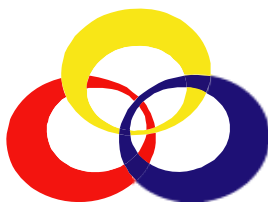


Audit Report  
For the Years Ended  
December 31, 2023 and 2022



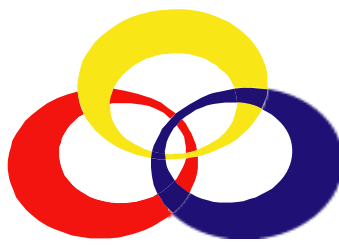
**BOYS & GIRLS CLUB**  
**OF WATERTOWN, INC.**



**Kinner & Company Ltd**  
Certified Public Accountants  
Taxes, QuickBooks &  
Investments

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**TABLE OF CONTENTS**  
**DECEMBER 31, 2023**

	<u>Page</u>
Independent Auditor's Report	1 – 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5 – 6
Statements of Cash Flows	7
Notes to the Financial Statements	8 – 17



# **Kinner & Company Ltd**

## **Certified Public Accountants**

### INDEPENDENT AUDITOR'S REPORT

Board of Directors of  
Boys and Girls Club of Watertown, Inc.

#### **Report on the Audit of the Financial Statements**

#### **Opinion**

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

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

#### **Basis for Opinion**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing and audit in accordance with general accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Boys and Girls Club of Watertown, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Club of Watertown, Inc.'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 findings, and certain internal control related matters that we identified during the audit.

*Kinner + Company Ltd.*

Kinner & Company Ltd  
Certified Public Accountants  
Brookings, South Dakota

March 13, 2024

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**

ASSETS	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and Cash Equivalents	\$ 742,878	\$ 1,357,338
Certificates of Deposit	482,542	-
Accounts Receivable	59,903	37,512
Inventory	7,104	8,240
Prepaid Insurance	23,270	21,257
Total Current Assets	<u>1,315,697</u>	<u>1,424,347</u>
Property and Equipment		
Buildings and Improvements	3,892,795	3,867,420
Equipment	547,532	497,965
Accumulated Depreciation	<u>(890,653)</u>	<u>(736,323)</u>
Total Property and Equipment	<u>3,549,675</u>	<u>3,629,062</u>
Other Assets		
Contributions Receivable, net of discounts	99,125	186,125
Franklin Templeton Investment	100,302	85,471
Watertown Endowment- Assets Whose Use is Limited	1,094,535	972,432
Deferred Charges	1,137,353	1,137,353
Accumulated Amortization	<u>(891,648)</u>	<u>(863,214)</u>
Total Other Assets	<u>1,539,666</u>	<u>1,518,166</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,405,038</u></b>	<b><u>\$ 6,571,575</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts Payable	\$ 31,513	\$ 11,312
Accrued Vacation	33,468	41,905
Accrued Salaries	<u>21,053</u>	<u>18,891</u>
Total Current Liabilities	<u>86,034</u>	<u>72,108</u>
<b>TOTAL LIABILITIES</b>	<b><u>86,034</u></b>	<b><u>72,108</u></b>
Net Assets		
Without Donor Restrictions		
Undesignated	5,124,168	5,441,565
Designated by Board	<u>1,194,837</u>	<u>1,057,902</u>
<b>TOTAL NET ASSETS</b>	<b><u>6,319,005</u></b>	<b><u>6,499,467</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,405,038</u></b>	<b><u>\$ 6,571,575</u></b>

See notes to the financial statements

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<b>2023</b>			<b>2022</b>		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
<b>Revenues and Gains, and Other Support</b>						
Agency subsidies	\$ 158,396	\$ -	\$ 158,396	\$ 169,500	\$ -	\$ 169,500
Fundraising and donations	405,406		405,406	316,848		316,848
Grants	546,314		546,314	992,986		992,986
Additional Employee Retention Credit	-		-	22,899		22,899
Membership dues	215,561		215,561	212,451		212,451
Fee based programs						
Kidscope	136,849		136,849	164,938		164,938
Arrow Prep			-	59,860		59,860
Main Club Site	17,427		17,427	13,895		13,895
Food service						
Kidscope	-		-	2,205		2,205
Arrow Prep	-		-	2,353		2,353
Main Club Site	73,037		73,037	68,093		68,093
In-Kind Donations	13,090		13,090	13,170		13,170
Rent, vending and other	19,422		19,422	9,853		9,853
Interest and dividends	28,156	-	28,156	14,162	-	14,162
Sale of Equipment	7,500		7,500	-		-
Net realized and unrealized gain (loss) on long-term investments	146,564		146,564	(156,455)		(156,455)
Net Assets Released from (Transferred to) Restrictions	-		-	5,000	(5,000)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>1,767,722</b>	<b>-</b>	<b>1,767,722</b>	<b>1,911,759</b>	<b>(5,000)</b>	<b>1,906,759</b>
<b>EXPENSES</b>						
Kidscope	156,354	-	156,354	150,738	-	150,738
Arrow Prep	-	-	-	111,700	-	111,700
Management and General	1,601,752	-	1,601,752	1,421,022	-	1,421,022
Fundraising	190,078	-	190,078	129,101		129,101
<b>Total Expenses</b>	<b>1,948,184</b>	<b>-</b>	<b>1,948,184</b>	<b>1,812,560</b>	<b>-</b>	<b>1,812,560</b>
<b>Change in Net Assets</b>	<b>(180,462)</b>	<b>-</b>	<b>(180,462)</b>	<b>99,199</b>	<b>(5,000)</b>	<b>94,199</b>
Net Assets, Beginning of Year	6,499,467	-	6,499,467	6,400,268	5,000	6,405,268
<b>Net Assets, End of Year</b>	<b>\$ 6,319,005</b>	<b>\$ -</b>	<b>\$ 6,319,005</b>	<b>\$ 6,499,467</b>	<b>\$ -</b>	<b>\$ 6,499,467</b>

See notes to the financial statements

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Program Services			Supporting Activities			Total Expenses
	Kidscope	Arrow Prep	Program Subtotal	Management and General	Fundraising	Supporting Subtotal	
Administrative salaries	\$ 14,538	\$ -	\$ 14,538	\$ 284,883	\$ 21,726	\$ 306,608	\$ 321,147
Program salaries	95,490	-	95,490	578,259	40,966	619,225	714,715
Payroll taxes	8,665	-	8,665	70,984	-	70,984	79,649
Employee benefits	8,684	-	8,684	43,538	24,860	68,397	77,082
Professional fees	-	-	-	8,750	-	8,750	8,750
Insurance	4,611	-	4,611	39,040	-	39,040	43,651
Telephone	986	-	986	8,604	-	8,604	9,589
Supplies	-	-	-	50,619	-	50,619	50,619
Marketing	60	-	60	7,991	-	7,991	8,051
Staff development	1,368	-	1,368	22,536	-	22,536	23,904
Food service	15,570	-	15,570	109,366	-	109,366	124,936
Program expenses	3,045	-	3,045	57,865	-	57,865	60,909
Depreciation	-	-	-	203,457	-	203,457	203,457
Repairs and maintenance	2,565	-	2,565	71,796	-	71,796	74,360
Vehicle	-	-	-	6,309	-	6,309	6,309
Board development	-	-	-	7,208	-	7,208	7,208
Resource development	-	-	-	-	102,526	102,526	102,526
Banking / Investment Fees	-	-	-	11,881	-	11,881	11,881
BGCA dues	773	-	773	6,954	-	6,954	7,727
Miscellaneous	-	-	-	6,284	-	6,284	6,284
Scholarship Program	-	-	-	5,430	-	5,430	5,430
<b>Total Expenses</b>	<b>\$ 156,354</b>	<b>\$ -</b>	<b>\$ 156,354</b>	<b>\$ 1,601,752</b>	<b>\$ 190,078</b>	<b>\$ 1,791,830</b>	<b>\$ 1,948,184</b>

See notes to the financial statements

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services			Supporting Activities			Total Expenses
	Kidscope	Arrow Prep	Program Subtotal	Management and General	Fundraising	Supporting Subtotal	
Administrative salaries	\$ 8,677	\$ 6,451	\$ 15,128	\$ 252,264	\$ 21,726	\$ 273,990	\$ 289,118
Program salaries	96,360	64,989	161,349	473,873	40,966	514,839	676,188
Payroll taxes	8,176	5,695	13,871	63,435	-	63,435	77,306
Employee benefits	9,184	5,443	14,627	38,227	24,860	63,087	77,714
Professional fees	-	-	-	10,620	-	10,620	10,620
Insurance	4,676	2,021	6,698	35,704	-	35,704	42,402
Telephone	710	578	1,289	6,902	-	6,902	8,191
Office	-	-	-	25,183	-	25,183	25,183
Marketing	-	52	52	10,648	-	10,648	10,700
Staff development	1,386	1,066	2,452	24,352	-	24,352	26,804
Food service	14,901	4,767	19,669	92,019	-	92,019	111,688
Program expenses	3,617	3,103	6,720	62,114	-	62,114	68,834
Depreciation	-	-	-	195,387	-	195,387	195,387
Repairs and maintenance	2,682	1,430	4,112	101,216	-	101,216	105,328
Vehicle	-	-	-	2,931	-	2,931	2,931
Board development	-	-	-	2,839	-	2,839	2,839
Resource development	-	-	-	-	41,549	41,549	41,549
Banking / Investment Fees	-	-	-	11,625	-	11,625	11,625
BGCA dues	368	-	368	6,998	-	6,998	7,366
Refunds	-	16,103	16,103	-	-	-	16,103
Miscellaneous	-	-	-	4,684	-	4,684	4,684
Scholarship Program	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 150,737</b>	<b>\$ 111,698</b>	<b>\$ 262,438</b>	<b>\$ 1,421,022</b>	<b>\$ 129,101</b>	<b>\$ 1,550,123</b>	<b>\$ 1,812,560</b>

See notes to the financial statements



**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (180,462)	\$ 94,199
<b>Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:</b>		
Depreciation	203,457	195,387
Unrealized and realized (gain) loss /Investment Fees	(136,379)	164,603
Cash provided by (used for):		
Accounts receivable	(22,390)	(21,477)
Employee retention credit receivable	-	256,214
Contributions receivable	87,000	(182,375)
Inventory	1,136	1,187
Prepaid insurance	(2,013)	687
Accounts payable	20,201	(18,210)
Accrued vacation	(8,437)	(2,923)
Accrued salaries	2,162	2,861
<b>Net Cash (used for) provided by Operating Activities</b>	<b>(35,726)</b>	<b>490,155</b>
<b>Cash Flow From Investing Activities:</b>		
Purchase of property and equipment	(95,637)	(59,750)
Transfer of donation to Watertown Community Foundation	(555)	-
<b>Net Cash (used for) provided by Investing Activities</b>	<b>(96,192)</b>	<b>(59,750)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(131,918)</b>	<b>430,405</b>
Cash and Cash Equivalents, Beginning of Year	1,357,338	926,933
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,225,420</b>	<b>\$ 1,357,338</b>
Checking and Money Market	742,878	1,357,338
Certificates of Deposit	482,542	
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,225,420</b>	<b>\$ 1,357,338</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
In-Kind Income / Expense	13,090	\$ 13,170

See notes to the financial statements

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

**a. Nature of Business**

The Boys and Girls Club of Watertown, Inc. (“Club”) is a nonprofit organization that seeks to inspire and enable all young people to realize their full potential as productive, responsible and caring citizens by providing behavior guidance and promoting health, social, educational, vocational and character development of youth in Watertown, South Dakota and surrounding communities.

The Club’s activities are conducted in a facility which is leased from the City of Watertown under terms discussed later in these notes.

**b. Basis of Accounting**

The financial statements of the Club have been prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP). The accounting policies of the Club have been designed to conform to U.S. GAAP as applicable to not-for-profit organizations. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Club and changes therein are classified and reported as follows:

*Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.

*With donor restrictions*- Net assets subject to donor-imposed stipulations that may or will be met wither by actions of the Club and /or the passage of time. This also includes net assets subject to donor-imposed stipulations that must be maintained permanently by the Club. Generally, the donors of these assets permit the Club to use all or part of the income earned on related investments for general or specific purposes.

**c. Revenue Recognition**

The Club uses the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Contributions and Grant Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Club reports gifts or cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. 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 reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions whose restrictions are met in the same reporting period are report as net assets without donor restrictions.

Net assets restricted for acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is place in service by the Club when the restrictions are released. Contributed materials are recorded as contributions, when received, at their fair market value when such value can be objectively and accurately determined.

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

Membership Dues

The Club offers a \$25 membership for grades 1-12 and this amount includes meals which provides the member with a package benefit. Currently, the Club offers the member dues revenue is reported at the amount that reflects the consideration to which the Club expects to be entitled in exchange for providing the member access to the benefits.

Tuition and Fees Revenue

Arrow Prep and Kidscope fees are billed monthly or weekly for tuition, daycare and meals depending on the program and time of year. Arrow Prep is no longer operating as of December 31, 2022.

Teen Court is a non-judicial, juvenile diversion, intervention and prevention program used as an alternative to traditional juvenile court system. Youth are referred to Teen Court by the District Attorney, and the club charges them to help cover the Club's costs.

Field trips have fees the parents are charged or revenue is generated through donations.

Tackle and Flag Football are fees that the parents are charged to cover the cost of the program, including equipment and referees. The Club no longer offers tackle and flag football. As of December 31 2023, all equipment has been sold.

Special Events Revenue

The Club holds periodic fund-raising events and reports the revenues generated, net of any direct operating cost, as revenue, gains, and other support in the accompanying consolidated statement of activities. These direct operating costs during 2023 and 2022 are as follows:

The Raffle event is usually put on every year for a chance to win a vehicle and a smaller piece of equipment. The Club sells tickets and also receives sponsorships from local businesses.

The Blue Derby Event is the Camel Race. Donors get a wooden, cutout camel which they can decorate. The night of the event each of the decorated camels race against each other by rolling dice. There are also tickets that can be purchased for the event and meal.

Pull tab income comes from a purchased pull tab machine located in a private business.

Teen events and vending income are from teen events held at the Club. They sometimes charge a fee per person. The teens use the vending machines and the profits from the vending machines go back to the teens for field trips or activities.

The Club celebrated 50 years and had a 50<sup>th</sup> Birthday celebration in 2023.

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**d. Cash and Cash Equivalents**

For purposes of reporting the statements of cash flows, the Club includes all unrestricted and undesignated cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying balance sheets. Because of their short-term nature, the fair value of cash equivalents approximates the carrying value. Cash and cash equivalents consist primarily of interest-bearing checking accounts, saving accounts and investments with a maturity date of three months or less.

**e. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates that were used.

**f. Accounts Receivable**

Accounts receivable represent amounts owed to the Club from Federal, State and local governments for services rendered under contractual obligations and grants from the Boys and Girls Club of America. All outstanding accounts receivable are considered collectible and as such an allowance for uncollectible amounts was not reflected.

**g. Accounts Payable**

Accounts payable represent amounts owed to vendors for supplies or services. All accounts were paid within 90 days.

**h. Contributions Receivable**

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 Club provides an allowance for uncollectible contributions based on historical collection experience.

**i. In-Kind Contributions**

Donated property, marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of the donation.

**j. Food Inventory**

Food inventory is stated at the lower of cost (first-in, first-out method) or market.

**k. Property and Equipment**

Land, buildings and equipment is stated at cost or at estimated fair market value on the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of five to forty years. The Club's policy is to capitalize those assets with a useful life greater than one year, and an initial acquisition cost of \$5,000 or above.

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**1. Investment in marketable equity securities**

The Club has investments in marketable equity securities. Marketable equity securities consist primarily of mutual funds that are traded or listed on national exchanges.

Available-for-sale securities consist of marketable securities not classified as held-to-maturity. Available-for-sale securities are stated at fair value and unrealized holding gains and losses are included in the statement of activities.

**2. FAIR VALUE MEASUREMENT**

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

Level 1

Valuations based on unadjusted quoted market prices for identical assets or liabilities in accessible and active markets

Level 2

Valuations based on pricing inputs that are other than quoted prices in active markets that are either directly or indirectly observable. Examples include quote prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3

Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets and liabilities. Level 3 investment comprise primarily alternative investments, which are not readily marketable.

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

Following is a description of the valuation methodologies used for assets measured at fair value.

*Trading securities:* Valued at the net realizable value of shares held by the Club at year-end.

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

As of December 31, 2023 and 2022, the Club’s balances in investments accounts of \$100,302 and \$85,471, respectively.

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**3. ASSETS WHOSE USE IS LIMITED**

A summary of investment securities at December 31, 2023 and 2022 follows:

Board Designated:	2023	2022
Mutual Funds, equity securities	\$ 100,302	\$ 85,471
Assets held by the Watertown Community Foundation for long-term investment	1,094,535	972,432
	\$ 1,194,837	\$ 1,057,903

**4. CONTRIBUTIONS RECEIVABLE**

Contributions receivable are initially recorded at fair value as of the date of gift.

Contributions receivable are due as follows:

December 31,	2023	2022
Less than one year	\$ 104,125	\$ 201,125
Less: allowance for uncollectible contributions	-	-
Less: present value discount of 5%	(5,000)	(15,000)
	\$ 99,125	\$ 186,125

**5. MAJOR SUPPORT AND COMMITMENTS**

In 1985, the Club entered into an agreement with the City of Watertown to lease the operating facilities for 99 years at an annual rental of one dollar. The Club's leasing arrangement was modified in 1998 for an addition to the operating facilities at that time. The Club has recognized a contribution from the City in an amount equivalent to the cost of the space occupied by the Club in proportion to the cost of the entire building. Because of its nature, the contribution has been capitalized and is included as a component of buildings and improvements on the statement of financial position. The lease agreement includes a provision for contributed membership dues of \$204,450 for the year 2017, for year 2018 payments shall be increased by the lesser of the following: 3% of the previous year's payment; or the previous year's payment multiplied by the annual percentage change in the Consumer Price Index established by the South Dakota Department of Revenue pursuant to S.D.C.L §10-13-38. The amount received for the years ended December 31, 2023 and 2022, was \$195,258 and \$191,700, respectively, and has been reflected as a component of the without donor restricted revenue. This accounted for more than 10% of total without donor restricted revenues of the Club for those years.

**6. INCOME TAX MATTERS**

The Club is a not-for-profit organization, which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue code. In addition, the Club has been classified as an organization other than a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes has been reflected in the financial statements.

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**7. ACCUMULATED PAID TIME OFF**

All regular employees, both full-time and part-time, earn paid time off.

**Regular Part-Time Employees:**

If an employee works less than 40 hours per week, the accrued PTO is prorated based on the number of hours working during their regular schedule. For the first year of employment, all part-time employees will be eligible for PTO hours that equal one week of their normal schedule. New part-time employees will have a waiting period of no less than 90 days. After one year of employment, part-time employees will be eligible for two weeks of PTO based on their normal hours worked. After five years of employment, part-time employees are eligible for one additional day per year. The maximum PTO that can be earned by part-time employees will equal three weeks of their normal schedule.

**Full-Time Employees:**

Full-time employees earn vacation according to the following table:

Upon hire	20 Hours	10 Days
After first full year	30 Hours	15 Days
After five years	40 Hours	20 Days
After ten years	50 Hours	25 Days

All employees are allowed to carry-over PTO from one calendar year to the next. The maximum amount an employee can bank is 200 hours; hours accumulated over 200 will be forfeited without pay. Employees are highly encouraged to use their PTO. If organizational needs prevent the employee from taking scheduled time off, PTO hours accumulated over the maximum may be carried over and taken in the following quarter with prior approval from the Executive Director.

As of December 31, 2023 and 2022 the following liabilities existed for accumulated unpaid leave balances calculated at the employees' December pay rates:

	<u>2023</u>	<u>2022</u>
Vacation Pay	\$ 33,468	\$ 41,905

**8. COPIER LEASE**

The Club leases a Toshiba copier from Office Peeps. Terms of the lease is 63 months. Beginning August 2020 and ending June 30, 2024, monthly rental fees are \$131. Annual future lease payment for 2024 is \$789.

**9. IN-KIND CONTRIBUTIONS**

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

	<u>2023</u>	<u>2022</u>
Donated Services	\$ 3,740	\$ 2,420
Donated Supplies	<u>9,350</u>	<u>10,750</u>
Total In- Kind	\$ 13,090	\$ 13,170

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

The Club recognizes contributed nonfinancial assets within revenue, which included donated services. Unless otherwise noted, contributed nonfinancial assets did not have donor -imposed restrictions. Contributed items are utilized in operations by the Club.

**10. RISK CONCENTRATIONS – DEPOSITS AND INVESTMENTS**

Cash and temporary investment deposit balances are held at financial institutions insured by the FDIC and SIPC.

At December 31, 2023 and 2022, cash and temporary cash investment balances were deposited in various financial institutions and included interest earned where applicable, had market values that are substantially the same as the carrying value in the accompanying financial statements.

The cash and investment balances at December 31, 2023, are categorized below to give an indication of the level of risk assumed by the Club at year-end.

Held in	Depository Balance by Category			Total	Carrying Amount
	1	2	3		
Banks	\$ 998,542	\$ -	\$ 238,128	\$ 1,225,420	\$ 1,225,420

The cash and investment balances at December 31, 2022, are categorized below to give an indication of the level of risk assumed by the Club at year-end.

Held in	Depository Balance by Category			Total	Carrying Amount
	1	2	3		
Banks	\$ 472,629	\$ -	\$ 902,607	\$ 1,375,236	\$ 1,357,338

Category 1 includes cash and investments that are insured or registered for which the accounts are held by the Club or its agent in the Club’s name and includes FDIC or equivalent insurance coverage.

Category 2 includes uninsured or unregistered cash and investments for which the securities are held by the financial institution trust department or agent in the Club’s name.

Category 3 includes all other uninsured and unregistered cash and investments.

Cash and investment balances exceeded insurable limits at various times throughout 2023 and 2022; the Club has not experienced any losses in the above accounts during either of those years. Uninsured balances were \$238,128 and \$1,043,163 as of December 31, 2023 and 2022, respectively.



**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**11. WATERTOWN COMMUNITY ENDOWMENT FUND**

The Club has Board Designated endowment funds established for the purpose of securing the Club’s long-term financial viability and continuing to meet the operational needs of the Club. As required by GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

By resolution the Boys and Girls Club of Watertown dated February 19, 2004 resolved a \$75,000 initial transfer for the ongoing and perpetual support of Boys and Girls Club of Watertown Endowment Fund. The Watertown Community Fund is authorized to accept gifts, grants and bequests on behalf of The Fund. All donations shall be subject to all of the provisions relating to The Fund and be used for the stated purposes of the Boys and Girls Club of Watertown. The Community Fund agrees to distribute net income from the fund as requested. The principal of The Fund may be withdrawn at the direction of and subject to agreement with the Boys and Girls Club and the Watertown Community Fund Board. Distributions of earnings from the investment of The Fund shall be at the discretion of the Boys and Girls Club. Any fund balance above donor principal may be used for distribution.

	2023	2022
Boys and Girls Club contribution /grants from inception:	\$ 762,465	\$ 761,910
Beginning of Year Value	\$ 972,432	\$ 1,123,123
Contributions/Transfers In	555	2,000
Earnings on Investments	31,451	36,197
Unrealized Gain (Loss)	108,875	(199,660)
Realized Gain (Loss)	(8,593)	20,919
Administrative Fees	(10,185)	(10,148)
Ending of Year Value	\$ 1,094,535	\$ 972,432

**12. PENSION PLAN**

The Club sponsors a retirement plan for employees who have completed two years of service, attained age 21 and work, on a regular basis, at least 1,000 hours annually. Employer contributions to the plan are discretionary and can range from no contribution to five percent of participants’ annual compensation. Total pension expense for the years ended December 31, 2023 and 2022, was \$25,491 and \$27,776, respectively.

**13. SIGNIFICANT RISKS AND UNCERTAINTIES**

For the years ended December 31, 2023 and December 31, 2022, the Club received approximately 63% of its revenue from state and federal agency grants for December 31, 2023 and 67% in 2022. This concentration makes the Club vulnerable to the risk of a near-term severe impact if state or federal funding were discontinued.

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**14. RISK MANAGEMENT**

The Club is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended December 31, 2023 and 2022, the Club managed its risks as follows:

*Employee Health Insurance* - The Club purchases health insurance for its employees from a commercial insurance carrier.

*Liability Insurance* - The Club purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

*Workmen's Compensation* - The Club purchases liability insurance for workmen's compensation from a commercial carrier.

*Unemployment Benefits* - The Club provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

**15. NET ASSETS**

Net assets without donor restrictions consist of the following:

December 31,	2023	2022
Property and equipment	\$ 3,549,675	\$ 3,629,062
Board designated	1,194,837	1,057,899
Undesignated net assets	1,574,493	1,812,506
	\$ 6,319,005	\$ 6,499,467

**16. METHODS USED FOR ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting service of the Club. These costs are allocated to these categories on a direct cost method or allocated on the management's best estimate of usage.

**17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Club's working capital and cash flows have variations during the year attributable to fundraising, donation, and membership timing. The Club structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Club has investments in various short-term investments, including certificates of deposits.

The following reflects the Club's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of donor-imposed restrictions or internal designations. Amounts not available include assets set aside for long-term investing in operating reserves that could be drawn upon if the governing board approves that action.

**BOYS AND GIRLS CLUB OF WATERTOWN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

	2023	2022
Cash and Cash Equivalents	\$ 1,225,420	\$ 1,357,338
Assets whose use is limited	1,194,837	1,057,903
Contribution Receivable	99,125	186,125
Accounts Receivable	59,903	36,387
Total financial assets	2,579,285	2,637,753
Contractual or donor-imposed restrictions:		
Designated by Board	1,194,837	1,057,903
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,384,448	\$ 1,579,850

**18. DEFERRED CHARGES**

In 1985, the Club entered into an agreement with the City of Watertown to lease the operating facilities for 99 years at an annual rental of one dollar. The Club's leasing arrangement was modified in 1998 for an addition to the operating facilities at that time. The Club has recognized a contribution from the City in an amount equivalent to the cost of the space occupied by the Club in proportion to the cost of the entire building. Because of its nature, the contribution has been capitalized and is included as a component of buildings and improvements on the statement of financial position. Amortization expense for the years ending December, 31, 2022 and 2023 was \$28,434 and \$28,434, respectively.

	2023	2022
Deferred Charges	\$1,137,353	\$1,137,353
Accumulated Amortization	(891,648)	(863,214)
Net	\$ 245,705	\$ 274,139

**19. NEW ACCOUNTING PRONOUNCEMENT ADOPTED IN CURRENT YEAR**

The Club adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets as of December 31, 2022. This standard improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosures requirements for recognized contributed services. The adoption of this standard did not have a material impact on the Club's financial statements. The additional required disclosures have been added to Note 9

**20. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 13, 2024, the date the financial statements were available to be issued. Subsequent event occurring after March 13, 2024, have not been evaluated by management. No material events have occurred since December 31, 2023, that require recognition or disclosure in the financial statements.