Boys & Girls Clubs of Central Florida, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2022 and 2021

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Contents

Tel: 407-841-6930
Fax: 407-841-6347
www.bdo.com

450 S Orange Ave, Suite 550
Orlando, FL 32801

Independent Auditor's Report

The Board of Directors
Boys & Girls Clubs of Central Florida, Inc. and Subsidiaries
Orlando, Florida

Opinion

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of Central Florida, Inc. and its subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and 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) 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 Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the consolidating statement of financial position and consolidating statement of activities, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BDO USA, LLP

December 19, 2022

Consolidated Financial Statements

Boys & Girls Clubs of Central Florida, Inc. and Subsidiaries

Consolidated Statements of Financial Position

June 30,	**2022**	2021
Assets		
Current		
Cash and cash equivalents	**$ 6,730,153**	$ 6,228,960
Grants and contributions receivable, current portion, net	**3,213,471**	2,767,842
Investments	**752,853**	1,001,870
Prepaid expenses	**348,349**	321,157
Land held for sale	**30,100**	30,100
Total Current Assets	**11,074,926**	10,349,929
Property and Equipment, Net	**29,928,069**	29,706,707
Other Assets		
Assets limited as to use	**64,288,850**	19,620,860
Investments, long term	**2,007,475**	2,282,457
Contributions receivable, long term, net	**1,816,585**	1,610,834
Contributed use of land	**741,978**	754,696
Leverage loan receivable	**9,168,000**	9,168,000
Other	**90,276**	100,572
Total Other Assets	**78,113,164**	33,537,419
	$ 119,116,159	$ 73,594,055
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	**$ 348,737**	$ 318,142
Accrued expenses	**697,732**	592,014
Deferred revenues	**63,672**	26,086
Refundable advances	**352,416**	-
Total Current Liabilities	**1,462,557**	936,242
Notes Payable, net	**12,121,037**	12,099,072
Total Liabilities	**13,583,594**	13,035,314
Commitments and Contingencies (Note 10)		
Net Assets		
Without donor restrictions	**94,317,856**	50,347,761
With donor restrictions	**11,214,709**	10,210,980
Total Net Assets	**105,532,565**	60,558,741
	$ 119,116,159	$ 73,594,055

See accompanying notes to consolidated financial statements.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiaries

Consolidated Statements of Activities

Year ended June 30,

	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Totals**	Without Donor Restrictions	With Donor Restrictions	Totals
Operating Revenues and Support						
Government revenues	**$ 7,692,613**	**$ 1,454,698**	**$ 9,147,311**	$ 6,628,353	$ -	$ 6,628,353
Contributions	**4,487,389**	**1,419,048**	**5,906,437**	4,945,315	942,122	5,887,437
In-kind contributions	**1,833,398**	**-**	**1,833,398**	2,148,237	-	2,148,237
United Way contributions	**366,472**	**14,167**	**380,639**	225,898	27,863	253,761
Special events	**331,003**	**-**	**331,003**	301,331	-	301,331
Dues and program services	**415,339**	**-**	**415,339**	221,900	-	221,900
Other revenues	**902,882**	**-**	**902,882**	895,053	-	895,053
Net assets released from restrictions	**2,175,943**	**(2,175,943)**	**-**	7,766,760	(7,766,760)	-
Total Operating Revenues and Support	**18,205,039**	**711,970**	**18,917,009**	23,132,847	(6,796,775)	16,336,072
Operating Expenses						
Program services	**14,752,985**	**-**	**14,752,985**	12,746,403	-	12,746,403
Supporting services:						
Management and general	**3,567,292**	**-**	**3,567,292**	2,864,669	-	2,864,669
Fundraising	**1,287,733**	**-**	**1,287,733**	1,366,336	-	1,366,336
Total Operating Expenses	**19,608,010**	**-**	**19,608,010**	16,977,408	-	16,977,408
Change in Operating Net Assets	**(1,402,971)**	**711,970**	**(691,001)**	6,155,439	(6,796,775)	(641,336)
Non-operating Support, Gains and Losses						
Contributions restricted for capital projects	**-**	**565,842**	**565,842**	-	349,015	349,015
Contributions - board designated endowment	**11,000,000**	**-**	**11,000,000**			
Contribution of nonfinancial assets - board designated endowment	**36,960,000**	**-**	**36,960,000**	-	-	-
Loan forgiveness	**-**	**-**	**-**	1,839,300	-	1,839,300
Investment return (loss), net	**(2,586,934)**	**(274,083)**	**(2,861,017)**	3,349,145	445,974	3,795,119
Total Non-operating Support, Gains and Losses	**45,373,066**	**291,759**	**45,664,825**	5,188,445	794,989	5,983,434
Change in Net Assets	**43,970,095**	**1,003,729**	**44,973,824**	11,343,884	(6,001,786)	5,342,098
Net Assets, beginning of year	**50,347,761**	**10,210,980**	**60,558,741**	39,003,877	16,212,766	55,216,643
Net Assets, end of year	**$ 94,317,856**	**$ 11,214,709**	**$105,532,565**	$ 50,347,761	$ 10,210,980	$ 60,558,741

See accompanying notes to consolidated financial statements.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Year ended June 30,	**2022**	2021
Cash Flows from Operating Activities		
Change in net assets	**$ 44,973,824**	$ 5,342,098
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions restricted for capital projects	**(565,842)**	(349,015)
Depreciation and amortization	**1,212,722**	961,689
Amortization of pledge discount	**69,533**	(7,800)
Amortization of loan costs	**21,965**	21,964
Provision for uncollectible contributions	**174,096**	95,058
Donated nonfinancial assets	**(36,960,000)**	(223,919)
Donated stock	**(59,765)**	(306,580)
Net gain on assets disposal	**(11,610)**	-
Loan forgiveness, SBA Paycheck Protection Program	**-**	(1,839,300)
Net investment (return) loss on non-operating investments	**2,861,017**	(3,795,119)
Cash provided by (used for):		
Grants and contributions receivable	**(895,009)**	963,657
Prepaid expenses	**(27,192)**	(42,775)
Other assets	**10,296**	(19,102)
Accounts payable and accrued expenses	**136,313**	(596,818)
Refundable advances	**352,416**	(500,396)
Deferred revenue	**37,586**	(192,639)
Net Cash Provided by (Used in) Operating Activities	**11,330,350**	(488,997)
Cash Flows from Investing Activities		
Purchases of property and equipment	**(1,431,756)**	(7,577,612)
Proceed from sale of assets	**22,000**	-
Cash return on non-operating investments	**249,525**	323,089
Purchases of investments	**(19,025,962)**	(5,829,356)
Proceeds from sale of investments	**7,875,371**	4,970,368
Net Cash Used in Investing Activities	**(12,310,822)**	(8,113,511)
Cash Flows from Financing Activities		
Contributions restricted for capital projects	**565,842**	349,015
Payments received on mortgage receivable	**1,200,000**	-
Net Cash Provided by Financing Activities	**1,765,842**	349,015
Net Increase (Decrease) in Cash and Cash Equivalents	**785,370**	(8,253,493)
Cash and Cash Equivalents, beginning of year	**9,095,533**	17,349,026
Cash and Cash Equivalents, end of year	**$ 9,880,903**	$ 9,095,533
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	**$ 103,091**	$ 93,365
Supplemental Information		
Cash and cash equivalents is included in the following Captions on the consolidated statements of financial position:		
Cash and cash equivalents	**$ 6,730,153**	$ 6,228,960
Assets limited as to use	**3,150,750**	2,866,573
	$ 9,880,903	$ 9,095,533

See accompanying notes to consolidated financial statements.

Boys & Girls Clubs of Central Florida, Inc. and Subsidiaries

Consolidated Statements of Functional Expenses

Year ended June 30,

	2022				2021			
		Supporting Services				Supporting Services		
	Program Services	**Management and General**	**Fundraising**	**Total**	Program Services	Management and General	Fundraising	Total
Personnel								
Employee payroll	**$ 6,637,457**	**$ 1,548,177**	**$ 453,548**	**$ 8,639,182**	$ 5,549,277	$ 1,349,591	$ 630,227	$ 7,529,095
Employee benefits	**679,453**	**219,007**	**72,154**	**970,614**	570,073	229,113	91,655	890,841
Payroll taxes	**498,894**	**105,511**	**28,186**	**632,591**	396,193	90,101	35,048	521,342
	7,815,804	**1,872,695**	**553,888**	**10,242,387**	6,515,543	1,668,805	756,930	8,941,278
Other								
Occupancy	**1,814,365**	**98,345**	**4,855**	**1,917,565**	1,863,252	99,027	4,164	1,966,443
Building repairs and maintenance	**501,060**	**37,613**	**-**	**538,673**	410,665	33,779	-	444,444
Equipment expenses	**228,695**	**36,966**	**104,987**	**370,648**	252,254	30,718	110,294	393,266
Transportation	**225,368**	**28,761**	**9,844**	**263,973**	137,942	14,309	6,241	158,492
Materials and supplies	**1,990,851**	**19,075**	**292,554**	**2,302,480**	1,659,610	13,061	165,785	1,838,456
Auction items for special events	**-**	**-**	**157,993**	**157,993**	-	-	160,911	160,911
Professional fees		**236,065**	**-**	**236,065**	-	238,327	-	238,327
Pre-employment fees	**37,006**	**22,410**	**-**	**59,416**	29,572	6,195	-	35,767
Contract services	**448,603**	**145,488**	**11,178**	**605,269**	426,256	131,550	18,512	576,318
Insurance	**315,871**	**33,992**	**-**	**349,863**	253,722	30,469	-	284,191
Postage, supplies and printing	**35,800**	**47,564**	**13,761**	**97,125**	34,467	32,527	9,167	76,161
Training	**31,634**	**22,768**	**-**	**54,402**	10,919	5,779	-	16,698
Dues and subscriptions	**86,259**	**47,836**	**1,891**	**135,986**	82,567	51,688	1,082	135,337
Service charges	**23,722**	**84,824**	**26,338**	**134,884**	21,624	92,500	27,573	141,697
Miscellaneous	**125,896**	**324,213**	**933**	**451,042**	227,405	181,486	1,069	409,960
Interest	**-**	**125,055**	**-**	**125,055**	-	93,365	-	93,365
Property tax	**-**	**188,586**	**-**	**188,586**	-	-	-	-
Marketing	**-**	**53,200**	**-**	**53,200**	-	-	-	-
Capital campaign expenses	**-**	**1,165**	**109,511**	**110,676**	-	-	104,608	104,608
Total Other Expenses	**5,865,130**	**1,553,926**	**733,845**	**8,152,901**	5,410,255	1,054,780	609,406	7,074,441
Total Expenses, before depreciation and amortization	**13,680,934**	**3,426,621**	**1,287,733**	**18,395,288**	11,925,798	2,723,585	1,366,336	16,015,719
Depreciation and Amortization	**1,072,051**	**140,671**	**-**	**1,212,722**	820,605	141,084	-	961,689
Total Expenses	**$14,752,985**	**$ 3,567,292**	**$ 1,287,733**	**$19,608,010**	$ 12,746,403	$ 2,864,669	$ 1,366,336	$ 16,977,408

See accompanying notes to consolidated financial statements.

1. Nature of Organization

Boys & Girls Clubs of Central Florida, Inc. (BGCCF) is a nonprofit organization that was established to provide behavioral prudence and to promote the health and the social, educational, vocational and character development of boys and girls in the Central Florida area.

On August 15, 2018, BGCCF formed the Boys & Girls Clubs of Central Florida Foundation, Inc. (Foundation) and transferred its board-designated endowment to the Foundation, as further discussed in Note 8. The Foundation was established to support the operations of BGCCF. The Board of Directors of BGCCF (Board) has the ability to appoint the majority of the Board of Directors of the Foundation. Therefore, the Foundation's financial statements are consolidated with BGCCF's financial statements since BGCCF has controlling financial interest in the Foundation.

On November 22, 2019, BGCCF formed BGCCF NMTC, Inc. (NMTC) as a supporting entity to support the operations of BGCCF, including expansion of facilities. This entity also facilitated the new market tax credit financing, as further discussed in Note 6. BGCCF has the ability to appoint the majority of the Board of Directors of NMTC. Therefore, NMTC's financial statements are consolidated with BGCCF's financial statements since BGCCF has controlling financial interest in NMTC.

On October 15, 2021, BGCCF received a contribution which included land valued at $34,260,000 and the assumption of a mortgage promissory note receivable with a principal balance of $2,700,000. The Board approved the contribution to be transferred to its board-designated endowment. In connection with the contribution, BGCCF formed Foundation RE Holdings LLC (LLC) on October 15, 2021 to hold the land and mortgage receivable. The LLC is a single member limited liability corporation, with the sole member being the Foundation and is therefore consolidated with the Foundation.

2. Summary of Significant Accounting Policies

Basis of Accounting and Principles of Consolidation

The consolidated financial statements include the financial statements of BGCCF, the Foundation and its wholly owned subsidiary LLC, and NMTC (collectively the Organization). All significant intercompany balances and transactions have been eliminated upon consolidation.

The consolidated financial statements of the Organization are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Operating and Non-Operating Revenues, Support, Gains and Losses

Operating revenues and support were received to support current mission related activities of the Organization, while non-operating support, gains and losses are from contributions and related investment returns or other gains and losses that are not available for current mission related activities.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contribution of Land Held for Sale

Land held for sale is measured at the lesser of its carrying amount or fair value less cost to sell and is included in assets limited as to use on the accompanying consolidated statement of financial position. The Organization received a contribution of land valued at $34,260,000 during the year ended June 30, 2022 which has been classified as land held for sale. The land includes a multi-family component valued at $30,000,000 representing 1,200 units at $25,000 per unit and five commercial outparcels valued at $4,260,000 with each parcel ranging from $5 to $15 per square foot. The land was valued based on comparable sales of similar properties in the area around the date of receipt, which represents its carrying amount. All parcels of land are being actively marketed for sale and the Organization has engaged a related party to sell the property and has identified a potential buyer. The land has not been sold as of the date of the consolidated financial statements.

Assets Limited as to Use

Assets limited as to use include cash and cash equivalents, investments and certain nonfinancial assets held as board designated for endowment and board designated for capital projects, as well as loan proceeds which are held in restricted cash accounts for payment of expenses related to the construction of the Jacqueline Bradley Clarence Otis (JBCO) building, which was completed during fiscal 2021, and interest and service charges related to the notes payable discussed in Note 6. These JBCO cash accounts are legally restricted and the Organization must obtain certain approvals prior to withdrawals.

Investments

Investments are stated at fair value, except for certificates of deposit having original maturity dates greater than three months, which are stated at amortized cost. Realized and unrealized gains and losses are combined with investment income earned during the period and presented as investment return (loss) on the accompanying consolidated statements of activities. Investment expenses are netted against investment income.

Grants and Contributions Receivable

Grants receivable represent amounts due to the Organization from federal, state and local governments for services rendered under contractual obligations and grants from Boys & Girls Club of America, corporations and foundations. All outstanding grants receivable are expected to be collected within one year and are considered collectible and an allowance for uncollectible amounts was not recorded.

Contributions receivable consist of unconditional promises to give and are recorded when the promises to contribute are made. Contributions receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Organization provides an allowance for uncollectible contributions based on historical collection experience.

Mortgage Receivable

The Organization's mortgage receivable is stated at its unpaid principal balance and represents the assumption of a $2,700,000 promissory note receivable in connection with a contribution received on October 15, 2021. The Organization received a prepayment of $1,200,000 on the mortgage during the year ended June 30, 2022. The mortgage receivable requires monthly interest payments at an annual rate of 4% through the maturity date of April 2024 when the remaining principal balance is due. The mortgage receivable is included in assets limited as to use on the accompanying consolidated statement of financial position.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value on the date received if donated. Buildings and equipment are depreciated using the straight-line method over the estimated life of the assets.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During fiscal years 2022 and 2021, there was no impairment of long-lived assets.

Contribution Revenue and Donor-Imposed Restrictions

The Organization records unconditional promises to give as contribution revenue when cash, securities, other assets or an unconditional promise to give is received. Conditional promises to give, this is those with a measurable performance barrier or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Government revenues are recorded as contributions when conditions for expenditure are met. Government contributions that are received before the conditions are met are recorded as refundable advances on the accompanying statement of financial position. The Organization has conditional contributions of $352,416 and $0 at June 30, 2022 or 2021, respectively.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as donor restricted support that increases that net asset class.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

Revenue Recognition

Operating revenues include the exchange portion of special events, dues and program services revenue and thrift store revenue included in other revenues.

The exchange portion of special events revenue represents the fair value of goods and services provided and is recognized at the point in time when the event takes place with any amounts received in advance of the event recognized as deferred revenue. The contribution portion of special events revenue is recognized as contributions when the event takes place unless the donor has waived the right to a refund, in which case the contributions are recognized when received. Contributions received in advance of the event with no waived right of refund are recognized as refundable advances.

Dues and program services are recognized as revenue at the point in time when the related services, which represents the Organization's performance obligations, are provided. Amounts received in advance of services being provided are recognized as deferred revenue.

Thrift store revenue is recognized at the point in time when the goods are sold to the customer.

Contributed Use of Land

Contributed use of land represents unconditional contributions of land underlying the Organization's facilities under lease agreements with third parties (see Note 10). Contributed use of land is recorded as an asset and contribution with donor restrictions at fair value of the underlying asset when the unconditional contribution is received. The contribution is included in net assets with donor restrictions and is released from restrictions over the lease term as the land is being used.

In-Kind Contributions

Donated goods and services are recorded at fair value on the date donated and presented as in-kind contributions in the accompanying consolidated statements of activities. The Organization received the following in-kind contributions which are reported as operating revenues and support:

Year ended June 30,	**2022**	2021
Facilities rent	**$ 1,283,042**	$ 1,428,435
Equipment	**-**	223,919
Professional services	**100,870**	57,076
Program materials and supplies	**20,952**	64,137
Auction items for special events	**157,993**	160,911
Theme park tickets	**151,381**	2,466
Other	**119,161**	211,293
Total	**$ 1,833,398**	$ 2,148,237

The Organization recorded approximately $1,200,000 and $1,400,000 of facilities rent for the years ended June 30, 2022 and 2021, respectively, which represents the excess of the fair rental value of the facility leases over below market rent payments due under lease agreements. The fair rental value of the facilities is determined based on rent on similar rental properties within the same area. Contributed services are recognized as contributions and recorded at fair value if the services create or enhance nonfinancial assets, require specialized skills and are performed by individuals with those skills and would otherwise be purchased by the Organization. During the year ended June 30, 2022, the Organization received $100,870 of contributed services consisting mainly of legal, architectural, and event professional services. Fair value of these services is determined based on billing rates for such services. During the year ended June 30, 2021, the Organization received approximately $116,000 of contributed services consisting mainly of legal, architectural, general contract and engineering service fees, of which approximately $59,000 was capitalized. Auction items, program materials and supplies, equipment and theme park tickets have also been received and recorded at fair market value based on retail price set by sellers of these items.

These donated goods and services are reflected as in-kind contributions revenue on the accompanying consolidated statements of activities and for those that are not capitalized, the related expense is recorded in its natural classification on the accompanying statements of functional expenses.

The Organization has numerous volunteers providing assistance to the Organization's program services and fundraising campaigns which are not recognized in the accompanying consolidated financial statements.

Net Assets

Net Assets Without Donor Restrictions - Net assets without donor restrictions represents funds that are available without restriction for carrying out the Organization's objectives and funds that have been designated by the Board.

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions as well as assets to be maintained by the Organization in perpetuity.

Functional Expenses

The costs of providing the various programs and other activities have been summarized as program services, management and general, and fundraising. Employer and payroll related expenses are allocated among functional categories based on the proportion of time spent relative to each function. All other expenses are directly charged to the functional category to which they relate.

Fair Value of Financial Instruments

The Organization reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring 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 are described below:

Level 1 – Valuation is based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuation is based on observable quoted prices for similar assets and liabilities in active markets.

Level 3 – Valuation is based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, grants receivable, contributions receivable due in one year or less, accounts payable and accrued expenses. Contributions due beyond one year are recorded at their net present value using a risk-free interest rate available on U.S. Treasury issues at the date the pledge was made with an equivalent term approximately equal to the number of years the contribution will be paid, which approximates fair value. The Organization's leverage loan receivable, mortgage receivable and notes payable are estimated based on current rates that would be available for debt of similar terms which is not significantly different from their stated value.

The Organization's Level 1 financial assets consist of investments identified in Note 3 and are valued on a daily basis in an active market. The Organization does not have any Level 2 or Level 3 financial assets or liabilities.

Income Taxes

BGCCF, the Foundation and NMTC are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions in the Florida Income Tax Code. The LLC is treated as a disregarded entity of the Foundation.

The Organization identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the consolidated statements of financial position. The Organization has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Organization's tax years currently subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Use of Estimates

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

Accounting Pronouncement Adopted

Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which amends guidance for not-for-profit entities that receive contributed nonfinancial assets. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021. The adoption of this update did not have a significant impact on the Organization's consolidated financial statements.

Accounting Pronouncement Issued but Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11, *Leases*, was issued in June 2018 which permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, that allows entities to elect to postpone adoption until fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

3. Investments and Assets Limited as to Use

Investments

The Organization's investments consist of the following:

June 30,		2022		2021
Certificates of deposit	**$**	**752,853**	$	1,001,870
Level 1:				
Small cap equities		**2,439,543**		2,223,356
Mid cap equities		**3,132,051**		2,372,165
Large cap equities		**6,527,615**		4,346,232
International equities		**2,577,775**		1,893,652
Fixed income mutual funds		**12,708,591**		8,201,339
Total Level 1 Investments		**27,385,575**		19,036,744
Total Investments	**$**	**28,138,428**	$	20,038,614

The Organization's investments are included in the following captions on the consolidated statements of financial position:

June 30,		2022		2021
Investments, current	**$**	**752,853**	$	1,001,870
Investments, long term		**2,007,475**		2,282,457
Assets limited as to use		**25,378,100**		16,754,287
	$	**28,138,428**	$	20,038,614

Investment return is presented as nonoperating support, gains and losses on the consolidated statements of activities and consists of the following:

Year ended June 30,		2022		2021
Net realized and unrealized gain (loss) on investments	**$**	**(3,181,108)**	$	3,472,030
Dividends and interest		**432,759**		424,320
Investment management fees		**(112,668)**		(101,231)
	$	**(2,861,017)**	$	3,795,119

Assets Limited as to Use

Assets limited as to use are as follows:

June 30,		2022		2021
Investments held as board designated endowment	$	**25,378,100**	$	16,754,287
Land held for sale		**34,260,000**		-
Mortgage receivable		**1,500,000**		-
Cash and cash equivalents held as board designated endowment		**1,676,338**		1,446,288
Cash and cash equivalents held as board designated for capital replacement reserve		**1,142,269**		1,017,643
Cash and cash equivalents held in restricted cash accounts for JBCO building construction and interest and service charges for notes payable		**332,143**		402,642
	$	**64,288,850**	$	19,620,860

4. Grants and Contributions Receivable

Grants and contributions receivable are due as follows:

June 30,		2022		2021
Less than one year	$	**3,401,507**	$	2,933,049
One to five years		**1,527,316**		1,216,282
More than five years		**440,584**		476,334
		5,369,407		4,625,665
Less: allowance for uncollectible contributions receivables		**(188,036)**		(165,208)
Less: present value discount on contributions receivable ranging from 0.29% to 3.01%		**(151,315)**		(81,781)
	$	**5,030,056**	$	4,378,676

Grants and contributions receivable are included in the following captions on the consolidated statements of financial position:

June 30,		2022		2021
Grants and contributions receivable, current portion, net	$	**3,213,471**	$	2,767,842
Contributions receivable, long-term, net		**1,816,585**		1,610,834
	$	**5,030,056**	$	4,378,676

5. Property and Equipment

Property and equipment is summarized as follows:

June 30,		**2022**		2021	Useful Life
Land	$	**419,650**	$	419,650	-
Buildings and improvements		**35,939,164**		34,713,717	5-40 years
Furniture and equipment		**2,662,713**		2,520,902	5-10 years
Automotive equipment		**495,205**		525,456	5 years
Construction in progress		**65,314**		7,303	-
		39,582,046		38,187,028	
Less: accumulated depreciation		**(9,653,977)**		(8,480,321)	
	$	**29,928,069**	$	29,706,707	

6. Leverage Loan Receivable, Notes Payable and New Market Tax Credit Financing

On December 31, 2019, NMTC entered into a Loan Agreement and related notes payable in connection with a new market tax credit transaction (transaction) to help finance the construction of the Joe R. Lee (JRL) and JBCO clubs. The New Market Tax Credit Program was designed to stimulate investment and economic growth in low-income communities by offering a seven-year, 39% federal tax credit for Qualified Equity Investments (QEI) made through investment vehicles known as Community Development Entities (CDEs). CDEs use capital derived from tax credits to make loans to or investments in businesses and projects in low-income areas under favorable economic terms, typical of this type of tax credits-based transaction.

The transaction is composed of several sub-transactions, as described below:

QALICB - For the sole purpose of facilitating the transaction as a Qualified Active Low-Income Community Business (QALICB), BGCCF created NMTC, which was formed pursuant to the filing of those certain Articles of Incorporation with the Florida Secretary of State on November 22, 2019.

Leverage Loan - As part of the transaction, BGCCF committed to lend $9,368,000 to an Investment Fund owned by U.S. Bancorp Community Development Corporation (Investor). Fees totaling $200,000 were deducted from this amount and the net of $9,168,000 was contributed to the Investment Fund and is shown as leverage loan receivable on the accompanying consolidated statement of financial position as of June 30, 2022 and 2021. The proceeds of this leverage loan were used by the Investment Fund towards making a QEI into three CDEs as listed below. The leverage loan receivable bears an interest rate of 0.81046%, matures on September 30, 2049 and is collateralized by the Investor's equity interests in the CDEs.

Investment by Investor - As part of the transaction, the Investor contributed $4,157,400 as an equity investment into the Investment Fund. Fees totaling $325,400 were deducted from this amount and the net of $3,832,000 was contributed to the Investment Fund.

Allocation of Investment Fund to Sub-CDEs - The $13,000,000 total Investment Fund created as a result of the transactions above was allocated between three Sub-CDEs as follows: (i) PCC Sub-CDE 11, LLC (PCC) for $5,000,000; (ii) BBIF Subsidiary CDE 10, LLC (BBIF) for $4,000,000; and (iii) USBCDE Sub-CDE 194, LLC (USB) for $4,000,000. A total of $280,000 in fees was deducted at the time of allocation by the Sub-CDEs, which resulted in a net amount of $12,720,000 available to lend.

Qualified Low-Income Community Investment (QLICI Loans) - Under the transaction the following QLICI A and B loans were made to NMTC from the Sub-CDEs and included in notes payable in the accompanying consolidated statements of financial position:

June 30,	**2022**	2021
1. QLICI Loan A (USB)	**$ 2,802,462**	$ 2,802,462
2. QLICI Loan B (USB)	**1,157,538**	1,157,538
3. QLICI Loan A (BBIF)	**2,962,462**	2,962,462
4. QLICI Loan B (BBIF)	**997,538**	997,538
5. QLICI Loan A (PCC)	**3,403,076**	3,403,076
6. QLICI Loan B (PCC)	**1,396,924**	1,396,924
Total Notes Payable	**12,720,000**	12,720,000
Less: unamortized loan costs	**(598,963)**	(620,928)
Notes Payable, Net	**$ 12,121,037**	$ 12,099,072

The QLICI Loans bear interest at a fixed rate equal to 0.81046% and mature on September 30, 2049. The QLICI Loans are secured by restricted cash and cash equivalents accounts, which are included in assets limited as to use on the accompanying consolidated statements of financial position (see Note 3), and the assignment of any rent revenue NMTC receives from BGCCF for operations at the JRL and JBCO facilities.

Neither BGCCF nor NMTC controls or has economic interest in the assets of either the QEI or the CDEs. The QEI is controlled and wholly owned by US Bank, and the Investment Fund controls and funds the CDEs.

Effective December 31, 2019, BGCCF entered into an unconditional continuing guarantee of obligations agreement with the CDEs under which BGCCF guarantees compliance with all payments, obligations, duties and agreements of the Organization under the terms of the debt agreements.

In order for the Investor to earn the tax credit, the QEI must remain invested in the CDEs for a seven-year period from January 1, 2020 through December 31, 2026 (Compliance Period). NMTC has significant reporting requirements to its lenders, including financial reports and community impact reports during the Compliance Period. NMTC is restricted against accumulating and holding certain types of assets (including options, stocks, promissory notes and excess cash), having its own employees, or otherwise engaging in activities unrelated to BGCCF. Provided NMTC satisfies the foregoing requirements and avoids violating the foregoing restrictions, it will remain in substantial compliance with its obligations pursuant to the financing.

BGCCF and the Investor have executed a Put and Call Agreement to take place at the end of the Compliance Period. Under the Put and Call Agreement, the Investor can exercise a put option to sell all its interest in the Investment Fund for $1,000 to BGCCF. If the Investor does not exercise the put option within six months after the Compliance Period, BGCCF can exercise a call option to purchase the interest of the Investment Fund at an appraised fair market value. The intention is for the Investor to exercise the put option at the end of the Compliance Period in order to allow them to pursue other new market tax credit projects and management believes that there is no incentive for the Investor to stay in the project thereafter. These put/call options do not represent embedded derivatives and, accordingly, have not been accounted for as derivative instruments in BGCCF's consolidated financial statements.

Assuming compliance with the requirements of the transaction, management intends on exercising the put option at the end of the Compliance Period. Upon the put option being exercised, NMTC will be dissolved, and its net assets will be transferred to BGCCF. The Put and Call Agreement will allow BGCCF to gain control of the Investment Fund, there would be no residual amounts due to or from any external third parties, and BGCCF would record a net gain associated with the dissolution of the $9,168,000 Leverage Loan Receivable from the Investment Fund and the $12,720,000 QLICI Loans Payable. After transaction expenses of approximately $692,000, BGCCF expects this net gain after dissolution to be approximately $2,860,000.

7. Profit-Sharing Plan

The Organization established a 401(k) profit sharing plan (the Plan) effective January 1, 2005. Employees must be 21 years of age and must have completed one year of full-time employment before they become eligible to participate. The Plan provides a graded vesting schedule from two to six years of service. The Organization will contribute the equivalent of 7% of the employee's salary as a profit sharing contribution and provides for a safe harbor match whereby the Organization will contribute, on a matching basis, a dollar for dollar match on the first 3% of employee contribution and a 50% match on the next 2%. The Organization's policy is to fund the Plan's administrative costs. Contributions to the Plan for the years ended June 30, 2022 and 2021, were $398,595 and $353,729, respectively, and are included in employee benefits in the accompanying consolidated statements of functional expenses.

8. Net Assets and Endowments

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following:

June 30,	**2022**	2021
Designated for property and equipment	**$ 29,928,069**	$ 29,706,707
Board-designated endowment	**62,814,438**	18,200,575
Board-designated capital replacement reserve	**1,142,269**	1,017,643
Undesignated net assets	**433,080**	1,422,836
Total	**$ 94,317,856**	$ 50,347,761

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted as follows:

June 30,		2022		2021
Capital expenditures	$	**4,395,958**	$	4,466,879
United Way time restricted contributions		**103,017**		100,297
Time restricted contributions		**1,379,156**		1,385,056
Contributed use of land		**741,978**		754,696
Program operations		**3,403,863**		2,313,315
Total Subject to Expenditure, for specified purpose or period		**10,023,972**		9,020,243
Endowment funds restricted in perpetuity		**1,190,737**		1,190,737
Total	$	**11,214,709**	$	10,210,980

The intent of the Organization's capital fundraising campaign, as determined by the Board, is that upon satisfaction of donors' restrictions for capital expenditures, any remaining contributions not spent will be designated by the Board and become a board-designated capital replacement reserve, at which time the remaining funds will be released to net assets without donor restrictions.

Net assets were released from donor restrictions as follows:

Year ended June 30,		2022		2021
Capital expenditures	$	**636,763**	$	6,457,792
United Way time restricted contributions		**11,447**		192,400
Time restricted contributions		**784,096**		523,604
Program operations		**730,919**		583,184
Contributed use of land		**12,718**		9,780
Total	$	**2,175,943**	$	7,766,760

Donor Restricted and Board Designated Endowments

The Organization records its donor restricted endowment funds as net assets with donor restrictions. These assets consist of investments held in perpetuity with investment income used to support general operations, the Youth of the Year program and the Joe R. Lee Club operations. Net assets with donor restrictions include the principal of donor restricted endowments that must be maintained permanently and not used up, expended or otherwise exhausted.

In April 2018, the Board of Directors approved the establishment of a board-designated endowment fund, the purpose of which is to fund future operating costs of BGCCF. During fiscal year 2019, the Board approved the formation of the Foundation and transferred the board-designated endowment to the Foundation.

The Organization's return objective for endowment funds are low yield based on risk parameters that are also very low to protect the endowment corpus. The amount of endowment funds available for distributions is determined on the basis of a total-return principal and will not be dependent upon income generated through interest or dividends. The endowment funds available for distribution during any one year will be limited to five percent of the market value of the corpus, effective December 31 of the given year. Distributions may also be made upon written request of the President, with Board approval.

Endowment net assets composition by type of fund are as follows:

June 30, 2022

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board-designated endowment fund	**$ 62,814,438**	**$ -**	**$ 62,814,438**
Donor restricted endowment funds	**27,354**	**2,007,293**	**2,034,647**
	$ 62,841,792	**$ 2,007,293**	**$ 64,849,085**

June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment fund	$ 18,200,575	$ -	$ 18,200,575
Donor restricted endowment funds	37,650	2,282,974	2,320,624
	$ 18,238,225	$ 2,882,974	$ 20,521,199

Changes in the Organization's endowment's net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 30, 2020	$ 15,471,718	$ 1,837,372	$ 17,309,090
Interest and dividends	371,166	49,502	420,668
Net realized and unrealized gain on investments	3,063,679	408,351	3,472,030
Investment fees	(90,088)	(11,143)	(101,231)
Distributions	(578,250)	(1,108)	(579,358)
Endowment Net Assets, June 30, 2021	18,238,225	2,282,974	20,521,199
Contributions	11,000,000	-	11,000,000
Contribution of nonfinancial assets	36,960,000	-	36,960,000
Interest and dividends	393,892	41,430	435,322
Net realized and unrealized loss on investments	(2,876,390)	(304,735)	(3,181,125)
Investment fees	(102,935)	(10,778)	(113,713)
Distributions	(771,000)	(1,598)	(772,598)
Endowment Net Assets, June 30, 2022	$ 62,841,792	$ 2,007,293	$ 64,849,085

The Board of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) 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 or original. As a result of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Earnings on the donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA or as net assets without donor restrictions.

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

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

9. Financial Assets and Liquidity Resources

The Organization's financial assets available within one year for general expenditure, not including board designated and donor-restricted endowments, are as follows:

June 30,	**2022**	2021
Cash and cash equivalents	**$ 178,979**	$ 1,667,801
Investments	**752,853**	1,001,870
Grants and contributions receivable, net	**3,115,974**	1,766,008
Net Financial Assets and Liquidity Resources Available Within One Year	**$ 4,047,806**	$ 4,435,679

The Organization's endowment funds consist of board designated and donor-restricted endowments as discussed in Note 8. The board designated endowment is held by the Foundation to support future operating costs of BGCCF. The Board can approve an annual contribution from the Foundation to BGCCF, subject to the spending policy of no more than five percent of the market value of the board designated endowment fund. Income from the donor-restricted endowment is restricted for general and specific program operations. Endowment funds are invested with the objective of preserving capital and liquidity while seeking an appropriate level of investment return. Excess cash generated by operations is placed in appropriate short-term vehicles to maintain capital, liquidity and diversification.

10. Commitments and Contingencies

Operating Leases

The Organization has entered into non-cancelable leases for retail and warehouse space under agreements with maturity dates in February and March 2024. Rental expense for the years ended June 30, 2022 and 2021, was $157,562 and $177,170, respectively, and is included in occupancy on the consolidated statements of functional expenses. Since many of the Organization's leases are month-to-month, the minimum contractual future rental payments are nominal.

Nassau Clubs

Effective July, 1, 2017, the Organization entered into a Support Agreement and Lease Agreement with The Boys & Girls Club of Nassau County Foundation, Inc. (Nassau Foundation), an unrelated party, which provides for funding of operations and leasing of its facilities. The Nassau Clubs will be managed and operated by the Organization and Nassau Foundation will fund the operations. In addition, the Nassau Foundation will pay to the Organization an administrative fee of 8% of the annual direct operational expenses of the Nassau Clubs which was $67,874 and $64,300 during the years ended June 30, 2022 and 2021, respectively, and recorded as contributions revenue on the accompanying consolidated statements of activities. The Organization recorded approximately $316,000 and $278,000 for the years ended June 30, 2022 and 2021, respectively, in donated facilities rent which represents the excess of the fair rental value of the facility leases over below market rent payments due under lease agreements. The Support Agreement can be terminated by either party upon six months' notice in writing. The Lease Agreement provides for annual payments of $10 with automatic annual extensions unless terminated by either party in writing 30 days prior to the end of the term of their intent not to renew.

Joe R. Lee and JBCO Clubs

During fiscal 2020, BGCCF entered into two separate lease agreements with third parties for $1 per year for the lease of the land underlying the Joe R. Lee and JBCO facilities for a period of 99 and 40 years, respectively. The fair rental value of the contributed land was $487,870 and $282,272 for the Joe R. Lee and JBCO, respectively, and was recorded as contributed use of land with donor restrictions in the accompanying consolidated statements of activities during the year ended June 30, 2020. In accordance with Accounting Standards Codification Topic 958-605, *Not for Profit Entities*, no discount was recorded on this multi-year contribution as the future fair value of the land is difficult to determine. Under the term of the land lease underlying the JBCO facility, BGCCF agreed to construct an after-school facility of which BGCCF will operate and maintain during the lease term. At the end of the lease term, the ownership of JBCO facility will revert to the landlord.

Leesburg Youth Enrichment Center

On December 13, 2021, the Organization entered into a Facility Use Agreement (Agreement) with the City of Leesburg for the construction and lease of the Youth Enrichment Center to be operated and managed by the Organization which was completed and opened in June 2022. Based on the terms of the Agreement, the City of Leesburg is leasing the facility to the Organization for 40 years at $1 per year effective July 1, 2022. In connection with the Agreement, the Organization made a capital contribution of $500,000 to the City of Leesburg for the costs of construction of the facility, which was included in property and equipment on the accompanying consolidated statement of financial position as of June 30, 2022.

Legal

The Organization is subject to claims and legal proceedings which arise in the ordinary course of business. Management believes that losses resulting from these matters, if any, would not have a material adverse effect on the financial position or results of activities of the Organization.

11. Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents and investments. Cash and cash equivalents include checking and money market accounts placed with federally insured financial institutions and investments. Cash and cash equivalents may at times exceed federally insured limits. The Organization has not experienced any losses on such accounts. Investments consist of certificates of deposits, equities and fixed income mutual funds. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the current investment strategy is prudent for the long-term welfare of the Organization.

12. Economic Dependency

The Organization earned revenues from Orange County, Florida, which represented 17% of the Organization's total operating revenue and support for each of the years ended June 30, 2022 and 2021. In addition, during 2022 and 2021, the Organization earned revenues from the federal government which represented approximately 9% and 10%, respectively, of the Organization's total operating revenue and support. As such, the Organization is dependent upon the continued support of Orange County, Florida and the federal government to provide funding for the Organization's programs and operations.

13. Related Party Transactions

In the ordinary course of business, the Organization enters into transactions with other organizations that have individuals who serve on the Organization's Board. These transactions are made at arm's length. The Organization obtains its general liability and property insurance through a company whose owner is also a member of the Board. Amounts paid to this company were $390,262 and $313,564 for the years ended June 30, 2022 and 2021, respectively. The Organization paid legal fees to a firm associated with a member of the Board of Directors of $36,148 and $65,837 for the years ended June 30, 2022 and 2021, respectively, associated with general matters and building of clubs. The Organization entered into a marketing agreement with a company whose owner is also a member of the Board. The amount paid to this company was $40,000 for the year ended June 30, 2022. Details of all related party transactions which meet applicable reporting requirements can be found in Internal Revenue Service Form 990 which the Organization files annually.

14. CARES Act

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the Small Business Administration's (SBA) Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

The Organization applied for, and received, funds under the PPP in the amount of $1,839,300 on April 14, 2020, which was shown as a loan payable as of June 30, 2020. The Organization accounted for this loan in accordance with ASC 470, *Debt*. Under this guidance, a liability is derecognized upon repayment to the creditor or upon legal release. Legal release occurs upon confirmation of forgiveness from the SBA, at which time the liability will be released and recorded as income. During fiscal year 2021, the Organization applied for and was notified that the entire unpaid principal balance of $1,839,300 was forgiven which is reflected as loan forgiveness revenue on the accompanying consolidated statement of activities for the year ended June 30, 2021.

15. Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to June 30, 2022 as of December 19, 2022, which is the date the consolidated financial statements were available to be issued. Subsequent events occurring after December 19, 2022 have not been evaluated by management. No material events have occurred since June 30, 2022 that require recognition or disclosure in the consolidated financial statements.

Supplementary Information

Boys & Girls Clubs of Central Florida, Inc. and Subsidiaries

Consolidating Statement of Financial Position

June 30, 2022

	Boys & Girls Clubs of Central Florida, Inc.	Boys & Girls Clubs of Central Florida Foundation, Inc and Subsidiary	BGCCF NMTC, Inc.	Eliminations	Total
Assets					
Current					
Cash and cash equivalents	$ 6,610,157	$ 17,366	$ 102,630	$ -	$ 6,730,153
Grants and contributions receivable, current portion, net	3,177,734	6,025	-	29,712	3,213,471
Investments	752,853		-	-	752,853
Prepaid expenses	341,657	6,692	-	-	348,349
Due from BGCCF NMTC, Inc.	48,592		-	(48,892)	-
Land held for sale	30,100	-	-	-	30,100
Total Current Assets	10,961,093	30,083	102,630	(18,880)	11,074,926
Property and Equipment, Net	16,689,347	-	13,238,722	-	29,928,069
Other Assets					
Assets limited as to use	2,070,628	61,886,080	332,142	-	64,288,850
Investments, long term	181	2,007,294	-	-	2,007,475
Contributions receivable, long term, net	1,816,585	-	-	-	1,816,585
Contributed use of land	741,978	-	745,283	(745,283)	741,978
Leverage Loan receivable	9,168,000	-	-	-	9,168,000
Other	90,276	-	-	-	90,276
Total Other Assets	13,887,648	63,893,374	1,077,425	(745,283)	78,113,164
Total Assets	$ 41,538,088	$ 63,923,457	$ 14,418,777	$ (764,163)	$119,116,159
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	$ 339,155	$ 9,582	$ -	$ -	$ 348,737
Accrued expenses	741,781	-	-	(44,049)	697,732
Deferred revenues	63,672	-	-	-	63,672
Refundable advances	352,416	-	-	-	352,416
Due to BGCCF	-	-	48,592	(48,592)	-
Total Current Liabilities	1,497,024	9,582	48,592	(92,641)	1,462,557
Notes Payable, net			12,121,037		12,121,037
Total Liabilities	1,497,024	9,582	12,169,629	(92,641)	13,583,594
Net Assets					
Without donor restrictions	29,046,898	63,670,835	1,503,864	96,259	94,317,856
With donor restrictions	10,994,166	243,040	745,284	(767,781)	11,214,709
Total Net Assets	40,041,064	63,913,875	2,249,148	(671,522)	105,532,565
Total Liabilities and Net Assets	$ 41,538,088	$ 63,923,457	$ 14,418,777	$ (764,163)	$119,116,159

Consolidating Statement of Activities

Year ended June 30, 2022

	Boys & Girls Clubs of Central Florida, Inc.			Boys & Girls Clubs of Central Florida Foundation, Inc.			BGCCF NMTC, Inc.				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Total
Operating Revenues and Support											
Government revenues	$ 7,692,613	$ 1,454,698	$ 9,147,311	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,147,311
Contributions	4,961,420	1,419,048	6,380,468	296,969	-	296,969	-	-	-	(771,000)	5,906,437
In-kind contributions	1,833,398	-	1,833,398	-	-	-	-	-	-	-	1,833,398
United Way	366,472	14,167	380,639	-	-	-	-	-	-	-	380,639
Special events	331,003	-	331,003	-	-	-	-	-	-	-	331,003
Dues and program services	415,339	-	415,339	-	-	-	-	-	-	-	415,339
Other revenues	822,912	-	822,912	79,970	-	79,970	184,000		184,000	(184,000)	902,882
Net assets released from restrictions	2,163,225	(2,163,225)	-	-	-	-	12,718	(12,718)	-	-	-
Total Operating Revenues and Support	18,586,382	724,688	19,311,070	376,939	-	376,939	196,718	(12,718)	184,000	(955,000)	18,917,009
Operating Expenses:											
Program services	14,634,034	-	14,634,034	771,186	-	771,186	359,532	-	359,532	(1,011,767)	14,752,985
Supporting services:											
Management and general	3,032,195	-	3,032,195	335,843	-	335,843	199,254	-	199,254	-	3,567,292
Fundraising	1,287,733	-	1,287,733	-	-	-	-	-	-	-	1,287,733
Total Operating Expenses	18,953,962	-	18,953,962	1,107,029	-	1,107,029	558,786	-	558,786	(1,011,767)	19,608,010
Change in Operating Net Assets	(367,580)	724,688	357,108	(730,090)	-	(730,090)	(362,068)	(12,718)	(374,786)	56,767	(691,001)
Non-Operating Support, Gains and Losses											
Contributions from BGCCF	(48,019,289)	-	(48,019,289)	48,019,289	-	48,019,289	-	-	-	-	-
Contributions restricted for capital projects	-	565,842	565,842	-	-	-	-	-	-	-	565,842
Contributions - board designated endowment	11,000,000	-	11,000,000	-	-	-	-	-	-	-	11,000,000
Contribution of nonfinancial assets - board designated endowment	36,960,000	-	36,960,000	-	-	-	-	-	-	-	36,960,000
Investment return (loss), net	(10,345)	-	(10,345)	(2,576,589)	(274,083)	(2,850,672)	-	-	-	-	(2,861,017)
Total Non-Operating Support, Gains and Losses	(69,634)	565,842	496,208	45,442,700	(274,083)	45,168,617	-	-	-	-	45,664,825
Change in Net Assets	(437,214)	1,290,530	853,316	44,712,610	(274,083)	44,438,527	(362,068)	(12,718)	(374,786)	56,767	44,973,824
Net Assets, beginning of year	29,484,112	9,703,636	39,187,748	18,958,225	517,123	19,475,348	1,865,932	758,002	2,623,934	(728,289)	60,558,741
Net Assets, end of year	$ 29,046,898	$ 10,994,166	$ 40,041,064	$ 63,670,835	$ 243,040	$ 63,913,875	$ 1,503,864	$ 745,284	$ 2,249,148	$ (671,522)	$ 105,532,565

Reports Required by *Government Auditing Standards* and the Uniform Guidance

Tel: 407-841-6930
Fax: 407-841-6347
www.bdo.com

450 S Orange Ave, Suite 550
Orlando, FL 32801

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

The Board of Directors
Boys & Girls Clubs of Central Florida, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Boys & Girls Clubs of Central Florida, Inc. (the Organization), which comprise the Organization's consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 19, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-01 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-02 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statement. 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*.

Organization's Responses to Findings

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

Purpose of this Report

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

BDO USA, LLP

December 19, 2022

Tel: 407-841-6930
Fax: 407-841-6347
www.bdo.com

450 S Orange Ave, Suite 550
Orlando, FL 32801

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

The Board of Directors
Boys & Girls Clubs of Central Florida, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Boys & Girls Clubs of Central Florida, Inc.'s (the Organization) 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 Organization's major federal program for the year ended June 30, 2022. The Organization'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 Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization'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 Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization'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 GAAS, *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 types of 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 Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Organization's compliance with the types of compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization'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 Organization'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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-03. Our opinion on the major federal program is not modified with respect to this matter.

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

The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 a deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-03 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.

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

The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

BDO USA, LLP

December 19, 2022

Year ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided To Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Passed through Florida Department of Education:				
Twenty-First Century Community Learning Centers	84.287	N/A	$ -	$ 1,771,736
U.S. Department of Agriculture				
Passed through Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-4995	-	566,348
Child and Adult Care Food Program Emergency Operational Costs Reimbursement Program	10.558	N/A	-	97,088
Passed through Florida Department of Agriculture and Consumer Affairs:				
Summer Food Service Program	10.559	N/A	-	233,599
Total U.S. Department of Agriculture			-	897,035
U.S. Department of Housing and Urban Development				
Passed through Orange County Government:				
Community Development Block Grants	14.218	N/A	-	40,413
U.S. Department of Health and Human Services				
Passed through Florida Department of Children and Families:				
State Opioid Response Grants	93.788	N/A	-	97,612
Passed through Osceola County Government:				
American Rescue Plan Act	93.575	N/A	-	11,993
Total U.S. Department of Health and Human Services			-	109,605
U.S. Department of Justice				
Passed through Boys & Girls Clubs of America:				
Juvenile Mentoring Program	16.726	15PJDP-21-GG-02763	-	53,828
Juvenile Mentoring Program	16.726	2020-JU-FX-0029	-	34,667
Total U.S. Department of Justice			-	88,495
U.S. Department of the Treasury				
Passed through City of Titusville:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A		9,748
Total Expenditures of Federal Awards			$ -	$ 2,917,032

See accompanying notes to schedule of expenditures of federal awards.

1. Basis of Presentation

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

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	X yes ___ no
• Significant deficiency(ies) identified?	X yes ___ none reported
Noncompliance material to financial statements noted?	___ yes X no

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	___ yes X no
• Significant deficiency(ies) identified?	X yes ___ none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X yes ___ No

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	X yes ___ No

Section II - Financial Statement Findings

<u>2022-01</u> Valuation of Donated Land

Criteria: Donated land should be recorded at fair value on the date of donation.

Condition: We noted that the Organization did not record donated land at fair value on the date of donation.

Cause: The Organization used an estimated value representing a purchase offer by a third party to purchase the land which never closed to record the donation rather than obtaining a third party appraisal to verify its fair value.

Effect: Contribution revenue and the land asset were understated by $15,062,500 based upon subsequent analysis of recent sales of comparable properties obtained by a third party real estate specialist.

Recommendation: An Appraisal or analysis of recent sales of comparable properties should be performed timely for contributions of assets, such as land, in order to ensure they are recorded at fair value at the time donation.

Views of Responsible Officials: Management is in agreement with this finding. Management has consulted with a valuation specialist to view comparable sales in the same area around the time of receipt and adjusted the value of the donated land accordingly. Obtaining an appraisal or performing analysis of comparable sales will be applied to all future land donations to ensure proper fair market value is recorded at date of receipt.

<u>2022-02</u> Grant Revenue Recognition

Criteria: Revenues received from government grants which meet the criteria of unconditional contributions should be recorded as contributions with or without donor restrictions when the grantee is notified of the award amount or the cash is received, whichever is earlier.

Condition: We noted that the Organization received COVID-19 grants from the U.S. Department of Health and Human Services, which were passed through various counties and agencies in Central Florida, that met the criteria of unconditional contributions since there were no barriers or right of return, however, the amounts were recorded as deferred revenue rather than contribution revenue or grants receivable was not recorded for the portion of these unconditional contributions that were promised, but not yet received prior to year-end.

Cause: The Organization failed to properly assess the grant awards under ASC 958-605 *Revenue Recognition*.

Effect: Grants and contributions receivable, current portion, net, was understated by $770,040, deferred revenue was overstated by $599,764, and government revenues with donor restrictions were understated by $1,369,804.

Recommendation: Grant awards should be assessed for proper classification under ASC 958-605 *Revenue Recognition* as conditional or unconditional contributions and then recognized consistent with the appropriate accounting guidance.

Views of Responsible Officials: Due to the limited instructions provided with the COVID-19 grants awarded, Management did not record revenues at the time the grants were awarded to the Organization, resulting in a significant adjustment to revenues. Upon further consultation with certain government officials who manage these type of grants, Management has concluded that there are no measurable performance barriers or right of return and therefore, the grants meet the criteria of unconditional contributions and should be recorded as contributions when notification of award was provided.

Management has reviewed the existing COVID-19 grant awards to ensure proper classification and recognition in accordance with the accounting guidance. Additionally, Management will hold a training in January 2023 for finance and grant writing staff on criteria of conditional and unconditional contributions, which would help them to properly determine classification of the grant awards upon receipt.

Section III - Federal Award Findings and Questioned Costs

2022-003 - Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Information on Federal Program(s) -

U.S. Department of Agriculture
Passed through Florida Department of Health
CFDA Number: 10.558
CFDA Name: Child and Adult Care Food Program

Criteria – The Code of Federal Regulations (CFR) Section 200.403(g) states that for costs to be allowable under Federal awards, they must be adequately documented and there must be sufficient documentation. Additionally, CFR Section 200.430 states that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed and are supported by a system of internal control which provides reasonable assurance that the charges are accurate and allowable.

Condition – During our testing of payroll disbursements, we noted that one of the 25 payroll expenditures selected for testing did not have a properly approved personnel action form documenting the employee's pay rate.

Cause - Policies and procedures were not appropriately adhered to in this instance to ensure a properly approved personnel action form was maintained to evidence this cost was allowable and that an appropriate level of review and approval was completed prior to charging this cost to a federal program.

Effect or Potential Effect - We were unable to confirm the accuracy or completeness of the expense claimed as a federal expenditure.

Questioned Costs - There are no questioned costs as the disbursement amount is under the threshold.

Context – We tested a sample of 25 payroll expense items and found one exception. The expense consisted of $262 in gross employee wages charged to the federal program for which properly approved supporting documentation for the employee's pay rate was not available. Total expense charged to the federal program for this employee was $5,948. This is a condition identified per review of the Organization's controls over compliance with specified requirements using a statistically valid sample.

Recommendation - We recommend that the Organization review its controls over payroll disbursements to ensure that all employees have a personnel action form to document approved pay rates.

Views of Responsible Officials – Management was aware of the Organization's manual process to approve and store physical copies of pay rate approval, which placed the Organization at risk of losing proper documentation especially when Management experienced high turnover in Human Resource Department. Beginning in September 2022, the Organization has modified this process to allow managers to virtually approve and store digital copies of pay rate documentation.