BOYS & GIRLS CLUBS OF METRO ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
and
SUPPLEMENTARY INFORMATION

with
INDEPENDENT AUDITORS' REPORT

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SMITH+HOWARD PC

INDEPENDENT AUDITORS' REPORT

Board of Directors
Boys & Girls Clubs of Metro Atlanta, Inc. and Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Boys & Girls Clubs of Metro Atlanta, Inc. and Subsidiary (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows 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 December 31, 2022 and 2021, and the change 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 ("GAAP").

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 Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements can arise from fraud or error and 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.

Report on 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, is presented for purposes of additional analysis and is 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 audits 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 GAAS. 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 the date of this report 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.

Smith and Howard

June 8, 2023

BOYS & GIRLS CLUBS OF METRO ATLANTA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
Cash and cash equivalents	$ 1,733,682	$ 780,488
Restricted cash	7,147,557	145,347
Governmental grants receivable	1,753,690	1,443,361
Pledges receivable, net	8,868,315	2,716,611
Prepaid expenses and other assets	166,497	141,616
Notes receivable	6,815,100	6,815,100
Investments	32,451,277	40,438,508
Property and equipment, net	26,195,079	28,014,899
Land held for sale	-	1,200,000
Interest rate swap asset	23,362	-
Total Assets	$ 85,154,559	$ 81,695,930

LIABILITIES AND NET ASSETS

	2022	2021
Accounts payable and accrued expenses	$ 1,007,551	$ 1,513,169
Refundable advances	279,464	201,948
Notes payable	1,500,000	2,150,000
Line of credit	600,000	-
New Market Tax Credit, net	9,434,459	9,420,392
Interest rate swap liability	-	17,307
Total Liabilities	12,821,474	13,302,816
Net Assets		
Without donor restrictions: Undesignated	24,279,311	24,782,272
Board designated for specific purposes	4,374,611	4,981,215
	28,653,922	29,763,487
With donor restrictions	43,679,163	38,629,627
Total Net Assets	72,333,085	68,393,114
Total Liabilities and Net Assets	$ 85,154,559	$ 81,695,930

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

BOYS & GIRLS CLUBS OF METRO ATLANTA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenues and Gains:			
Public support:			
Contributions and private grants	$ 5,192,808	$ 16,044,626	$ 21,237,434
Allocations by United Way	100,000	100,000	200,000
In-kind revenues	1,538,125	-	1,538,125
Governmental grant awards	9,144,606	-	9,144,606
Revenues and gains:			
Program service fees	882,064	-	882,064
Investment loss, net	(540,130)	(4,027,673)	(4,567,803)
Gain on disposal of property and equipment	58,527	-	58,527
Special events	2,035,492	-	2,035,492
Net assets released from restrictions:			
United Way	213,333	(213,333)	-
Satisfaction/removal of program restrictions	6,854,084	(6,854,084)	-
Total Public Support, Revenues and Gains	25,478,909	5,049,536	30,528,445
Expenses:			
Program services	21,167,835	-	21,167,835
Supporting services:			
Management and general	1,180,260	-	1,180,260
Marketing and fundraising	3,663,635	-	3,663,635
Special events costs	617,413	-	617,413
Total Expenses	26,629,143	-	26,629,143
Increase in fair value of interest rate swap liability	40,669	-	40,669
Increase (Decrease) in Net Assets	(1,109,565)	5,049,536	3,939,971
Net Assets:			
Beginning of year	29,763,487	38,629,627	68,393,114
End of year	$ 28,653,922	$ 43,679,163	$ 72,333,085

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

BOYS & GIRLS CLUBS OF METRO ATLANTA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenues and Gains:			
Public support:			
Contributions and private grants	$ 6,344,738	$ 6,014,223	$ 12,358,961
Allocations by United Way	377,907	213,000	590,907
In-kind revenues	2,239,133	-	2,239,133
Governmental grant awards	5,131,170	-	5,131,170
Paycheck Protection Program grant	1,751,408	-	1,751,408
Revenues and gains:			
Program service fees	546,178	-	546,178
Investment return, net	499,218	2,810,596	3,309,814
Gain on disposal of property and equipment	53,997	-	53,997
Special events	1,603,420	-	1,603,420
Net assets released from restrictions:			
United Way	175,000	(175,000)	-
Satisfaction/removal of program restrictions	5,624,556	(5,624,556)	-
Total Public Support, Revenues and Gains	24,346,725	3,238,263	27,584,988
Expenses:			
Program services	17,329,953	-	17,329,953
Supporting services:			
Management and general	853,739	-	853,739
Marketing and fundraising	2,868,772	-	2,868,772
Special events costs	408,824	-	408,824
Total Expenses	21,461,288	-	21,461,288
Increase in fair value of interest rate swap liability	29,275	-	29,275
Increase in Net Assets	2,914,712	3,238,263	6,152,975
Net Assets:			
Beginning of year	26,848,775	35,391,364	62,240,139
End of year	$ 29,763,487	$ 38,629,627	$ 68,393,114

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

BOYS & GIRLS CLUBS OF METRO ATLANTA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

		Supporting Services			
	Program Services	Management and General	Marketing and Fundraising	Total Supporting Services	Total All Services
Salaries and wages	$ 9,568,517	$ 608,391	$ 2,002,663	$ 2,611,054	$ 12,179,571
Employee benefits	1,010,626	53,261	208,733	261,994	1,272,620
Payroll taxes	710,614	40,680	142,909	183,589	894,203
Total compensation and benefits	11,289,757	702,332	2,354,305	3,056,637	14,346,394
Professional fees and contract labor	877,380	174,724	425,053	599,777	1,477,157
Office expense	27,945	14,881	19,318	34,199	62,144
Occupancy	2,942,385	31,296	45,483	76,779	3,019,164
Printing	99,089	358	61,546	61,904	160,993
Local transportation	506,560	4,519	8,738	13,257	519,817
Conferences, training and travel	72,725	14,357	9,257	23,614	96,339
College scholarships	93,957	-	-	-	93,957
Food and supplies	1,508,966	6,851	55,468	62,319	1,571,285
Insurance	385,076	13,143	27,806	40,949	426,025
Outside services	736,108	37,821	72,346	110,167	846,275
National dues	-	47,346	-	47,346	47,346
Interest expense	141,669	-	-	-	141,669
Board expenses	457	18,595	4,249	22,844	23,301
Bad debt expense	-	-	545,190	545,190	545,190
Bank charges	6,197	97,710	24	97,734	103,931
In-kind good/service expense	-	-	17,376	17,376	17,376
Total Expenses Before Depreciation and Amortization	18,688,271	1,163,933	3,646,159	4,810,092	23,498,363
Depreciation and amortization	2,479,564	16,327	17,476	33,803	2,513,367
Total Expenses	$ 21,167,835	$ 1,180,260	$ 3,663,635	$ 4,843,895	$ 26,011,730

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

BOYS & GIRLS CLUBS OF METRO ATLANTA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

		Supporting Services			
	Program Services	Management and General	Marketing and Fundraising	Total Supporting Services	Total All Services
Salaries and wages	$ 7,558,325	$ 474,672	$ 1,685,740	$ 2,160,412	$ 9,718,737
Employee benefits	850,964	38,741	199,606	238,347	1,089,311
Payroll taxes	563,254	29,498	118,185	147,683	710,937
Total compensation and benefits	8,972,543	542,911	2,003,531	2,546,442	11,518,985
Professional fees and contract labor	572,252	146,806	251,390	398,196	970,448
Office expense	26,921	7,433	11,686	19,119	46,040
Occupancy	2,262,157	-	-	-	2,262,157
Printing	4,526	5	40,458	40,463	44,989
Local transportation	340,199	6,163	9,238	15,401	355,600
Conferences, training and travel	35,424	5,110	4,239	9,349	44,773
College scholarships	87,863	-	1,500	1,500	89,363
Food and supplies	758,092	8,802	3,424	12,226	770,318
Insurance	348,716	7,145	21,542	28,687	377,403
Outside services	1,010,842	20,894	44,222	65,116	1,075,958
National dues	78,854	-	-	-	78,854
Interest expense	141,644	-	-	-	141,644
Board expenses	34	14,007	1,695	15,702	15,736
Bad debt expense	-	-	429,897	429,897	429,897
Bank charges	3,249	64,800	51	64,851	68,100
In-Kind Good/Service Expense	8,696	10,266	25,981	36,247	44,943
Other	270	834	23	857	1,127
Total Expenses Before Depreciation and Amortization	14,652,282	835,176	2,848,877	3,684,053	18,336,335
Depreciation and amortization	2,677,671	18,563	19,895	38,458	2,716,129
Total Expenses	$ 17,329,953	$ 853,739	$ 2,868,772	$ 3,722,511	$ 21,052,464

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

BOYS & GIRLS CLUBS OF METRO ATLANTA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities:		
Increase in net assets	$ 3,939,971	$ 6,152,975
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	2,513,367	2,716,129
Donated Land	-	(1,320,000)
Change in fair value of interest rate swap	(40,669)	(29,276)
Gain on sale of property and equipment, net	(58,527)	(53,997)
Bad debt expense	545,190	429,897
Campaign cash received	(7,396,033)	(250,000)
Net realized and unrealized (gain) loss on investments	5,411,430	(2,327,886)
Changes in assets and liabilities:		
(Increase) Decrease in:		
Government grants receivable	(310,329)	(58,425)
Pledges receivable	(6,696,894)	(2,038,575)
Prepaid expenses and other assets	(24,881)	40,642
Increase (Decrease) in:		
Accounts payable and accrued expenses	(505,618)	393,478
Deferred rent	-	(269,754)
Refundable advances	77,516	114,755
Total adjustments	(6,485,448)	(2,653,012)
Net Cash Provided (Required) by Operating Activities	(2,545,477)	3,499,963
Cash Flows from Investing Activities:		
Purchases of investments	(17,658,035)	(23,912,160)
Proceeds from sale of investments	20,233,836	24,889,452
Proceeds from sale of property and equipment	1,258,527	120,000
Purchases of property and equipment	(641,550)	(2,132,134)
Net Cash Provided (Required) by Investing Activities	3,192,778	(1,034,842)
Cash Flows from Financing Activities:		
Principal payments under notes payable, net	(687,930)	(2,003,748)
Proceeds from line of credit	600,000	-
Campaign cash received	7,396,033	250,000
Net Cash (Provided) Required by Financing Activities	7,308,103	(1,753,748)
Net Increase in Cash, Cash Equivalents and Restricted Cash	7,955,404	711,373
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	925,835	214,462
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 8,881,239	$ 925,835
Supplemental Cash Flow Information:		
Cash paid for interest	$ 141,669	$ 141,644
Reconciliation to Consolidated Statement of Financial Position:		
Cash and cash equivalents	$ 1,733,682	$ 780,488
Restricted cash	7,147,557	145,347
Cash, cash equivalents, and restricted cash at end of year	$ 8,881,239	$ 925,835

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

BOYS & GIRLS CLUBS OF METRO ATLANTA, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE A - NATURE OF ORGANIZATION

The Boys & Girls Clubs of Metro Atlanta, Inc. (the "BGCMA") is a nonprofit corporation that is a voluntary health and welfare organization established to serve the youth of metropolitan Atlanta, Georgia. The programs and activities for the youth focus on health, education and employability issues. BGCMA is supported primarily through donor contributions, grants and the United Way of Metropolitan Atlanta, Inc.

The BGCMA Harland Real Estate Company was incorporated in 2018 to manage funds relating to the New Market Tax Credit ("NMTC") program obtained for construction of the Harland Boys & Girls Club. The BGCMA Harland Real Estate Company is designed as a 501(c)(3).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Accounting

The consolidated financial statements include the accounts of the BGCMA and the BGCMA Harland Real Estate Company (collectively, the "Organization"). All significant inter-company accounts and transactions have been eliminated.

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP").

Consolidated Financial Statement Presentation

Net assets, along with revenues, expenses, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

- Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Policy

The Organization adopted Accounting Standards Update ("ASU") 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The Organization applied ASU 2020-07 on a retrospective basis.

Cash, Cash Equivalents and Restricted Cash

The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Restricted cash consisted of interest reserves relates to the NMTC for Harland Boys & Girls Club and comprehensive campaign funds received. At December 31, 2022 and 2021, restricted cash included the following:

	2022	2021
NMTC	$ 431,317	$ 145,347
Programming Cash Advance	180,131	-
Comprehensive Campaign	6,536,109	-
	$ 7,147,557	$ 145,347

Risks and Uncertainties

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and pledges and government grants receivable. At times, cash and cash equivalent balances exceed federally insured amounts. The Organization believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying consolidated financial statements.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition (Continued)

The Organization uses an allowance method to determine uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific promises made.

The Organization recognizes fee for service revenue from various services at the time the service is performed. The performance obligation is met at a point in time, when services are rendered. All amounts are billed at the time of service and recognized based on the expected rate for the particular service provided. No amounts were received in advance in 2022 or 2021 for these services.

A portion of the Organization’s revenue is derived from cost-reimbursable federal, state and other contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position.

For the years ended December 31, 2022 and 2021, the Organization received approximately 30% and 19%, respectively, of its total support, revenue and gains through various government agencies. Receivables arise from reimbursements owed through these government contracts. The Organization's ability to collect amounts due is affected by the acceptance of reimbursable expenses and performance-based outcomes, which meet contract requirements. At December 31, 2022, the Organization had approximately 50% of its pledges receivable from one donor. At December 31, 2021, the Organization had approximately 73% of its pledges receivable from four donors.

Endowment Funds

GAAP requires the following consolidated financial statement disclosures for the Organization:

- Classification of net assets

  The Organization includes the following funds within its endowment funds:

  - Board-designated funds which may be used for specific purposes at the discretion of the Board of Directors.
  - The principal of donor restricted funds, to be held in perpetuity and that may be invested, and the earnings may be used in accordance with the donor’s wishes.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds (Continued)

- Interpretation of Relevant Law

  The Organization has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Net assets with donor restrictions not retained in perpetuity are subject to appropriation for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

- Return Objectives and Risk Parameters

  The Organization has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment funds. Endowment funds include net assets with donor restriction funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Organization, the endowment funds are invested in a manner to (a) provide liquidity for the BGCMA in order to meet its spending policy of 5% + target rate of inflation on average over the long-term (b) maintain an acceptable level of risk in an attempt to achieve a level of return high enough to meet the endowment funds' investment objectives, and (c) mitigate the endowment funds' exposure to volatile investment returns.

- Strategies Employed for Achieving Objectives

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds (Continued)

- Spending Policy

  Board designated funds may be spent at the discretion of the Board of Directors. Donor restricted funds are spent in accordance with the respective donors' wishes.

  As described in Note G, the Organization's General Endowment originated from a gift from an estate. The board has placed additional restrictions on the cumulative balance of the estate gift (General Endowment) and applies the following spending policy to this balance. The target spending amount is based on 5% of the prior three years average portfolio value, subject to any restrictions or limitations on specific endowment funds. All calculations, including market values are based on December 31 of the year prior to the year for which the calculation is being made. Distributions in excess of the spending policy, based on perceived financial emergency, must be approved by the board with a specified plan for reimbursement to the General Endowment.

- Underwater Endowment Funds

  From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022 and 2021, there were no underwater endowments.

- Board Designated Endowment Funds

  At December 31, 2022 and 2021, the Board has designated endowment funds of $3,862,527 and $4,401,944, respectively, for general endowment purposes, $200,765 and $224,477, respectively, for club operations and improvements and $311,318 and $354,795, respectively, for strategic purposes.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds (Continued)

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	Board Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2020	$ 4,998,969	$ 30,912,431	$ 35,911,400
Used in operations	(447,770)	(681,753)	(1,129,523)
Investment returns, net	430,017	2,638,211	3,068,228
Endowment net assets, December 31, 2021	4,981,216	32,868,889	37,850,105
Used in operations	-	(2,164,939)	(2,164,939)
Investment loss, net	(606,605)	(3,999,577)	(4,606,182)
Endowment net assets, December 31, 2022	$ 4,374,611	$ 26,704,373	$ 31,078,984

The Organization is the beneficiary, but not the legal owner, of donated endowments held and controlled by The Community Organization of Greater Atlanta, Inc. (the "Foundation"). At December 31, 2022 and 2021 these funds had a fair market value of approximately $9,268,929 and $11,261,107, respectively. Since the Foundation has the variance power to redirect the income from the named beneficiaries of these funds, the Organization does not record these endowed funds as assets. For the years ended December 31, 2022 and 2021, the Organization received income without donor restrictions earned on these endowment funds of approximately $448,067 and $433,000, respectively, and has recorded this as contributions and private grants in the accompanying consolidated statement of activities and changes in net assets.

Investments

Investments are carried at fair market value in accordance with GAAP. Fair value is determined from quoted market prices or market prices of similar instruments. Realized and unrealized gains and losses from investments are reflected in investment returns in the consolidated statement of activities and changes in net assets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis

The FASB issued a pronouncement on fair value measurement defining fair value, establishing a framework for measuring fair value and expanding disclosures about fair value measurements. The statement, when adopted by the Organization, did not have any impact on the Organization's consolidated financial statements.

FASB establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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. The table below represents fair value measurement hierarchy of the Organization's significant net assets at fair value as of December 31:

	2022				
	Level 1	Level 2	Level 3	NAV(*)	Fair Value
Short-term reserves and cash funds	$ 2,446,353	$ -	$ -	$ -	$ 2,446,353
Equity mutual funds and common stocks	16,545,319	-	-	-	16,545,319
Bond and bond mutual funds	12,145,708	-	-	-	12,145,708
Alternative investments (*)	-	-	-	1,313,897	1,313,897
	$ 31,137,380	$ -	$ -	$ 1,313,897	$ 32,451,277

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

	2021				
	Level 1	Level 2	Level 3	NAV(*)	Fair Value
Short-term reserves and cash funds	$ 2,735,761	$ -	$ -	$ -	$ 2,735,761
Equity mutual funds and common stocks	21,382,173	-	-	-	21,382,173
Bond and bond mutual funds	16,320,574	-	-	-	16,320,574
	$ 40,438,508	$ -	$ -	$ -	$ 40,438,508

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

(*) The Organization's overall objective is to achieve maximum capital appreciation commensurate with reasonable risk, investing primarily in equity securities, but also debt, credit, derivative, and other financial instruments. The Fund invests in companies globally and takes short positions as well as long positions and may use other forms of leverage. The fair values of the investments have been estimated using the net asset value per share of the investments. Redemptions are subject to an exit fee of 2% of the net redemption proceeds.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of $5,000. Property and equipment are stated at cost or estimated fair value at time of donation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives as stated below. The estimated useful lives of property and equipment are as follows:

Buildings and improvements	10-30 years
Furniture, fixtures and equipment	3-7 years
Vehicles	7 years

Long-Lived Assets

The Organization evaluates its long-lived assets held for use in operations, including real estate, for indicators of impairment and if impaired, records such assets at the lower of cost or fair value in accordance with GAAP. There were no impairment losses incurred by the Organization in 2022 and 2021.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Equipment, Material, Supplies and Services

All non-cash gifts (other than personal services) are recorded at their estimated fair value at date of receipt. Contributed services are reflected in the consolidated financial statements at the fair value of the services received. In accordance with GAAP, contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the years ended December 31, 2022 and 2021, donated rent was $1,417,812 and $830,188, respectively. Donated rent is valued at the fair value of similar properties available in commercial real estate listings.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as donations without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies donor restricted net assets to net assets without donor restrictions at that time. There was no donated property and equipment during 2022. During 2021, three parcels of land were donated to the Organization that had a combined appraised fair market value of $1,320,000 at the time of the donation, and is included within in-kind revenues on the accompanying consolidated statement of activities and changes in net assets. As of December 31, 2021, two parcels of land remain on the accompanying consolidated statement of financial position as land held for sale, valued at $1,200,000. During 2022, these two parcels of land were sold for an amount that approximated their individual net book values.

Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The significant expenses that are allocated include occupancy, compensation and professional services, which are allocated on the basis of estimates of time and effort and/or the basis of square footage occupied.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision or liability for federal and state income taxes has been recorded in the accompanying consolidated financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Organization is subject to examination by the federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for the tax years ending before December 31, 2019.

Reclassifications

Certain reclassifications of amounts previously reported may have been made to the accompanying financial statements to maintain consistency between periods presented. Any reclassifications made had no impact on previously reported net assets.

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the consolidated financial statements were available to be issued.

NOTE C - PLEDGES RECEIVABLE

At December 31, pledges receivable were as follows:

	2022	2021
United Way Services Funding	$ 100,000	$ 250,000
Rising Together Capital Campaign	8,893,943	2,250,000
Programs and Operations	660,830	590,123
	9,654,773	3,090,123
Allowance for doubtful accounts	(647,272)	(213,826)
Allowance for present value of multi-year pledges	(139,186)	(159,686)
	$ 8,868,315	$ 2,716,611

A present value discount has been applied for pledge receivables expected to be collected beyond one year at December 31, 2022 and December 31, 2021, for $139,186 and $159,686, respectively.

NOTE C - PLEDGES RECEIVABLE (Continued)

The amounts due from United Way of Metropolitan Atlanta, Inc. at December 31, 2022 and 2021 represent the balance of the Organization's general allocation funding for the periods ending June 30, 2022 and 2021, respectively. Specific care funding is donor designated contributions received through the United Way of Metropolitan Atlanta, Inc. Specific Care funding is based on actual collections by the United Way of Metropolitan Atlanta, Inc., and the Organization records the revenues when the Specific Care funds are received.

NOTE D - PROPERTY AND EQUIPMENT

Major classes of property and equipment at December 31 are as follows:

	2022	2021
Land	$ 3,779,800	$3,560,863
Buildings and improvements	53,715,141	53,921,983
Leasehold improvements	1,474,119	1,322,300
Furniture and fixtures	3,724,764	3,702,304
Equipment	4,516,063	4,598,025
Vehicles	2,178,803	2,214,892
Software costs	128,670	128,670
Construction in progress	116,737	68,266
	69,634,097	69,517,303
Less: accumulated depreciation and amortization	(43,439,018)	(41,502,404)
	$ 26,195,079	$ 28,014,899

NOTE E - FINANCING ARRANGEMENTS

Notes Payable

Notes Payable at December 31 consisted of:

	2022	2021
$4,500,000 term note with a financial institution, principal payable in varying amounts through October 2024, interest at 67% of (LIBOR plus 2.25%) (4.17% at December 31, 2022) due annually through October 2024.	$ 1,100,000	$ 1,550,000
$2,075,000 term note with a financial institution, principal payable in varying amounts through October 2024, interest at 67% of (LIBOR plus 2.25%) (4.17% at December 31, 2022) due annually through October 2024.	400,000	600,000
	$ 1,500,000	$ 2,150,000

Future maturities are as follows for the years ending December 31:

2023	$ 750,000
2024	750,000
	$ 1,500,000

The term notes contain various covenants, which place restrictions on the Organization's ability to incur additional indebtedness as stipulated in the debt terms. In addition, under the covenants, the Organization is to maintain certain levels of net assets and meet certain financial ratios as defined in the agreement. At December 31, 2022 and 2021, the Organization was in compliance with the covenants. Subsequent to year-end, these term note agreements were restructured into a single note agreement, wherein the variable interest rate will now be based at Term SOFR for one month tenor plus 2.36%.

Effective December 6, 2019, the Organization entered into an interest rate SWAP agreement to reduce the impact of changes in interest rates on its floating-rate term notes payable. The original notional amount in the SWAP agreement was $1,675,000, (50% of the Organization's outstanding balance under its term notes payable maturing in 2024) and its notional amount reduces on each principal payment date so that it remains one-half of the outstanding balance of the corresponding notes payable until the interest rate SWAP termination date of October 1, 2024. The Organization is exposed to credit loss in the event of nonperformance by the other party to the agreement. However, the Organization does not anticipate nonperformance by the other party (a financial institution).

NOTE E - FINANCING ARRANGEMENTS (Continued)

Under the combined SWAP agreement, the Organization pays interest at a fixed rate of 3.31%, and receives interest at 67% X (LIBOR + 2.25%). The carrying amount of the SWAP has been adjusted to fair value at the end of the fiscal year, which due to changes in forecasted levels of LIBOR, resulted in reporting an asset of $23,362 at December 31, 2022 and a liability of $17,307 as of December 31, 2021, respectively for the fair value of the future net payments forecasted under the swap.

Line of Credit

The Organization has a line of credit with a financial institution providing for maximum borrowings of $750,000, bearing interest at Term SOFR for one month tenor plus 2.50% (effective rate of 6.81% at December 31, 2022). The line of credit is secured by deposits and investments maintained with the bank and matures on December 15, 2023. The Organization had $600,000 of borrowings on the line of credit as of December 31, 2022 and no borrowings on the line of credit as of December 31, 2021.

New Market Tax Credit

On March 27, 2018, the Organization entered into a New Markets Tax Credit (NMTC) financing arrangement to partially fund the construction of the Harland Boys & Girls Club. The NMTC Program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investments. As part of the financing arrangement the Organization issued a $6,815,100 note receivable to the BGC Atlanta Investment Fund, LLC. The note receivable bears interest at 1.0% and is due and payable on March 27, 2046. The BGC Atlanta Investment Fund, LLC in turn made an investment in a Community Development Entity (CDE). The CDE made a loan totaling $9,860,000 to BGCMA Harland Real Estate Company to fund the aforementioned project. The Organization incurred debt issuance costs, net of accumulated amortization, as of December 31, 2022 and 2021, in the amounts of $425,541 and $439,608, respectively. The BGCMA Harland Real Estate Company was incorporated in 2018 to manage funds related to the NMTC program. The BGCMA Harland Real Estate Company is controlled and managed by the Organization. The NMTC loans bear interest at a rate of 1.135% and mature on March 27, 2053.

NOTE F - CONTINGENCIES

The Organization is subject to legal actions arising in the ordinary course of business. In management's opinion, the Organization has adequate legal defenses and insurance coverage with respect to such actions and their final outcome will not materially affect the Organization's operations or financial position.

Certain federally funded programs are routinely subject to special audit. The audit reports, which are prepared by the auditors for the Organization pursuant to specific regulatory requirements, are required to be submitted to both the Organization and various federal agencies. Such agencies have the authority to determine liabilities as well as to limit, suspend, or terminate the federal programs. No provision for liabilities was recorded as of December 31, 2022 and 2021.

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purpose at December 31:

	2022	2021
Subject to expenditure for specified purpose and/or time restrictions:		
Rising Together Comprehensive Campaign	$ 14,718,219	$ 2,359,712
Club programs and multi-year pledges	704,146	922,335
Building maintenance fund	609,234	686,767
Program and operations	943,191	1,791,924
	16,974,790	5,760,738
Subject to spending policy and appropriation:		
General endowment, including accumulated earnings	23,448,100	29,155,902
Investment in perpetuity: (including accumulated above original gift amount) of $3,000,000, which, once appropriated, is expendable to support:		
Program Activities and Operations	3,256,273	3,712,987
Total net assets subject to spending policy and appropriation	26,704,373	32,868,889
Total net assets with donor restrictions	$ 43,679,163	$ 38,629,627

The General Endowment listed above includes a $16,870,000 gift from an estate which was received by the Organization in 1999. As indicated in the gift agreement, the corpus of the gift can be used for the establishment of funds in perpetuity or capital acquisitions and suitable memorials by the Organization consistent with its charitable purpose. A substantial portion of the income from this gift is to be used to support the operations of the Organization. The original corpus amounts plus accumulated earnings totaled $23,448,100 and $29,155,902 at December 31, 2022 and 2021, respectively.

NOTE H - EMPLOYEE BENEFIT PLANS

The Organization established the Boys & Girls Clubs of Metro Atlanta Retirement Plan (the Plan), a defined contribution plan covering all employees meeting minimum service and age requirements. Prior to 2022, employees vest in the Plan after completing three years of service. Effective January 1, 2022, an amendment to the plan from a discretionary employer match to a safe harbor match removes auto-enrollment into the Plan and removes required number of hours worked for eligibility, in which employee and employer contributions are immediately vested. The Organization contributes approximately 3% of the eligible employee's salary.

For the years ended December 31, 2022 and 2021, total pension contributions relating to the Plan were $275,442 and $160,296 respectively.

NOTE I - PAYCHECK PROTECTION PROGRAM GRANT

In April 2021, the Organization obtained a Small Business Administration ("SBA") loan under the Paycheck Protection Program ("PPP") in the amount of $1,751,408. Under the terms of the Coronavirus Aid, Relief, and Economic Securities Act (the "CARES Act") and the Paycheck Protection Program Flexibility Act ("PPPFA"), the Organization applied for PPP loan proceeds to be forgiven with the lending institution, as the proceeds were used within a specified timeframe to cover certain payroll and other expenses as outlined in the CARES Act and the PPPFA. Accordingly, the Organization has recognized all PPP proceeds within revenue on the accompanying consolidated statement of activities and changes in net assets as of December 31, 2021. In March of 2022, the Organization received formal forgiveness for the entire loan disbursement amount.

NOTE J - LIQUIDITY

For purposes of analyzing resources available to meet general expenditures for one year following the date of the consolidated statement of financial position, the Organization considers cash and cash equivalents, investments, and accounts receivables that will be collected and available within one year for activities that are ongoing and major to the Organization. Financial assets available for general expenditures, within one year are as follows:

	2022	2021
Cash and cash equivalents	$ 1,733,682	$ 780,488
Restricted cash	7,147,557	145,347
Investments	32,451,277	40,438,508
Receivables, net	10,622,005	4,159,972
Less: net assets with donor restrictions	(43,679,163)	(38,629,627)
Less: net assets with Board restrictions	(4,374,611)	(4,981,216)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,900,747	$ 1,913,472

BGCMA structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, the Organization has a General Endowment, as noted in the spending policy in Note B. Additionally, the Organization has a line of credit, as noted within Note E, which it could draw upon.

NOTE K - SUBSEQUENT EVENTS

Management had evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

REPORTS AND OTHER SCHEDULES AND INFORMATION AS REQUIRED BY THE UNIFORM GUIDANCE

YEAR ENDED DECEMBER 31, 2022

BOYS & GIRLS CLUBS OF METRO ATLANTA, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice:			
Pass-through from the Boys & Girls Clubs of America			
Juvenile Mentoring Program	16.726	2019-MU-FX-0003	$ 15,366
Juvenile Mentoring Program	16.726	15PJDP-21-GG-02763-MENT	287,000
Total U.S. Department of Justice			302,366
U.S. Department of Health and Human Services:			
Pass-through from Georgia Alliance of Boys & Girls Clubs, Inc.			
Temporary Assistance to Needy Families (TANF):			
TANF (2021/2022)	93.558	42700-040-0000104600	1,587,199
TANF (2022/2023)	93.558	42700-040-0000107824	433,313
TANF (Youth Employment Program)	93.558	42700-040-0000104600	28,355
Total U.S. Department of Health and Human Services			2,048,867
U.S. Department of Housing and Urban Development:			
Pass-through from the Cherokee County CDBG Program Office			
Community Development Block Grants (CDBG)	14.218	B-21-UC-13-0006 / CD21-BGCR	643
Community Development Block Grants (CDBG)	14.218	B-21-UC-13-0006 / CD21-BGC	6,204
Community Development Block Grants (CDBG)	14.218	B-21-UC-13-0006 / CD21-BGCWD	8,155
Community Development Block Grants (CDBG)	14.218	B-22-UC-13-0006 / CD22-BGC Trans	17,784
Community Development Block Grants (CDBG)	14.218	B-21-UC-13-0006 / CD22-BGCYD	10,519
Pass-through from the Gwinnett County CDBG Program Office			
Community Development Block Grants (CDBG)	14.218	B-20-UW-13-0004 / CDBGCV-PS-0004	5,000
Community Development Block Grants (CDBG)	14.218	B-121-UC-13-0004 / BGC-21-TBD	24,405
Community Development Block Grants (CDBG)	14.218	B-21-UC-13-0004 / ACF-21-TBD	23,040
Total U.S. Department of Housing and Urban Development			95,750
U.S. Department of Treasury:			
Pass-through from the County of Fulton, Georgia			
COVID-19: American Rescue Plan Act	21.027	222BG	23,345
Total U.S. Department of Treasury			23,345
U.S. Department of Agriculture:			
Pass-through from the Georgia Department of Early Care and Learning			
Child and Adult Care Food Program	10.558	5182	988,342
Summer Food Service Program for Children	10.559	8009	227,051
Total U.S. Department of Agriculture			1,215,393
U.S. Department of Education:			
Pass-through from the Georgia Department of Education			
21st Century Community Learning Centers	84.287C	S287C220010	320,121
Pass-through from to Georgia Alliance of Boys & Girls Clubs, Inc.			
COVID 19: Governor's Emergency Education Relief Fund Learning Loss Recovery (GEER	84.425C	2022-2023	573,364
COVID 19: Governor's Emergency Education Relief Fund Learning Loss Recovery (GEER	84.425C	2021-2022	2,422,948
COVID 19: Opportunities for Out-of-School Time (BOOST)	84.425U	2022-2023	448,877
COVID 19: Building Opportunities for Out-of-School Time (BOOST)	84.425U	2021-2022	581,890
Total U.S. Department of Education			4,347,200
U.S. Department of Labor:			
Pass-through to Boys & Girls Clubs of America			
Workforce Pathways for Youth	17.261	MI-36498-21-60-A-13	65,950
Total U.S. Department of Labor			65,950
Total Federal Expenditures			$ 8,098,871

BOYS & GIRLS CLUBS OF METRO ATLANTA, INC. AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards summarizes the expenditures of the Organization under programs of the federal government for the year ended December 31, 2022 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

NOTE 2 - ACCOUNTING PRINCIPLES

Expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the Uniform Guidance. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

The Organization did not elect to use the 10% de minimis cost rate under *Title 2 U.S. CFR Part 200*, Subpart E, Cost Principles.

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INDEPENDENT AUDITORS' 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

Board of Directors
Boys & Girls Clubs of Metro Atlanta, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boys & Girls Clubs of Metro Atlanta, Inc. and Subsidiary (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated the date of this report.

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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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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 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*.

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.

Smith and Howard

June 8, 2023

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

Board of Directors
Boys & Girls Clubs of Metro Atlanta, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Boys & Girls Clubs of Metro Atlanta, Inc. and Subsidiary's (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 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 Auditors' 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. Our audit does not provide a legal determination of the Organization's compliance with the types of 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.

Auditors' 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 the 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 Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

GAS requires the auditor to perform limited procedures on the Organization's response to the noncompliance finding identified in our compliance audit, which is 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 in the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2022-001, which we consider to be a significant deficiency. GAS requires the auditor to perform limited procedures on the Organization's response to the noncompliance finding identified in our compliance audit, which is 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 in the response. Additionally, material weaknesses or additional significant deficiencies in internal control over compliance may exist that have not been identified.

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

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

Smith and Howard

June 8, 2023

BOYS & GIRLS CLUBS OF METRO ATLANTA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weakness(es)?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weakness(es)?	X yes	____ none reported
Type of auditors' report issued on compliance of major 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 programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program
84.425	Governor's Emergency Education Relief Fund/Elementary and Building Opportunities for Out-of-School Time

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

BOYS & GIRLS CLUBS OF METRO ATLANTA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

2022-001 Allowable Costs/Activities Allowed

Funding Agency: U.S. Department of Agriculture
Grant: Child and Adult Care Food Program
CFDA Number: 10.558

Criteria: In accordance with the Child and Adult Care Food Program administered by the United States Department of Agriculture's Food and Nutrition Service, participating independent centers agree to submit accurate monthly claims for reimbursement.

Condition: During our auditing procedures, we noted seven out of the twenty-nine Child and Adult Care food program claims for reimbursements could not be substantiated with appropriate supporting documentation.

Questioned costs: Unable to be determined.

Context: Reimbursements for meals administered under the grant are allowed to the extent the Organization can substantiate the headcounts for each child participating in the program on a monthly basis. During our testing, we noted several instances where the headcount information was not able to be provided upon request, as the headcounts information was not properly being retained.

Effect: Failure to comply with the requirements set forth by the United States Department of Agriculture's Food and Nutrition Service could lead to a reduction of funding or being reimbursed for more than allowed under the program guidelines.

Cause: We noted turnover in the administration of the program resulted in a lack of periodic internal site visits. Lack of awareness and training on the requirements of the program resulted in the lack of headcounts to be tracked and maintained in order to substantiate expense reimbursements which needed to be properly documented and accounted for in order to substantiate expense reimbursement requests under the grant.

Recommendation: We recommend that the Organization review their current policy and implement more robust internal preparation and management review procedures surrounding completion of the meal count reimbursement request materials, and a review the meal counts for accuracy so the supporting meal counts are properly calculated and agree to the monthly Child and Adult Care Food Program Claim for Reimbursement. In addition, the Organization should ensure periodic internal site visits are conducted timely. This will help to ensure the Organization is adhering to the requirements of the funding agency.

BOYS & GIRLS CLUBS OF METRO ATLANTA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Grantee Comments: Refer to Corrective Action Plan.

Section IV – Summary Schedule of Prior Audit Findings and Questioned Costs

None noted.