,913
TOTAL ASSETS	\$ 50,640,252	47,039,951
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 390,757	476,013
Construction costs payable	358,677	127,656
Funds held for others	98,205	69,206
Refundable advances - grants	192,985	301,554
Other	35,000	420,102
Finance lease obligations (Note 10)	365,464	465,397
Total liabilities	1,441,088	1,859,928
Net assets		
Without donor restrictions		
Undesignated	20,934,124	21,576,926
Board-designated endowment	7,167,039	6,585,341
Total without donor restrictions	28,101,163	28,162,267
With donor restrictions (Note 12)	21,098,001	17,017,756
Total net assets	49,199,164	45,180,023
TOTAL LIABILITIES AND NET ASSETS	\$ 50,640,252	47,039,951

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF THE MIDLANDS

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions - Cash and other financial assets	\$ 3,190,574	4,592,246	7,782,820
Grants - Indirect federal	1,026,993	---	1,026,993
Grants - Other	1,950,232	74,523	2,024,755
Contributions - Nonfinancial assets	1,354,481	---	1,354,481
Allocated by United Way of the Midlands	200,000	200,000	400,000
Membership dues, fees, and incidental charges	258,109	---	258,109
Investment income, net	929,193	1,430,148	2,359,341
Special fundraising events (net of direct expenses of \$206,467)	1,397,223	---	1,397,223
PPP loan forgiveness	---	---	---
Rental and miscellaneous	73,539	---	73,539
Total revenues, gains and other support	10,380,344	6,296,917	16,677,261
Net assets released from restrictions (Note 12)	2,216,672	(2,216,672)	---
Functional expenses			
Program services			
Basic needs	3,977,216	---	3,977,216
Ready to learn	6,165,397	---	6,165,397
Ready to work	146,934	---	146,934
Total program services	10,289,547	---	10,289,547
Supporting services			
Management and general	1,724,050	---	1,724,050
Fundraising	644,523	---	644,523
Total supporting services	2,368,573	---	2,368,573
Total functional expenses	12,658,120	---	12,658,120
INCREASE IN NET ASSETS	(61,104)	4,080,245	4,019,141
Net assets at beginning of year	28,162,267	17,017,756	45,180,023
NET ASSETS AT END OF YEAR	\$ 28,101,163	21,098,001	49,199,164

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF THE MIDLANDS

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022 (Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions - Cash and other financial assets	\$ 2,482,648	3,651,692	6,134,340
Grants - Indirect federal	1,185,657	---	1,185,657
Grants - Other	1,545,856	190,773	1,736,629
Contributions - Nonfinancial assets	1,380,538	---	1,380,538
Allocated by United Way of the Midlands	197,498	200,000	397,498
Membership dues, fees, and incidental charges	215,815	---	215,815
Investment loss, net	(1,144,194)	(1,374,544)	(2,518,738)
Special fundraising events (net of direct expenses of \$186,917)	1,174,261	---	1,174,261
PPP loan forgiveness	745,933	---	745,933
Rental and miscellaneous	19,519	---	19,519
Total revenues, gains and other support	7,803,531	2,667,921	10,471,452
Net assets released from restrictions (Note 12)	1,969,063	(1,969,063)	---
Functional expenses			
Program services			
Basic needs	3,699,872	---	3,699,872
Ready to learn	6,565,537	---	6,565,537
Ready to work	155,145	---	155,145
Total program services	10,420,554	---	10,420,554
Supporting services			
Management and general	1,466,176	---	1,466,176
Fundraising	739,179	---	739,179
Total supporting services	2,205,355	---	2,205,355
Total functional expenses	12,625,909	---	12,625,909
INCREASE (DECREASE) IN NET ASSETS	(2,853,315)	698,858	(2,154,457)
Net assets at beginning of year	31,015,582	16,318,898	47,334,480
NET ASSETS AT END OF YEAR	\$ 28,162,267	17,017,756	45,180,023

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF THE MIDLANDS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Services				Supporting Services			Total Functional Expenses
	Basic Needs	Ready to Learn	Ready to Work	Total	Management and General	Fundraising	Total	
Salaries	\$ 1,411,475	2,636,308	86,942	4,134,725	834,881	478,336	1,313,217	5,447,942
Employee benefits	201,003	436,583	4,815	642,401	129,469	69,905	199,374	841,775
Payroll taxes	105,165	191,520	5,897	302,582	55,909	35,117	91,026	393,608
Total employee compensation	1,717,643	3,264,411	97,654	5,079,708	1,020,259	583,358	1,603,617	6,683,325
Specific assistance to individuals	365,234	322,808	166	688,208	---	---	---	688,208
Professional fees and contract service payments	30,200	43,961	666	74,827	298,352	12,078	310,430	385,257
Awards and grants	6,907	107,396	2,679	116,982	---	1,589	1,589	118,571
Supplies	178,813	611,006	22,528	812,347	63,044	6,128	69,172	881,519
Telephone	32,538	51,630	260	84,428	33,760	5,615	39,375	123,803
Occupancy	702,053	714,142	---	1,416,195	61,407	---	61,407	1,477,602
Insurance	130,221	124,292	277	254,790	42,017	1,349	43,366	298,156
Printing	2,736	4,468	430	7,634	13,017	7,475	20,492	28,126
Student transportation and meetings	60,182	122,325	11,601	194,108	13,081	1,461	14,542	208,650
Conferences, conventions, meetings, and major trips	22,997	19,913	---	42,910	44,263	11,461	55,724	98,634
Rental and maintenance	16,812	17,753	518	35,083	3,376	1,409	4,785	39,868
Equipment	15,074	117,083	1,638	133,795	11,205	2,225	13,430	147,225
National dues	---	---	---	---	28,058	---	28,058	28,058
Miscellaneous	17,458	15,577	129	33,164	14,389	3,460	17,849	51,013
Expenses before depreciation	3,298,868	5,536,765	138,546	8,974,179	1,646,228	637,608	2,283,836	11,258,015
Depreciation and amortization	678,348	628,632	8,388	1,315,368	77,822	6,915	84,737	1,400,105
Total expenses	\$ 3,977,216	6,165,397	146,934	10,289,547	1,724,050	644,523	2,368,573	12,658,120

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF THE MIDLANDS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services				Supporting Services			Total Functional Expenses
	Basic Needs	Ready to Learn	Ready to Work	Total	Management and General	Fundraising	Total	
Salaries	\$ 1,284,990	3,114,866	89,413	4,489,269	722,470	529,669	1,252,139	5,741,408
Employee benefits	223,155	420,476	9,733	653,364	102,859	88,149	191,008	844,372
Payroll taxes	92,974	224,099	6,546	323,619	56,961	35,991	92,952	416,571
Total employee compensation	1,601,119	3,759,441	105,692	5,466,252	882,290	653,809	1,536,099	7,002,351
Specific assistance to individuals	302,569	437,365	3,254	743,188	---	---	---	743,188
Professional fees and contract service payments	21,256	39,200	456	60,912	235,703	30,230	265,933	326,845
Awards and grants	20,001	68,062	26,300	114,363	8,664	849	9,513	123,876
Supplies	53,894	635,035	6,281	695,210	113,828	7,129	120,957	816,167
Telephone	15,483	52,603	950	69,036	35,262	6,322	41,584	110,620
Occupancy	661,067	585,648	---	1,246,715	21,610	---	21,610	1,268,325
Insurance	132,404	141,845	207	274,456	17,948	3,143	21,091	295,547
Printing	599	887	---	1,486	25,281	19,804	45,085	46,571
Student transportation and meetings	91,119	140,929	6,587	238,635	2,437	4,097	6,534	245,169
Conferences, conventions, meetings, and major trips	13,427	15,767	19	29,213	592	2,962	3,554	32,767
Rental and maintenance	20,300	27,153	196	47,649	22,963	1,402	24,365	72,014
Equipment	11,834	17,689	4,464	33,987	4,823	5,217	10,040	44,027
National dues	---	---	---	---	29,201	---	29,201	29,201
Miscellaneous	2,422	8,850	140	11,412	10,589	2,619	13,208	24,620
Expenses before depreciation	2,947,494	5,930,474	154,546	9,032,514	1,411,191	737,583	2,148,774	11,181,288
Depreciation and amortization	752,378	635,063	599	1,388,040	54,985	1,596	56,581	1,444,621
Total expenses	\$ 3,699,872	6,565,537	155,145	10,420,554	1,466,176	739,179	2,205,355	12,625,909

See accompanying notes to financial statements.

BOYS AND GIRLS CLUBS OF THE MIDLANDS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31	2023	Restated 2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 4,019,141	(2,154,457)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	1,400,105	1,444,621
Net realized and unrealized (gain) loss on investments	(1,845,092)	2,841,117
Contributions restricted for capital projects	(2,998,025)	(3,577,728)
Contributions restricted for scholarships and programs	(401,613)	(88,050)
(Increase) decrease in operating assets:		
Receivables:		
United Way of the Midlands	(35,833)	10,000
Grants	(505,827)	271,973
Other	126,746	(136,453)
Pledges	(1,292,570)	(140,000)
Other	(83,185)	923
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(107,695)	213,999
Funds held for others	28,999	10,415
Refundable advances - grants	(108,569)	(83,373)
Other	(385,102)	365,000
Paycheck protection program refundable advance	---	(745,933)
Net cash used by operating activities	(2,188,520)	(1,767,946)
Cash flows from investing activities:		
Acquisition of building and equipment	(3,115,568)	(195,026)
Purchase of investments	(12,636,304)	(2,942,452)
Proceeds from sale of investments	13,713,742	2,491,256
Net cash used by investing activities	(2,038,130)	(646,222)
Cash flows from financing activities:		
Contributions restricted for capital projects	3,300,152	950,000
Contributions restricted for scholarships and programs	401,613	88,050
Principal payments on finance lease obligations	(99,933)	(103,583)
Net cash provided by financing activities	3,601,832	934,467
NET DECREASE IN CASH AND RESTRICTED CASH	(624,818)	(1,479,701)
Cash and restricted cash at beginning of year	1,493,003	2,972,704
Cash and restricted cash at end of year	\$ 868,185	1,493,003
Non-cash investing and financing activity:		
Equipment acquired by capital lease	\$ ---	328,688
Building and equipment or construction costs in accounts payable	381,117	127,656
Supplemental data:		
Interest paid	16,129	14,487
See accompanying notes to financial statements.		

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Boys and Girls Clubs of the Midlands (the Club) provides youth development programs and opportunities as Boys and Girls Clubs of Omaha, Boys and Girls Clubs of Carter Lake and Boys and Girls Clubs of Council Bluffs.

The Club is a not-for-profit organization established to inspire and enable all young people, especially those who need us most, to realize their full potential as productive, responsible, healthy and caring citizens.

The Club provides programs in three core areas:

- Basic needs – Food. Shelter. Healthcare. Safety. These are some of life’s most basic needs. Without resources to meet them, young people struggle to survive, let alone succeed. The Club provides programs that help the most vulnerable members of our community who struggle to secure these basic services. Addressing basic needs will always be a key part of our mission.
- Ready to learn – Remove the barriers that local children face in learning and help them build skills that lead to school success.
- Ready to work – Collaborate with other community organizations to provide young adults with a choice of high-quality paths to train for and join the workforce.

1. Summary of Significant Accounting and Reporting Policies

A. Basis of Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and specifically with Accounting Standards Codification (ASC) section 958, Not-for-Profit Entities, issued by the Financial Accounting Standards Board (FASB). Net assets are classified as without donor restrictions and with donor restrictions, defined as follows:

The use of net assets without donor restrictions is not limited by donor-imposed stipulations and are, therefore, available for general operations.

Net assets with donor restrictions result from contributions and revenues the use of which is limited by donor or grant-imposed stipulations that are more specific than broad limits resulting from 1) the nature of the not-for-profit entity; 2) the environment in which it operates; and 3) the purposes specified in its articles of incorporation or by-laws or comparable documents.

B. Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Estimates and assumptions affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Because of the inherent uncertainties in this process, it is likely that actual results will vary from the estimates.

The Club invests in securities exposed to interest rate, market and credit risks. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position and activities.

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting and Reporting Policies - Continued

C. Cash and Restricted Cash

The following table provides a reconciliation of cash and restricted cash at December 31 reported in the statements of financial position that sum to the total shown on the statements of cash flows.

	2023	2022
Cash	\$ 588,157	900,182
Cash restricted for capital projects	280,028	592,821
Total cash and restricted cash as presented in the Statements of Cash Flows	\$ 868,185	1,493,003

D. Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in the fair value of investments are reported in the statement of activities. Dividends and interest are recognized as earned.

E. Land, Buildings and Equipment

Land, buildings and equipment are reported at cost or the fair value of donated items at the time of donation. Assets with a cost exceeding \$2,000 and an estimated life of more than one year are capitalized. Depreciation is computed by the straight-line method over estimated useful lives.

Land improvements	10 to 15 years
Buildings and improvements	5 to 50 years
Furniture, fixtures, and equipment	3 to 15 years
Automobiles	5 years

F. Leases

The Club determines if an arrangement is a lease at inception, and further classifies each lease as an operating or finance lease. Financing leases are presented as equipment financing lease right-of-use assets and finance lease obligations on the statement of financial position. The Club does not have any significant operating leases.

Right-of-use assets represent the Club's right to use an underlying asset for the lease term and lease liabilities represent the Club's obligation to make lease payments arising from the lease. Finance lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The finance lease right-of-use assets also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that they will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

G. Contributions

Contributions are recognized as revenue when cash, securities or other assets, including unconditional promise to give are received from a donor. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return are recognized as revenue when the conditions upon which they depend are substantially met.

Continued

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting and Reporting Policies – Continued

G. Contributions - Continued

The Club recognizes contributions as support with donor restrictions if they are subject to donor stipulations that limit the use of the donated assets. When donor restrictions are satisfied, net assets with donor restrictions are reclassified to without donor restrictions and reported in the statement of activities as "net assets released from restrictions". Contributions received with donor-imposed restrictions that are satisfied in the same year the contribution is received are reported as revenues without donor restrictions.

Contributions of nonfinancial assets, including in-kind rent for use of facilities, internet and other professional services, are reported at fair value on the date received.

H. Grant Revenue

Grant revenue is recognized in accordance with grant terms. Cost reimbursement grants are considered conditional contributions and revenue is recognized as the Club incurs allowable qualifying expenses and bills the respective grantor. Unearned grant advances are presented as refundable advances in the statements of financial position. All grant receivables are considered fully collectible by Club management.

I. Contributed Services

Volunteers contributed approximately 4,000 and 2,500 hours of services to the Club in 2023 and 2022, respectively. The value of such services is not reported, as these services do not require specialized skills.

J. Exchange Transaction Revenue

The Club recognizes exchange transaction revenue from the following sources:

- Membership dues, fees, and incidental charges
- Special fundraising events

The Club charges school-aged youth annual membership dues of \$30 for access to the Clubs. Dues are recognized as revenue over time in the applicable calendar year. In addition, the Club charges fees for early arrival at the facility after school, summer camp, sports, and other activities which are recognized at the point in time the service is provided. The performance obligation for each service is completed within the same reporting period, thus there are no receivables, prepaid membership dues or fees that would be considered a liability.

Special fundraising events are held throughout the year in which a portion of the gross proceeds received from participants represents payment for the direct cost of benefits received by event participants. Generally, the fair value of the direct benefit received is measured at the actual direct cost to the Club. The event fee is set by Club management and is recognized at a point in time when the event is held. The fee net of direct expenses is presented as special fundraising events revenue on the statement of activities.

K. Income Taxes

The Club is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no taxes are included in these financial statements.

Continued

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting and Reporting Policies - Continued

K. Income Taxes - Continued

Accounting standards require disclosure and recognition in financial statements of positions taken in a tax return about the treatment of transactions and events that more likely than not would not be sustained upon examination by tax authorities. Tax positions relative to a not-for-profit organization include activities that may endanger its exempt purpose and status as an exempt organization. The Club believes it complies with all relevant tax laws and regulations and has no significant uncertain tax positions. Therefore, no liability for uncertain taxes has been recorded in the financial statements.

L. Functional Expenses

The financial statements report expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services. In addition, building and technology costs are allocated based on usage of space and equipment.

M. Subsequent Events

Management evaluated transactions and events occurring subsequent to December 31, 2023, and through December 6, 2024, the date the financial statements were available to be issued, to determine whether any events should be recognized or disclosed in these statements. There were no material transactions or events in the subsequent period requiring disclosure or recognition in the statements, other than as disclosed in Note 20.

2. Liquidity and Availability of Funds

The Club's financial assets available for general expenditure within one year of the statement of financial position date, are as follows:

	2023	2022
Total assets at year-end	\$ 50,794,523	47,039,951
Less:		
Investments including:		
Board-designated endowment	(7,167,039)	(6,585,341)
Other endowments	(8,596,554)	(7,582,465)
Restricted for capital projects	(4,394,731)	(5,222,864)
Pledges receivable	(4,357,171)	(3,221,728)
Cash restricted for capital projects	(280,028)	(592,821)
Equipment right of use assets	(381,422)	(494,774)
Land, buildings and equipment, net	(12,340,510)	(9,707,040)
Intangible assets, net	(11,247,367)	(11,798,562)
Other	(105,098)	(21,913)
Total financial assets available for general expenditures as of year-end	\$ 1,924,603	1,812,443

The Club's endowment funds consist primarily of donor-restricted endowments to support Club activities and operations. Income from all endowment funds is subject to appropriation by the board.

Continued

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

2. Liquidity and Availability of Funds - Continued

As part of the Club's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Club has a borrowing capacity on its line of credit in the amount of \$600,000, which it could draw upon. In 2023, the Club initiated a five-year drawdown of \$4 million of the Clubs & You capital campaign funding. The purpose of this drawdown is to support operations of the Club expansion, which was the intended purpose for a portion of the Clubs & You capital campaign's funding. Additionally, the Club has board-designated endowment funds of \$7.1 million at December 31, 2023. Although the Club does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual appropriation process, amounts from its board-designated endowment could be made available if necessary.

3. Fair Value Measurements

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Club has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodology could produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Club believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Continued

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

3. Fair Value Measurements – Continued

The following tables set forth by level, within the fair value hierarchy, the Club's assets at fair value as of December 31, 2023 and December 31, 2022.

Assets at Fair Value as of December 31, 2023

	Level 1	Level 2	Level 3	Total
Recurring measurements				
Investments:				
Money market funds	\$ 2,573,266	--	--	2,573,266
Mutual and exchange traded funds				
Bond	3,794,912	--	--	3,794,912
Domestic equity	7,078,303	--	--	7,078,303
International equity	2,720,230	--	--	2,720,230
Corporate bonds	2,515,080	--	--	2,515,080
Common stock	142,664	--	--	142,664
	<u>\$ 18,824,455</u>	<u>--</u>	<u>--</u>	<u>18,824,455</u>
Investment fund measured at net asset value (1)				<u>1,333,869</u>
Total investments				<u>\$ 20,158,324</u>
Nonrecurring measurements				
New pledges receivable	\$ --	--	2,581,095	2,581,095

Assets at Fair Value as of December 31, 2022

	Level 1	Level 2	Level 3	Total
Recurring measurements				
Investments:				
Money market funds	\$ 5,701,505	--	--	5,701,505
Mutual and exchange traded funds				
Bond	3,102,471	--	--	3,102,471
Domestic equity	6,772,401	--	--	6,772,401
International equity	2,379,071	--	--	2,379,071
Common stock	185,340	--	--	185,340
	<u>\$ 18,140,788</u>	<u>--</u>	<u>--</u>	<u>18,140,788</u>
Investment fund measured at net asset value (1)				<u>1,249,882</u>
Total investments				<u>\$ 19,390,670</u>
Nonrecurring measurements				
New pledges receivable	\$ --	--	3,081,728	3,081,728

New pledges receivable are measured at fair value as of December 31, 2023 and 2022 by discounting anticipated future cash flows.

(1) In accordance with FASB ASC 820-10, certain investments that were measured at net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to investments at fair value presented on the balance sheet.

Continued

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

3. Fair Value Measurements – Continued

Fair Value of Investments in Entities That Use Net Asset Value Per Share

The investment fund's investment strategy is to allocate its assets among various investment strategies in an effort to generate long-term positive returns with a low correlation to equity markets. The following table summarizes investments measured at fair value based on net asset value per share:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
December 31, 2023				
Investment fund	\$ 1,333,869	n/a	Annually	120 days
December 31, 2022				
Investment fund	\$ 1,249,882	n/a	Annually	120 days

4. Pledges Receivable

During 2022, the Club initiated a capital campaign with the goal of raising approximately \$6.5 million to provide for the construction of a new club facility at Carter Lake. The Club has received unconditional promises to give (pledges) for the campaign and other pledges for multi-year operational support. A discount rate of 4.50%, which approximates an appropriate risk-free rate adjusted for risks related to collection at the time of the pledges, was used to determine present value. Capital campaign pledges receivable recognized for promises to give include the following:

Less than one year	\$ 2,875,000
One to five years	1,570,000
	4,445,000
Less allowance	145,000
Less discount to present value	87,829
Net pledges receivable	\$ 4,212,171

5. Conditional Contributions

As of December 31, 2023, there were unrecognized conditional contributions of \$400,000 for "The Club" Teen Center Program operation. In addition, approximately \$408,000 is available under current cost-reimbursement grants for future expenses. There is also a \$200,000 operating grant that is conditional upon securing matching funds in 2024.

6. Investments

	<u>Cost</u>	<u>Net Unrealized</u>		<u>Fair Value</u>
		<u>Gain</u>	<u>Loss</u>	
Money market funds	\$ 2,573,266	--	--	2,573,266
Mutual and exchange traded funds				
Bond	4,038,540	--	(243,628)	3,794,912
Domestic equity	4,104,684	2,973,619	--	7,078,303
International equity	2,639,837	80,393	--	2,720,230
Corporate bonds	2,495,204	19,876	--	2,515,080
Common stock	23,016	119,648	--	142,664
Investment fund	899,989	433,880	--	1,333,869
Balance at December 31, 2023	\$ 16,774,536	3,627,416	(243,628)	20,158,324
Balance at December 31, 2022	\$ 17,453,556	2,528,328	(591,214)	19,390,670

Continued

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

7. Land, Buildings and Equipment

	2023	2022
Land	\$ 691,872	691,872
Land improvements	115,099	115,099
Buildings	16,325,856	16,209,417
Furniture and fixtures	3,488,449	3,290,461
Vehicles	690,248	690,248
Equipment and other	1,240,110	1,222,098
Pool	270,000	270,000
Construction in progress	3,187,155	160,085
	26,008,789	22,649,280
Less accumulated depreciation	13,668,279	12,942,240
Net land, buildings and equipment	\$ 12,340,510	9,707,040

Depreciation expense was \$727,097 and \$802,896 for the years ended December 31, 2023 and 2022, respectively.

8. Intangible Assets

In January 2009, the Club opened its Council Bluffs location at the Charles E. Lakin Human Services Campus (see Note 19). The Campus entities are required to participate in the cost of common property improvements. The Club's share of the common property improvements is \$665,000. The improvements are being amortized on a straight-line basis over 15 years.

The Club has various agreements with area school districts whereby the Club contributed to the cost of construction of the facilities and was given occupancy and use rights of the property in exchange. If the agreements are terminated by the owners, a portion of the original cost, that decreases over time, will be refunded. The costs of facility use are being amortized over the expected term of the agreements based on the applicable termination payment schedules. The intangible assets related to the agreements with Omaha Public Schools (OPS), Millard School District (Millard), and Westside School District (Westside) are summarized below.

	Expiration Year	2023			2022
		Cost	Accumulated Amortization	Net	Net
Council Bluffs Lakin Campus	2024	\$ 665,000	665,000	--	51,724
OPS Mount View Elementary	2057	1,300,000	900,000	400,000	450,000
OPS Florence Elementary	2067	2,223,306	512,809	1,710,497	1,802,496
Millard Central Middle School	2067	3,524,946	857,332	2,667,614	2,815,219
Westside Westbrook Elementary	2043	4,464,991	402,259	4,062,732	4,156,724
OPS Bryan Middle School	2068	2,917,600	516,364	2,401,236	2,522,399
Other	2025	9,519	4,231	5,288	--
				\$ 11,247,367	11,798,562

Amortization expense was \$559,656 and \$577,676 for the years ended December 31, 2023 and 2022, respectively.

Amortization costs related to these intangible assets over the next five years is expected to be as follows:

2024	\$ 675,265
2025	674,207
2026	672,092
2027	652,092
2028	617,438
Thereafter	7,956,273
	\$ 11,247,367

Continued

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

9. Debt

The Club has an unsecured \$600,000 revolving note payable with interest at the U.S. Prime Rate as published in the Wall Street Journal. The effective rate was 8.50% as of December 31, 2023. The agreement matured on May 31, 2024, but management expects to renew the agreement. There was no outstanding balance at December 31, 2023 or 2022.

10. Leasing Activities

The Club leases office equipment under two finance leases with remaining terms of approximately four and five years. The obligations are recorded at the present value of the minimum lease payments. The asset and liability were calculated using the discount rate implicit in the lease. The equipment is amortized over the life of the lease.

The following is a summary of equipment and components of lease expense under finance leases:

	2023	2022
Equipment	\$ 558,822	558,822
Accumulated amortization	(177,400)	(64,048)
	381,422	494,774
Amortization of right of use asset	113,352	65,690
Interest on lease liabilities	16,130	14,487

Other information related to leases was as follows for the years ending December 31:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases (Interest)	\$ 16,130	14,487
Financing cash flows from finance leases (Principal)	99,932	103,583
Lease assets obtained in exchange for lease obligations:	--	538,108
Weighted average remaining lease term:	3.42 years	4.41 years
Weighted average discount rate:	3.86%	3.93%

Minimum future payments under the leases are as follows:

	Amount
2024	\$ 116,062
2025	116,062
2026	107,608
2027	49,004
Total undiscounted cash flows	388,736
Less: present value discount	(23,272)
Total lease liability	\$ 365,464

11. Paycheck Protection Program Refundable Advance

In March 2021, the Club applied for and received a U.S. Small Business Administration loan in the amount of \$745,933 under the Paycheck Protection Program (PPP) of the Coronavirus Aid Relief and Economic Security (CARES) Act. The Club followed its contribution accounting policies and treated the advance as a liability until the barrier of forgiveness was satisfied. The loan was forgiven in full in 2022 and is recognized as income in the statement of activities.

Continued

BOYS AND GIRLS CLUBS OF THE MIDLANDS**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2023 AND 2022**

12. Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specific purpose:		
Capital campaign – Clubs and You	\$ 4,218,322	5,486,657
Capital campaign – Carter Lake Programs	6,700,998	3,421,642
	74,523	153,273
Subject to the passage of time:		
United Way	200,000	200,000
Operations	1,274,373	179,500
Subject to the Club's spending policy and appropriation:		
Scholarships	5,654,396	4,990,561
Scholarship administration	155,509	71,576
Programs	1,940,985	1,685,636
Capital projects	245,764	213,432
Other	126,681	109,029
Endowment funds restricted in perpetuity	506,450	506,450
	<u><u>\$ 21,098,001</u></u>	<u><u>17,017,756</u></u>

The following restrictions were satisfied during the years ended:

	<u>2023</u>	<u>2022</u>
Purpose	\$ 1,897,172	1,761,563
Time	319,500	207,500
	<u><u>\$ 2,216,672</u></u>	<u><u>1,969,063</u></u>

13. Endowments**Interpretation of Relevant Law**

The Board of Directors of the Club has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Club classifies as net assets with donor restrictions (a) the original value of initial and subsequent gift amounts donated to the donor-restricted endowment funds, and (b) any accumulations to the donor-restricted endowment funds that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Club has interpreted NUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In accordance with NUPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Continued

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

13. Endowments - Continued

Endowment Net Asset Composition by Type of Fund

	December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Perpetual in duration – original gift amount	\$ --	506,450	506,450
Other	--	8,090,104	8,090,104
Board-designated endowment funds	7,167,039	--	7,167,039
Total funds	\$ 7,167,039	8,596,554	15,763,593

	December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Perpetual in duration – original gift amount	\$ --	506,450	506,450
Other	--	7,076,016	7,076,016
Board-designated endowment funds	6,585,341	--	6,585,341
Total funds	\$ 6,585,341	7,582,466	14,167,807

Changes in Endowment Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2021	\$ 7,787,124	9,860,215	17,647,339
Investment return, net	(1,148,921)	(1,407,282)	(2,556,203)
Contributions	27,138	88,050	115,188
Appropriation of endowment assets for expenditure	(80,000)	(958,517)	(1,038,517)
Endowment net assets, December 31, 2022	\$ 6,585,341	7,582,466	14,167,807
Investment return, net	953,998	1,135,238	2,089,236
Contributions	12,720	320,901	333,621
Appropriation of endowment assets for expenditure	(385,020)	(442,051)	(827,071)
Endowment net assets, December 31, 2023	\$ 7,167,039	8,596,554	15,763,593

Strategies Employed for Achieving Objectives

The Club protects assets and preserves purchasing power by earning a total rate of return for each category of funds appropriate to each category's time horizon, liquidity needs and risk tolerance. Funds designated as reserves have objectives that emphasize safety, liquidity and yield. Funds with a long-term horizon are managed with a long-term total return objective, which will build value at a rate of the Consumer Price Index plus 3%-5% depending on the asset mix of the portfolio. Assets committed to equity securities are maintained at approximately 60% of total assets, with the remaining 40% committed to fixed income securities. The Club allows for a 10% plus or minus variance with these percentages.

Spending Policy and How the Investment Objectives Relate to Spending Guidelines

The Club sets an annual distribution rate up to 5% each year, to be determined through consultation between the Finance Committee and the administration of the Club. The spending rate will take into account the historic returns and forecasted economic conditions.

Continued

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

13. Endowments - Continued

Return Objectives and Risk Parameters

The Club has adopted investment and spending guidelines for endowment assets that attempt to preserve the principal and purchasing power of the endowment fund. Under these guidelines, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide a return on investment consistent with the spending policy and sufficient to increase the long-term value of the fund net of inflation. The Club's investment goal of the endowment fund is to maintain a rate of return at least equal to the distribution rate plus a rate of return that varies depending on the type of investment. Actual returns in any given year may vary from this amount.

Underwater Endowment Funds

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 NUPMIFA requires the Club to retain as a fund of perpetual duration. These deficiencies may result from unfavorable market fluctuations that occurred after the investment of donor-restricted endowment funds and appropriation for programs that was deemed prudent by the Board of Directors. There were deficiencies of approximately \$19,500 as of December 31, 2023.

Board Designations

Board-designated endowment funds are presented as net assets without donor restrictions. These funds are designated to support operations as needed.

14. Retirement Plans

Employees who have completed one year of service are eligible to participate in a defined contribution plan. Eligible employees may make elective contributions to the plan. The Club made discretionary contributions in 2023 and 2022 based on 5% of participant compensation. The Club also made mandatory matching contributions on employee deferrals up to 5% of compensation. Total Club contributions were \$299,438 and \$283,100 for 2023 and 2022, respectively.

Continued

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

15. Contributions – nonfinancial assets

Contributions of nonfinancial assets recognized in the statement of activities were for services and property. These contributions were not monetized by the Club other than the donated vehicle; however, after donated items are accepted, the Club retains the right to dispose of a gift as it sees fit, unless another arrangement has been made with the donor. There were no donor-imposed restrictions on the contributions. The Club operates club locations at a number of schools within the Omaha Public, Millard Public and Westside Community school districts as discussed in the intangible asset disclosure (Note 8) and the summary of significant accounting and reporting policies (Note 1.E). Further in-kind contributions relate to professional fees provided at no charge to the Club.

	2023	2022	Utilization in Programs	Valuation Techniques and Inputs
Professional fees	\$ 16,000	21,000	Management and General	Estimated costs for services provided as received from legal representatives including a board member.
Use of building	934,424	906,181	Basic Needs, Ready to Learn, Management and General	Estimated values of utility and occupancy expenses based on actual costs and square footage of shared space.
Internet fees	404,057	404,057	Ready to Learn	Estimated based on actual costs paid in the prior year.
Classic vehicle	--	49,300	n/a	Subsequent sales price
	\$ 1,354,481	1,380,538		

16. Construction Commitments

As part of the Club's capital campaign, work is in progress for the new building for the Carter Lake location. The Club has entered into a contract for approximately \$6,715,000. The costs incurred on the contract at December 31, 2023 were \$3,665,000.

17. Concentrations

The Club participates in federal and non-federal grant programs that are subject to review and audit by the grantor. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the Club.

The Club receives an annual award from the United Way. Notification of its award for July 2023 through June 2024 was received in June 2023. Subsequent funding is at the discretion of the United Way and is dependent on the United Way meeting its funding goals.

Grants receivable include approximately \$825,000 from two grantors. Indirect federal grant revenue includes approximately \$718,000 from two grantors and other grant revenue includes approximately \$1,235,000 from three grantors.

Pledges receivable include approximately \$2 million from three foundations.

The Club regularly maintains cash balances in excess of FDIC insured limits.

BOYS AND GIRLS CLUBS OF THE MIDLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

18. Related Party Transactions

The Club has various service agreements with entities controlled by members of the Board of Directors. These agreements were entered into prior to the members' election to the Board or with complete disclosure of the relationship to the Board. In the current year, the Club contracted with an entity controlled by a board member for construction services of approximately \$153,000. In addition, revenues received from members of the Board of Directors are reflected in the statement of activities.

19. Charles E. Lakin Human Services Campus

The Club and four other local not-for-profit entities are party to a cooperative agreement related to the construction and operation of the Charles E. Lakin Human Services Campus in Council Bluffs, Iowa. The Campus offers various services for low-income individuals, including housing, emergency assistance, shelter, parenting classes and afterschool activities. The agreement governs fund-raising, development and operations related to the Campus. A separate not-for-profit entity, Legacy Family Campus, Inc., holds title to the common Campus real property. Each agency is required to share in associated maintenance costs. The expenses incurred are paid through endowment fund earnings held by the Charles E. Lakin Campus Foundation. If costs exceed the earnings, assessments for the remaining costs are provided to each agency for payment. Each entity owns its respective buildings and the land upon which they are constructed.

20. Subsequent Event

In May 2024, the Club received notification they are a 25% beneficiary of a charitable remainder trust which is in the process of liquidating its assets. Receipts since year end are approximately \$2 million. There are additional real estate and joint venture holdings that will have to be liquidated prior to distribution.

BOYS AND GIRLS CLUBS OF THE MIDLANDS**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2023 AND 2022****21. Prior Period Restatement**

Subsequent to the issuance of the 2022 financial statements, management determined the pledges receivable were not included in the audited financial statements. These are multi-year awards or designated for a specific purpose and thus are considered with donor restriction.

The resulting adjustments on the previously issued 2022 financial statements are as follows:

	As Originally Reported	Adjustment	Balance as Restated
STATEMENT OF FINANCIAL POSITION			
DECEMBER 31, 2022			
Pledges	\$ 3,081,728	140,000	3,221,728
TOTAL ASSETS	<u>46,899,951</u>	<u>140,000</u>	<u>47,039,951</u>
Net assets			
With donor restrictions	<u>16,877,756</u>	<u>140,000</u>	<u>17,017,756</u>
Total net assets	45,040,023	140,000	45,180,023
TOTAL LIABILITIES AND NET ASSETS	\$ <u>46,899,951</u>	<u>140,000</u>	<u>47,039,951</u>
STATEMENT OF ACTIVITIES			
YEAR ENDED DECEMBER 31, 2022			
Support and revenue – with donor restrictions			
Contributions – cash and other financial assets	\$ 3,511,692	140,000	3,651,692
Total revenue, gains and other support – with donor restrictions	2,527,921	140,000	2,667,921
INCREASE (DECREASE) IN NET ASSETS:			
With donor restrictions	558,858	140,000	698,858
Total increase (decrease) in net assets	(2,294,457)	140,000	(2,154,457)
Net assets without donor restrictions at end of year	\$ <u>16,877,756</u>	<u>140,000</u>	<u>17,017,756</u>
Total net assets at end of year	<u>45,040,023</u>	<u>140,000</u>	<u>45,180,023</u>
STATEMENT OF CASH FLOWS			
YEAR ENDED DECEMBER 31, 2022			
Total decrease in net assets	\$ (2,294,457)	140,000	(2,154,457)
(Increase) decrease in operating assets:			
Pledges	--	(140,000)	(140,000)
Net cash used by operating activities	\$ (1,767,946)	--	(1,767,946)

BOYS AND GIRLS CLUBS OF THE MIDLANDS**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****YEAR ENDED DECEMBER 31, 2023**

<u>FEDERAL GRANTOR</u> <i>Pass-through Grantor</i> Program Title	Federal Assistance Listing #	Pass-through Entity Identifying #	Total Expenditures
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Boys and Girls Clubs of America</i> Juvenile Mentoring Program	16.726	OJP 2022-51587 OJP 2022-51588 OJP 2022-51589	\$ 56,863
<i>City of Omaha</i> Edward Byrne Memorial Justice Assistance Grant Program	16.738	#15PBJA-22-GG-02068-JAGX	61,192
Total U.S. Department of Justice, Assistance Listing Numbers 16.726 & 16.738			\$ 118,055
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Nebraska Department of Education</i> Child and Adult Care Food Program	10.558	202323N109943 202424N109943 202323N202043 202424N202043	\$ 153,061
<i>Iowa Department of Education</i> Child and Adult Care Food Program	10.558	None	91,180
	Subtotal	ALN #10.558	244,241
Child Nutrition Cluster			
<i>Nebraska Department of Education</i> Summer Food Service Program for Children	10.559	202323N109943	27,226
Total U.S. Department of Agriculture, ALN 10.558 and 10.559/Child Nutrition Cluster			\$ 271,467
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Collective for Youth</i> Twenty-First Century Community Learning Centers	84.287	None	570,809
Total U.S. Department of Education, Assistance Listing Number 84.827			\$ 570,809
Total Federal Awards expended			\$ 960,331

Note to Schedule of Federal Awards

The above Schedule of Expenditures of Federal Awards includes the Federal grant activity of Boys and Girls Clubs of the Midlands (the Club) and is presented on the accrual basis of accounting. This information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The Club did not elect to use the 10% de minimis indirect cost rate.

The Club did not pass through any funds from federal awards to subrecipients.

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*

To the Board of Directors
Boys and Girls Clubs of the Midlands
Omaha, Nebraska

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 Boys and Girls Clubs of the Midlands (the Club), which comprise the statement of financial position as of December 31, 2023, 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 December 6, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Club'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 Club's internal control. Accordingly, we do not express an opinion on the effectiveness of the Club'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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider a material weakness and as item 2023-002 that we consider a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Club'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*.

Club's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Club's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Club's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FRANKE, LLC

Omaha, Nebraska
December 6, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Boys and Girls Clubs of the Midlands
Omaha, Nebraska

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Boys and Girls Clubs of the Midlands' (the Club) 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 the Club's major federal program for the year ended December 31, 2023. The Club's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Club complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

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 Boys and Girls Clubs of the Midlands 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 the major federal program. Our audit does not provide a legal determination of the Club'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 the Club's federal programs.

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 Club'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 Club'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 Club'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 Club'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 Club'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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

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.

FRANKEL, LLC

Omaha, Nebraska
December 6, 2024

BOYS AND GIRLS CLUBS OF THE MIDLANDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)?	No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.287	Twenty-First Century Community Learning Centers
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee:	Yes

Continued

BOYS AND GIRLS CLUBS OF THE MIDLANDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2023

Section II – Financial Statement Findings

2023-001 Maintenance of the General Ledger

Criteria: Maintenance of the general ledger is critical to accurate and reliable financial reporting.

Condition: The Club implemented a new general ledger software system in May 2023 and experienced significant difficulties in transferring beginning balances, entering current transactions timely and accurately, as well as reconciling key accounts. In particular, after the implementation, monthly bank account reconciliations were not completed until late 2024.

Cause: The Club was not prepared to implement the new software and did not have adequate resources to deal with the difficulties encountered and routine accounting functions.

Effect: The Club had significant unrecorded or improperly recorded transactions in the general ledger which resulted in a significant adjustment to the cash account balance and other accounts that were material to the financial statements.

Response: See Corrective Action Plan.

2023-002 Accounting Transactions (Repeat of 2022-001)

Criteria: Internal controls should be in operation that provide reasonable assurance of the Club's ability to report financial data reliably in accordance with generally accepted accounting principles (GAAP).

Condition: The Club's accounting personnel must review and record all transactions related to the current period in the general ledger in accordance with GAAP.

Cause: The Club did not review all transactions to identify and record significant receivable and investment changes and the related revenue implications in its general ledger.

Effect: The Club had significant unrecorded or improperly recorded transactions in the general ledger which resulted in a significant number of adjusting entries that were material to the financial statements.

Response: See Corrective Action Plan.

Section III – Federal Awards Findings and Questioned Costs

No matters reported

BOYS AND GIRLS CLUBS OF THE MIDLANDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2023

2022-001 Accounting Transactions

Criteria: Internal controls should be in operation that provide reasonable assurance of the Club's ability to report financial data reliably in accordance with generally accepted accounting principles (GAAP).

Condition: The Club's accounting personnel must review and record all transactions related to the current period in the general ledger in accordance with GAAP.

Cause: The Club did not review all transactions to identify and record significant receivable and investment changes and the related revenue implications in its general ledger.

Effect: The Club had significant unrecorded or improperly recorded transactions in the general ledger which resulted in a significant number of adjusting entries that were material to the financial statements.

Response: The Organization was unable to invest in additional staff and also implemented new general ledger software which hindered resolution of the matter.

Current Year Status: Finding repeated as 2023-002

Corrective Action Plan

1. Finding 2023-001

a. Comments on the Finding

We concur with the finding and agree that it is our responsibility to maintain the general ledger in a manner that produces accurate and reliable financial reporting.

b. Action(s) Taken or Planned on the Finding

Our plan to correct the general ledger system and accurately account for transactions going forward is as follows:

- 1.) Hire an experienced Chief Financial Officer to implement best practices within the organization's accounting function.
- 2.) Develop processes to ensure that significant balance sheet accounts, including cash, investments, and receivables, are reviewed and reconciled each month.
- 3.) Hire a general ledger specialist whose primary focus will be on accounting for and reconciling receivable balances.

These steps will allow us to account for transactions accurately and report correct financial statement balances.

c. Anticipated Completion Date

The new Chief Financial Officer started September 30, 2024. The implementation of new processes and procedures will begin in December 2024 and once established will continue indefinitely. The hiring process for the additional staff is expected to commence in December 2024.

Dorene & Lee Butler Family
Youth Development Center
Administrative Office
2610 Hamilton Street
Omaha, NE 68131

P: (402) 342-1600
F: (402) 345-3154

bgcomaha.org



BOYS & GIRLS CLUBS
OF THE MIDLANDS

Corrective Action Plan Continued

2. Finding 2023-002

a. Comments on the Finding

We concur with the finding and agree that we should review and record all transactions related to the current period in the general ledger in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

b. Action(s) Taken or Planned on the Finding

Our plan to accurately account for transactions is as follows:

- 1.) The organization is adding additional staff to the accounting department, which will allow for separation of duties, better tracking, and additional oversight from month to month.
- 2.) The CFO will work closely with the Chief Development Officer and accounting personnel to develop a monthly reconciliation process that ensures contribution and special event activity is reviewed and accurately recorded in the appropriate period.

This will allow us to account for transactions accurately and to remain in accordance with U.S. GAAP. This corrective action plan will be reviewed annually to ensure compliance.

c. Anticipated Completion Date

While additional procedures were implemented in January 2023, employee turnover and the implementation of a new general ledger system created additional challenges and the procedures developed were not sufficient to prevent the identified issues. Updated procedures will begin in December 2024.

Responsible Party:
Bridgette Renbarger
Chief Financial Officer

Dorene & Lee Butler Family
Youth Development Center
Administrative Office
2610 Hamilton Street
Omaha, NE 68131

P: (402) 342-1600
F: (402) 345-3154

bgcomaha.org