



Financial Statements

December 31, 2023 and 2022

Boys & Girls Clubs of the Sioux Empire

Boys & Girls Clubs of the Sioux Empire

Table of Contents

December 31, 2023 and 2022

Independent Auditor’s Report 1

Financial Statements

 Statements of Financial Position 3

 Statements of Activities 5

 Statements of Functional Expenses..... 6

 Statements of Cash Flows 7

 Notes to Financial Statements 8



Independent Auditor's Report

The Board of Directors
Boys & Girls Clubs of the Sioux Empire
Sioux Falls, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Boys & Girls Clubs of the Sioux Empire, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of the Sioux Empire 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 for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys & Girls Clubs of the Sioux Empire and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys & Girls Clubs of the Sioux Empire's ability to continue as a going concern for 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 & Girls Clubs of the Sioux Empire's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys & Girls Clubs of the Sioux Empire'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.

Eide Bailly LLP

Sioux Falls, South Dakota
July 2, 2024

Boys & Girls Clubs of the Sioux Empire
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,184,871	\$ 1,988,850
Cash and cash equivalents - restricted	120,774	147,525
Certificates of deposit	698,000	-
Accounts receivable - fees, net of allowance for credit losses of \$1,937 as of December 31, 2023 and 2022	14,890	27,205
Promises to give	25,000	20,000
Grants receivable	242,103	37,021
Prepaid expenses	30,695	48,015
Inventory	7,178	8,825
Investments	250,000	-
Total current assets	2,573,511	2,277,441
Property and Equipment		
Land	316,258	316,258
Furniture and equipment	982,102	970,955
Buildings and improvements	1,321,926	1,301,040
Transportation equipment	470,914	350,814
	3,091,200	2,939,067
Less accumulated depreciation	(1,272,864)	(1,161,321)
Total property and equipment	1,818,336	1,777,746
Other Assets		
Beneficial interest in assets held by community foundation	172,064	151,286
Promises to give - net of current portion	25,000	-
Deposits	3,630	3,728
Operating lease right of use asset	6,644,821	7,027,309
Net other assets	6,845,515	7,182,323
Total assets	\$ 11,237,362	\$ 11,237,510

Boys & Girls Clubs of the Sioux Empire
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Current portion of notes payable	\$ 628,206	\$ 47,194
Accounts payable	89,481	94,680
Accrued expenses		
Payroll	244,915	212,276
Vacation	98,358	80,880
Other	13,733	12,130
Interest	4,760	4,760
Refundable advance	170,620	8,500
Current portion of operating lease liability	334,372	311,620
Current portion of finance lease liability	22,621	38,136
	1,607,066	810,176
Total current liabilities		
Long-Term Liabilities		
Notes payable, net of current portion	-	627,373
Operating lease liability, net of current portion	4,887,045	5,204,302
Finance lease liability, net of current portion	12,927	19,951
	4,899,972	5,851,626
Total long-term liabilities		
	6,507,038	6,661,802
Total liabilities		
Net Assets		
Without donor restrictions	4,387,486	4,276,897
With donor restrictions	342,838	298,811
	4,730,324	4,575,708
Total net assets		
	\$ 11,237,362	\$ 11,237,510
Total liabilities and net assets		

Boys & Girls Clubs of the Sioux Empire
Statements of Activities
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenue, Support and Gains						
Contributions	\$ 427,980	\$ 45,479	\$ 473,459	\$ 260,530	\$ 16,950	\$ 277,480
In-kind contributions	3,840	-	3,840	42,654	-	42,654
United Way allocation	635,333	-	635,333	628,545	-	628,545
Private grants and foundation	141,171	70,340	211,511	118,574	23,390	141,964
Federal and state contracts and grants	810,190	-	810,190	2,334,856	-	2,334,856
Program service fees	6,704,000	-	6,704,000	5,429,934	-	5,429,934
Gross special event revenue	199,394	-	199,394	217,498	-	217,498
Less cost of direct benefit to donors	(30,002)	-	(30,002)	(29,886)	-	(29,886)
Net special event revenue	169,392	-	169,392	187,612	-	187,612
Change in value of beneficial interest in assets held by community foundation	-	20,778	20,778	-	(26,376)	(26,376)
Gain (loss) on disposal of property	3,000	-	3,000	(360)	-	(360)
Other income	95,493	-	95,493	37,882	-	37,882
Net assets released from restrictions	92,570	(92,570)	-	59,905	(59,905)	-
Total revenue, support and gains	9,082,969	44,027	9,126,996	9,100,132	(45,941)	9,054,191
Expenses						
Program services	6,830,042	-	6,830,042	6,451,769	-	6,451,769
Supporting services						
Management and general	1,765,330	-	1,765,330	1,314,953	-	1,314,953
Fundraising	377,008	-	377,008	279,029	-	279,029
Total expenses	8,972,380	-	8,972,380	8,045,751	-	8,045,751
Change in Net Assets	110,589	44,027	154,616	1,054,381	(45,941)	1,008,440
Net Assets, Beginning of Year	4,276,897	298,811	4,575,708	3,036,048	344,752	3,380,800
Cumulative Adjustment for Change in Accounting Principle - Lease Standard	-	-	-	186,468	-	186,468
Net Assets, Beginning of Year as Restated	4,276,897	298,811	4,575,708	3,222,516	344,752	3,567,268
Net Assets, End of Year	\$ 4,387,486	\$ 342,838	\$ 4,730,324	\$ 4,276,897	\$ 298,811	\$ 4,575,708

See Notes to Financial Statements

Boys & Girls Clubs of the Sioux Empire
Statements of Functional Expenses
Years Ended December 31, 2023 and 2022

	2023					2022				
	Program Services	Supporting Services		Cost of Direct Benefit to Donors	Total Expenses	Program Services	Supporting Services		Cost of Direct Benefit to Donors	Total Expenses
		Management and General	Fund-raising				Management and General	Fund-raising		
Salaries and wages	\$ 4,299,770	\$ 1,214,492	\$ 265,822	\$ -	\$ 5,780,084	\$ 4,134,110	\$ 882,378	\$ 217,019	\$ -	\$ 5,233,507
Payroll taxes and benefits	660,162	188,215	20,335	-	868,712	579,671	121,345	16,602	-	717,618
Food and supplies	388,650	7,550	16,760	-	412,960	429,496	6,235	1,391	-	437,122
Rent	478,949	56,732	21,662	-	557,343	471,007	43,665	20,849	-	535,521
Repairs and maintenance	175,770	-	-	-	175,770	139,252	16,624	-	-	155,876
Insurance	123,426	13,720	-	-	137,146	108,341	16,520	-	-	124,861
Professional fees	57,974	71,731	28,885	-	158,590	46,864	88,695	13,570	-	149,129
Office expense	13,391	54,331	-	-	67,722	6,148	62,394	-	-	68,542
Local transportation	60,679	14,925	-	-	75,604	76,319	18,284	-	-	94,603
Credit card processing fees	111,579	-	4,305	-	115,884	98,031	-	3,617	-	101,648
Grant supplies	153,935	461	1,000	-	155,396	72,742	4,747	-	-	77,489
Utilities and real estate taxes	18,564	1,725	-	-	20,289	18,606	1,805	-	-	20,411
Information technology	44,669	33,768	11,186	-	89,623	31,630	11,463	1,395	-	44,488
Interest expense	29,961	2,200	-	-	32,161	33,446	-	-	-	33,446
Advertising and promotion	14,920	33,367	850	-	49,137	18,929	7,751	2,230	-	28,910
Miscellaneous	-	15,009	6,188	-	21,197	15,960	12,627	2,356	-	30,943
Conferences	10,355	32,054	15	-	42,424	10,379	19,209	-	-	29,588
Program activity fees	24,124	-	-	30,002	54,126	25,690	-	-	29,886	55,576
Total expenses before depreciation	6,666,878	1,740,280	377,008	30,002	8,814,168	6,316,621	1,313,742	279,029	29,886	7,939,278
Depreciation and amortization	163,164	25,050	-	-	188,214	135,148	1,211	-	-	136,359
	6,830,042	1,765,330	377,008	30,002	9,002,382	6,451,769	1,314,953	279,029	29,886	8,075,637
Less expenses included with revenues on the statement of activities										
Costs of direct benefits to donors	-	-	-	(30,002)	(30,002)	-	-	-	(29,886)	(29,886)
Total expenses	\$ 6,830,042	\$ 1,765,330	\$ 377,008	\$ -	\$ 8,972,380	\$ 6,451,769	\$ 1,314,953	\$ 279,029	\$ -	\$ 8,045,751

Boys & Girls Clubs of the Sioux Empire

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ 154,616	\$ 1,008,440
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	188,214	136,359
(Gain) loss on disposal of property and equipment	(3,000)	360
Change in beneficial interest in assets	(20,778)	26,376
Decrease (increase) in		
Accounts receivable	12,315	3,954
Grants receivable	(205,082)	77,758
Promises to give	(30,000)	20,000
Inventory, prepaid expenses and deposits	19,065	(3,523)
Accounts payable	(5,199)	(35,822)
Accrued expenses and refundable advance	213,840	(185,547)
Operating lease assets and liabilities	87,983	90,690
Net Cash from Operating Activities	<u>411,974</u>	<u>1,139,045</u>
Investing Activities		
Purchase of property	(228,804)	(509,149)
Purchase of certificates of deposit	(698,000)	-
Purchase of investments	(250,000)	-
Proceeds from sale of property	3,000	2,500
Net Cash used for Investing Activities	<u>(1,173,804)</u>	<u>(506,649)</u>
Financing Activities		
Payments on notes payable	(46,361)	(45,155)
Principal payments on finance lease	(22,539)	(22,458)
Net Cash used for Financing Activities	<u>(68,900)</u>	<u>(67,613)</u>
Change in Cash and Cash Equivalents	(830,730)	564,783
Cash and Cash Equivalents, Beginning	<u>2,136,375</u>	<u>1,571,592</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,305,645</u>	<u>\$ 2,136,375</u>
Cash and Cash Equivalents	\$ 1,184,871	\$ 1,988,850
Cash and Cash Equivalents - Restricted	120,774	147,525
	<u>\$ 1,305,645</u>	<u>\$ 2,136,375</u>
Supplemental Disclosure to Statements of Cash Flows		
Cash paid during the year for interest	\$ 32,161	\$ 33,446

Note 1 - Principal Activity and Significant Accounting Policies**Principal Business Activity**

The mission of Boys & Girls Clubs of the Sioux Empire (Organization) is to enrich and develop the lives of children, youth, and families in the Sioux Empire through comprehensive and educational services to meet evolving needs. Primary programs operated by the Organization include Infants and Toddlers, Early Childhood Education, After School Enrichment, Summer Enrichment, Extended Care, and Boys and Girls Clubs. These programs are operated from three locations in Sioux Falls.

The Organization receives fees for services and public support.

Cash, Cash Equivalents, Restricted Cash

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Receivables and Allowance for Credit Losses

Accounts receivables consist primarily of amounts due from customer obligations. Customers are charged a \$5 per week late fee for past due amounts. Payments on receivables are applied to the earliest unpaid bill. The carrying amount of the receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected. Individual accounts are sent to collections on a discretionary basis determined on a case-by-case analysis. Customers sent to collections are expelled from the daycare program. Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position. The accounts receivable balance as of January 1, 2022 was \$31,159.

Management considers the following factors when determining the collectability of specific customer accounts: historical experience, an assessment of economic conditions, and a review of subsequent collections. Management believes that the historical loss information it has compiled is a reasonable basis on which to determine expected credit losses for accounts receivables held at December 31, 2023 and 2022 because the composition of the accounts receivables at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers have not changed significantly over time).

Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for credit losses was \$1,937 for December 31, 2023 and 2022.

Grants receivable paid on a cost-reimbursement basis are recognized as a receivable once the services are provided, the costs are incurred, or the grant conditions have been met.

Certificates of Deposit

The certificates of deposit (CDs) were non-brokered CDs with original maturities over 90 days carried at cost.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenues in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2023 and 2022, the allowance was \$0.

Inventory

Inventory is comprised of childcare food and is stated at the lower of cost or net realizable value determined using the first-in, first-out (FIFO) method.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2023 and 2022.

Beneficial Interest in Assets Held by Community Foundation

The Organization established an endowment fund that is perpetual in nature (the Fund) under the Sioux Falls Area Community Foundation (SFACF) and named the Organization as beneficiary. The Organization granted variance power to the SFACF, which allows the SFACF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if in the sole judgement of the SFACF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the SFACF for the Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Right of Use Leased Assets and Liabilities

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the Organization's right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, 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 statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

The Organization recognizes revenue from childcare and registration fees during the year in which the related services are provided to the children and their families. The performance obligation of delivering childcare and registration services is simultaneously received and consumed by the children and their families; therefore, the revenue is recognized ratably over the course of the year. Payment for childcare is required monthly. Payment for registration fees is required at the time of registration. All amounts received prior to the commencement of the services, including registration fees, are deferred to the applicable period.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received with conditions and restrictions are recognized as revenue that increases net assets without donor restrictions if those conditions are met and restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Consequently, at December 31, 2023 and 2022, contributions of approximately \$417,000 and \$834,000, respectively, have not been recognized in the accompanying statements of activities because the condition on which they depend has not yet been met. Those contributions are dependent on the donor agency meeting certain fundraising goals.

The Organization records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Refundable advances related to special events were approximately \$25,000 and \$9,000 as of December 31, 2023 and 2022, respectively.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. There were approximately \$146,000 and \$0 of refundable advances as of December 31, 2023 and 2022. The Organization received cost-reimbursable grants of approximately \$151,000 and \$92,000 that have not been recognized at December 31, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred.

In-kind Contributions

In-kind contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 10). The Organization does not sell donated gifts-in-kind. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and benefits which are allocated on the basis of estimates of time and effort. Information technology is allocated based on the number of computers. Food and supplies are allocated based on program attendance.

Income Taxes

The Organization is organized as South Dakota nonprofit corporation and has been recognized by the IRS as exempt from federal incomes taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifying for the charitable contribution deduction. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

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

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. The Organization maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023 and 2022, the Organization had approximately \$1,160,000 and \$1,450,000, respectively, in excess of FDIC-insured limits.

Credit risk associated with accounts receivable, promises to give and grants receivable are limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Organization's mission.

Advertising

The Organization charges advertising and promotion costs to expense as incurred.

Adoption of New Accounting Standard

As of January 1, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade receivables. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based historical experience, current conditions, and reasonable and supportable forecasts. The standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

The Organization adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after January 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the new standard did not materially impact the Organization's financial statements.

Subsequent Events

The Organization has evaluated subsequent events through July 2, 2024, the date the financial statements were available to be issued.

Note 2 - Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 1,184,871	\$ 1,988,850
Cash and cash equivalents - restricted	120,774	147,525
Certificates of deposit	698,000	-
Accounts receivable	14,890	27,205
Promises to give	25,000	20,000
Grants receivable	242,103	37,021
Investments	250,000	-
	<u>2,535,638</u>	<u>2,220,601</u>
Less assets unavailable for general expenditures within one year due to donor restrictions	<u>(120,774)</u>	<u>(147,525)</u>
Financial assets available to meet cash needs for general expenditures within one year of December 31	<u><u>\$ 2,414,864</u></u>	<u><u>\$ 2,073,076</u></u>

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 based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis, and financial assets on hand are adjusted as necessary.

Note 3 - Fair Value of Assets

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

Assets measured at fair value on a recurring basis are as follows as of December 31:

	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)
<u>December 31, 2023</u>			
Treasury bills	\$ -	\$ 250,000	\$ -
Beneficial interest in assets held by community foundation	\$ -	\$ -	\$ 172,064
<u>December 31, 2022</u>			
Beneficial interest in assets held by community foundation	\$ -	\$ -	\$ 151,286

Boys & Girls Clubs of the Sioux Empire

Notes to Financial Statements
December 31, 2023 and 2022

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2023 and 2022:

Balance, December 31, 2021	\$	177,662
Total gains or losses		
Included in change in net assets, net of fees		(26,376)
		151,286
Balance, December 31, 2022		151,286
Total gains or losses		
Included in change in net assets, net of fees		20,778
		20,778
Balance, December 31, 2023	\$	172,064

There were no transfers into or out of Level 3.

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows as of December 31, 2023 and 2022:

	2023	2022
Due within one year	\$ 25,000	\$ 20,000
Due in one to five years	25,000	-
	\$ 50,000	\$ 20,000
Total pledges receivable	\$ 50,000	\$ 20,000

At December 31, 2023 and 2022, one donor accounted for 100% of total promises to give.

Note 5 - Notes Payable

Notes payable consist of the following at December 31, 2023 and 2022:

	2023	2022
Mortgage loan payable to US Bank, NA; payable in monthly installments of \$4,693, including interest at 4.60%; matures October 2024; secured by the Organization's real estate located at 5015 S. Crossing Place in Sioux Falls.	\$ 628,206	\$ 654,567
Note payable to First Premier Bank; payable in annual principal installments of \$20,000 plus interest at 5.00%; matured January 2023; secured by the Organization's assets.	-	20,000
	628,206	674,567
Subtotal notes payable	628,206	674,567
Less current portion	(628,206)	(47,194)
	\$ -	\$ 627,373
Net long-term notes payable	\$ -	\$ 627,373

Note 6 - Leases

The Organization leases office space, land and photocopiers for certain program locations for various terms under long-term, non-cancelable operating lease and finance lease agreements. The leases expire at various dates through 2039 and provide for renewal options. The Organization included in the determination of the right of use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The Organization entered into an operating lease agreement for the location on the Empower Campus in Sioux Falls with portion of the lease being prepaid in 2020. The agreement includes an estimated 3% annual increase each subsequent year through maturity. The lease agreement includes options to extend for two additional five-year periods. In addition, the Organization is responsible for costs such as cleaning, maintenance, internet, telephone, and other communication systems.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the building and office equipment classes of assets.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Organization has elected the practical expedient to not separate lease and non-lease components for office equipment leases.

Boys & Girls Clubs of the Sioux Empire

Notes to Financial Statements

December 31, 2023 and 2022

Total right-of-use assets and lease liabilities at December 31, 2023 and 2022 was as follows:

		2023	2022
Lease Assets	Classification		
Operating right-of-use assets	Other assets	\$ 6,644,821	\$ 7,027,309
Finance right-of-use assets	Property and equipment	112,539	112,539
Finance right-of-use assets	Accumulated Amortization	(76,423)	(53,915)
		\$ 6,680,937	\$ 7,085,933
Lease Liabilities	Classification		
Current			
Operating lease liabilities	Current liabilities	\$ 334,372	\$ 311,620
Finance lease liabilities	Current liabilities	22,621	38,136
Noncurrent			
Operating lease liabilities	Long-term liabilities	4,887,045	5,204,302
Finance lease liabilities	Long-term liabilities	12,927	19,951
		\$ 5,256,965	\$ 5,574,009

Total lease costs for the year ended December 31, 2023 and 2022 was as follows:

	2023	2022
Operating lease cost	\$ 511,961	\$ 497,727
Finance lease cost		
Interest expense	170	252
Amortization of right-of-use assets	22,508	22,508

The following table summarizes the supplemental cash flow information for the year ended December 31, 2023 and 2022:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 421,749	\$ 407,038
Operating cash flows from finance leases	170	252
Financing cash flows from finance leases	22,539	22,458
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	\$ 188,956	\$ -

Boys & Girls Clubs of the Sioux Empire

Notes to Financial Statements

December 31, 2023 and 2022

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

	2023	2022
Weighted-average remaining lease term in years:		
Operating leases	15.60	16.58
Finance leases	1.75	2.69
Weighted-average discount rate:		
Operating leases	1.95%	1.87%
Finance leases	0.37%	0.36%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of December 31, 2023:

	Operating	Finance
2024	\$ 432,642	\$ 22,709
2025	433,974	10,712
2026	400,338	2,239
2027	366,030	-
2028	366,030	-
Thereafter	4,026,330	-
Total lease payments	6,025,344	35,660
Less interest	(803,927)	(112)
Present value of lease liabilities	\$ 5,221,417	\$ 35,548

Note 7 - Retirement Plan

The Organization maintains a qualified cash or deferred compensation plan under Section 401(k) of the Internal Revenue Code. Under the plan, eligible employees may elect to defer up to ten percent (10%) of their salary, subject to Internal Revenue Service limits. The Organization contributes a matching fifty percent (50%) of employee contributions to a maximum of 2.5%. In addition, the plan allows for the Organization to make discretionary contributions based on the participant's salary.

Employer contributions and administrative fees were \$40,519 and \$20,694 for the years ended December 31, 2023 and 2022, respectively.

Note 8 - Support from Governmental Units

The Organization receives a substantial amount of support from grants and contracts with federal and state governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Scholarship	\$ 22,145	\$ 85,306
Facility repairs	-	3,846
Future chefs	9,079	9,871
ELA supplies	32,000	-
Workforce development	39,220	19,830
Technology	2,249	16,951
E-sports	5,989	-
Other	10,092	11,721
	<u>120,774</u>	<u>147,525</u>
Subject to the passage of time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	50,000	-
Perpetual in nature, not subject to spending policy or appropriation		
Beneficial interest in assets held by community foundation	172,064	151,286
	<u>\$ 342,838</u>	<u>\$ 298,811</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Scholarship	\$ 68,411	\$ 6,905
Facility repairs	3,846	28,000
Playground	-	15,000
Wellness	-	5,000
Future chefs	792	-
Technology	14,702	-
Other	4,819	5,000
	<u>\$ 92,570</u>	<u>\$ 59,905</u>

Note 10 - In-kind Contributions

For the years ended December 31, 2023 and 2022, in-kind contributions recognized within the statements of activities included the following:

	<u>2023</u>	<u>2022</u>
Rent	\$ -	\$ 36,685
Local transportation	-	2,129
Technology services	<u>3,840</u>	<u>3,840</u>
	<u>\$ 3,840</u>	<u>\$ 42,654</u>

During the year ended December 31, 2022, contributed rent was provided monthly at \$403 per month for the initial lease term for one of their campus spaces. Additionally, the Organization was gifted one month's rent of \$31,853 from the Empower campus to be used for the playground project. Contributed rent is used in program services and are recognized at fair value based on current rates for similar rented Organization.

During the year ended December 31, 2022, the Organization received a donation relating to the repairs and general maintenance for one of the Organization's vans. The fair value of the repairs was \$2,129, which was valued using an invoice directly from the Ford body shop that performed the repairs. The Organization uses the van for program services.

For the years ended December 31, 2023 and 2022, contributed technology services are provided for 16 lab computers at \$320 per month. The services include managing servers, workstations, offsite data storage, and malware protection. Contributed technology services are used for program services and are recognized at fair value based on current rates for similar technology services.

All gifts-in-kind received during the years ended December 31, 2023 and 2022 were unrestricted.