

Boys & Girls Clubs of Union County, Inc.

Audited Financial Statements

Year ended December 31, 2022

Boys & Girls Clubs of Union County, Inc.

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For the year ended December 31, 2022

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Independent Auditor's Report

Board of Directors
Boys & Girls Clubs of Union County, Inc.
Union, New Jersey

Report on Financial Statements

I have audited the accompanying financial statements of Boys & Girls Clubs of Union County, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Boys & Girls Clubs of Union County, Inc. as of December 31, 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Boys & Girls Clubs of Union County, Inc. and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys & Girls Clubs of Union County, 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

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

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

I am 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 I identified during the audit.

Supplementary Information

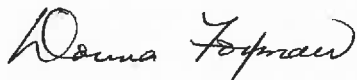
My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Federal and State Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 12, 2023 on my consideration of Boys & Girls Clubs of Union County, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys & Girls Clubs of Union County, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

I have previously audited Boys & Girls Clubs of Union County, Inc.'s 2021 financial statements, and in my report dated April 1, 2022, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it was derived.



Donna Foxman, CPA
Toms River, New Jersey

May 12, 2023

Boys & Girls Clubs of Union County, Inc.
Statement of Financial Position
December 31, 2022
With Comparative Totals for 2021

	2022	2021
Assets:		
Cash	\$77,467	\$169,415
Investments	511,384	653,490
Accounts receivable	440,644	32,188
Prepaid expenses	19,307	22,441
Right-of-use lease asset	106,750	-
Less: accumulated amortization	(35,525)	-
Property and equipment, less accumulated depreciation	<u>1,766,940</u>	<u>859,320</u>
Total assets	<u><u>\$2,886,967</u></u>	<u><u>\$1,736,854</u></u>
 Liabilities:		
Accounts payable	114,251	95,409
Accrued expenses	304,039	38,506
Right-of-use lease liability	71,225	-
Bank loans payable	51,550	130
Mortgage payable	<u>791,676</u>	<u>218,372</u>
Total liabilities	<u>1,332,741</u>	<u>352,417</u>
 Net assets:		
Without donor restrictions	1,554,226	1,384,437
With donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>1,554,226</u>	<u>1,384,437</u>
Total liabilities and net assets	<u><u>\$2,886,967</u></u>	<u><u>\$1,736,854</u></u>

See accompanying notes to financial statements.

Boys & Girls Clubs of Union County, Inc.
Statement of Activities
For the year ended December 31, 2022
With Comparative Totals for 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Totals</u>	<u>2021 Totals</u>
Revenues and Support:				
Contributions	\$480,816	286,750	767,566	477,422
Federal and state grants	-	327,459	327,459	327,954
Program service fees	908,331	-	908,331	818,709
Membership dues	32,455	-	32,455	49,457
Fundraising income	1,217,813	-	1,217,813	1,256,811
PPP loan forgiveness	-	-	-	494,000
Employee Retention Credits (ERC)	154,445	-	154,445	-
Interest income	597	-	597	438
Investment income	-	11,327	11,327	14,445
Realized & unrealized investment gain (loss)	-	(99,037)	(99,037)	38,528
Net assets released in satisfaction of program restrictions	<u>526,499</u>	<u>(526,499)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>3,320,956</u>	<u>-</u>	<u>3,320,956</u>	<u>3,477,764</u>
Expenses:				
Program services	2,164,857	-	2,164,857	1,957,740
Management and general	316,203	-	316,203	316,645
Fundraising and development	<u>670,107</u>	<u>-</u>	<u>670,107</u>	<u>696,795</u>
Total expenses	<u>3,151,167</u>	<u>-</u>	<u>3,151,167</u>	<u>2,971,180</u>
Increase (decrease) in net assets	169,789	-	169,789	506,584
Net assets, beginning of year	<u>1,384,437</u>	<u>-</u>	<u>1,384,437</u>	<u>877,853</u>
Net assets, end of year	<u>\$1,554,226</u>	<u>-</u>	<u>1,554,226</u>	<u>1,384,437</u>

See accompanying notes to financial statements.

Boys & Girls Clubs of Union County, Inc.

Statement of Cash Flows

For the year ended December 31, 2022

With Comparative Totals for 2021

	2022	2021
Cash flows from operating activities:		
Public support, grants, fees and fundraising	\$2,999,613	\$2,995,559
Interest and dividend income	11,924	14,883
Cash paid to employees and suppliers	(2,712,132)	(2,408,248)
Interest paid	(27,477)	(14,120)
Net cash provided (used) by operating activities	<u>271,928</u>	<u>588,074</u>
Cash flows from investing activities:		
Purchase of equipment, building and improvements	(1,031,669)	(260,765)
Purchase of investments	-	(35,805)
Proceeds from sale of investments	43,069	109,624
Net cash provided (used) by investing activities	<u>(988,600)</u>	<u>(186,946)</u>
Cash flows from financing activities:		
Proceeds from bank loans	929,756	150,000
Payments on bank loans	(305,032)	(628,937)
Net cash provided (used) by financing activities	<u>624,724</u>	<u>(478,937)</u>
Net increase (decrease) in cash	(91,948)	(77,809)
Cash and cash equivalents at beginning of year	<u>169,415</u>	<u>247,224</u>
Cash and cash equivalents at end of year	<u>\$77,467</u>	<u>\$169,415</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$169,789	\$506,584
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized and unrealized (gains) losses on investments	99,037	(38,528)
Depreciation	124,049	104,714
(Increase) decrease in accounts receivable	(408,458)	65,206
(Increase) decrease in prepaid expenses	3,134	(6,859)
Increase (decrease) in accounts payable	18,842	(343)
Increase (decrease) in accrued expenses	265,533	(42,700)
Net cash provided (used) by operating activities	<u>\$271,928</u>	<u>\$588,074</u>
Forgiveness of PPP loans		<u>\$494,000</u>

See accompanying notes to financial statements.

Boys & Girls Clubs of Union County, Inc.
Statement of Functional Expenses
For the year ended December 31, 2022
With Comparative Totals for 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising & Development</u>	<u>2022 Totals</u>	<u>2021 Totals</u>
Salaries	\$1,179,176	221,018	255,645	1,655,839	1,604,464
Payroll taxes	94,848	19,891	23,008	137,747	133,446
Employee benefits	<u>121,774</u>	<u>18,785</u>	<u>21,729</u>	<u>162,288</u>	<u>154,579</u>
Total salaries and related expenses	1,395,798	259,694	300,382	1,955,874	1,892,489
Program costs and supplies	185,263	-	-	185,263	143,890
Utilities	87,860	4,198	3,128	95,186	97,729
Insurance	88,387	9,033	2,949	100,369	107,777
Office expenses	15,800	4,222	528	20,550	19,883
Telephone	29,834	1,410	705	31,949	28,273
Conferences, seminars and training	16,463	2,816	939	20,218	9,638
Postage	366	649	100	1,115	1,057
Maintenance	101,601	4,284	3,954	109,839	109,851
Professional fees	15,789	6,579	3,947	26,315	8,400
Depreciation	109,737	9,541	4,771	124,049	104,714
Outside services	16,457	1,910	955	19,322	17,178
Rent (note 15)	-	-	-	-	51,000
Lease amortization (note 15)	35,525	-	-	35,525	-
Advertising	8,269	1,782	-	10,051	5,789
Bank and credit card fees	11,014	964	1,790	13,768	12,192
Interest expense - lease (note 15)	1,775	-	-	1,775	-
Interest expense	19,398	8,079	-	27,477	14,120
Dues, subscriptions and licenses	<u>25,521</u>	<u>1,042</u>	<u>-</u>	<u>26,563</u>	<u>28,201</u>
Subtotal	\$2,164,857	316,203	324,148	2,805,208	2,652,181
Direct fundraising costs	<u>-</u>	<u>-</u>	<u>345,959</u>	<u>345,959</u>	<u>318,999</u>
Total expenses	<u>\$2,164,857</u>	<u>316,203</u>	<u>670,107</u>	<u>3,151,167</u>	<u>2,971,180</u>
Percent to total expenses	<u>78%</u>	<u>11%</u>	<u>11%</u>	<u>100%</u>	<u>100%</u>

See accompanying notes to financial statements.

Boys & Girls Clubs of Union County, Inc.
Notes to Financial Statements
For the year ended December 31, 2022

1. Summary of Significant Accounting Policies

a. Organization

The Boys & Girls Clubs of Union County is a New Jersey nonprofit corporation which provides services for Union County youth and community residents. They operate community centers in Union, Elizabeth, Roselle, and Plainfield for the purpose of enhancing the quality of life for youth by providing health, social, and educational activities so that they can develop skills to reach their full potential as productive, caring, responsible citizens. More than 4,000 youth are served annually. The organization is an affiliate of Boys & Girls Clubs of America.

b. Basis of Accounting

The financial statements of the Agency have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

c. Use of Estimates

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

d. Donated Services

No amounts have been reflected in the financial statements for donated services. The Agency pays for most services requiring specific expertise. However, during 2022, many individuals volunteered hours in performing a variety of tasks that assisted the Agency with its programs and services.

e. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of building, improvements and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. Useful lives are as follows:

Building and improvements	10-39 years
Equipment	5-20 years
Office furniture and fixtures	5-10 years

Boys & Girls Clubs of Union County, Inc.

Notes to Financial Statements

For the year ended December 31, 2022

1. Summary of Significant Accounting Policies (continued)

f. Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has past. Other donor-imposed restrictions are perpetual in nature, the organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

g. Income Taxes

The Agency is qualified as tax exempt under Section 501(c)(3) of the Internal Revenue Code.

h. Advertising

The Agency uses advertising to promote its programs and events in the communities it serves. The costs of advertising are expensed as incurred.

i. Investments

The Agency carries investments in marketable securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

j. Pension Plan

The Agency has a qualified defined contribution pension plan which covers all eligible employees. Contributions to the plan are funded quarterly.

Boys & Girls Clubs of Union County, Inc.
Notes to Financial Statements
For the year ended December 31, 2022

1. Summary of Significant Accounting Policies (continued)

k. Cash & Cash Equivalents

For purposes of the Statement of Cash Flows, the Agency considers certificates of deposit with a maturity of less than three months to be cash equivalents.

l. Donated Assets

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

m. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

n. Subsequent Events

Management has evaluated subsequent events through May 12, 2023, the date on which the financial statements were available to be issued.

o. Revenue Recognition

The Agency adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, as amended, as management believes the standard improves the usefulness and understandability of the financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way revenue is recognized.

2. Property and Equipment

Property and equipment at December 31 consist of the following:

Land, building and improvements	\$3,478,810
Furniture and equipment	329,986
	<u>3,808,796</u>
Less accumulated depreciation	<u>(2,041,856)</u>
Net property and equipment	<u>\$1,766,940</u>

Depreciation expense for 2022 was \$124,049.

Boys & Girls Clubs of Union County, Inc.

Notes to Financial Statements

For the year ended December 31, 2022

3. Liquidity and Availability of Financial Assets

The following reflects the Agency's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. The financial assets available as of December 31, 2022 are:

Financial assets at year end:

Cash	\$77,467
Investments - cash management funds	17,132
Accounts receivable	<u>340,644</u>
Total financial assets available for general expenditures within one year	<u><u>\$435,243</u></u>

4. Investments

Investments are presented in the financial statements at fair value and consist of debt and equity securities with the following values at December 31:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain(Loss)</u>
Cash management funds	\$17,132	\$17,132	-
Exchange traded & closed-end funds	<u>468,839</u>	<u>494,252</u>	<u>25,413</u>
	<u><u>\$485,971</u></u>	<u><u>\$511,384</u></u>	<u><u>\$25,413</u></u>

Investment return for 2022 is summarized as follows:

Interest and dividend income	<u>\$11,327</u>
Realized gains	\$5,827
Unrealized gain (loss)	<u>(104,864)</u>
	<u><u>(\$99,037)</u></u>

5. Cash Balances in Financial Institutions

The Agency maintains cash accounts at several financial institutions. The balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation in each bank. At times throughout the year the Agency's cash balances may exceed that limit.

Boys & Girls Clubs of Union County, Inc.
Notes to Financial Statements
For the year ended December 31, 2022

6. Restricted Funds - Investments

The Heritage Club is an association of supporters of the Boys & Girls Clubs of Union County who seek to ensure that the future needs of youth served by the Boys & Girls Clubs of Union County are met by including the Boys & Girls Club in their estate plans. This planning might include a will, charitable gift annuity, a trust arrangement, a real estate gift or a life insurance policy.

The objectives of the Heritage Club have been established in conjunction with a comprehensive review and assessment of the goals, expectations, investment time horizon, risk associations, present investment allocation, and current and projected financial needs. The main purpose of funds contributed is to provide for the financial security of the Boys & Girls Clubs of Union County.

The primary investment objective is to build up a substantial pool of assets that will appreciate over the long term. The secondary investment objective is to produce enough income to meet liquidity requirements. The Board of Directors of the Boys & Girls Clubs of Union County have established a policy that allows for an annual short-term liquidity of up to 5% of the value of the fund to be utilized to support programs that benefit the youth membership.

7. Schedule of Federal and State Awards

The Schedule of Federal and State Awards includes the grant activity of the Agency and is presented on the accrual basis of accounting. The amounts represent expenditures incurred by the Agency during 2022.

8. Donor Restricted Funds

Some contributions received in 2022 are to be used for capital projects. All funds received to date were used in 2022.

9. Pension Plan

The Agency has a pension plan covering all eligible employees. The total amount contributed to the plan by the Agency was \$28,488 for 2022.

10. Subsequent Event

In December, 2022, the Boys and Girls Club was awarded a grant from the Department of Homeland Security, Federal Emergency Management Agency for \$665,159, for renovations to the pool area.

Boys & Girls Clubs of Union County, Inc.

Notes to Financial Statements

For the year ended December 31, 2022

11. Bank Loans Payable

The Agency had a \$125,000 credit line with Investors Bank. The credit line was converted to a five year term loan in December, 2022. The loan bears interest at 9%, with monthly payments of \$1,064.16.

\$51,258

The Agency also has a \$25,000 credit line with TD Bank, bearing interest at 14%. The line is secured by corporate assets.

\$292

Total bank loans payable

\$51,550

The following is a summary of principal payments for the next five years:

2023	\$8,795
2024	9,289
2025	10,171
2026	11,126
2027	12,169
	<u>\$51,550</u>

12. Bank Loan Payable

The Agency had a mortgage through Union County Savings Bank. Monthly payments were \$2,639.84, including interest at 5%, through July, 2030. The loan was paid off with a new loan with ConnectOne Bank in May, 2022. The new loan is \$800,000 for thirty years, bearing interest at 4.75% and is secured by the Agency's property. The balance at December 31 is \$791,676.

The following is a schedule of principal payments for the next five years:

2023	\$17,915
2024	18,784
2025	19,697
2026	20,653
2027	21,655
Thereafter	<u>692,972</u>
	<u><u>\$791,676</u></u>

13. Income Taxes

Generally accepted accounting principles prescribe how an organization should measure, recognize, present and disclose in its financial statements tax positions that the organization has taken or expects to tax on its tax or information returns. The Agency regularly reviews and evaluates its tax positions taken on previously filed returns and as reflected in its financial statements, with regard to issues affecting tax matters. The Agency has concluded that no tax benefits or liabilities are required to be recognized in accordance with generally accepted accounting principles.

Boys & Girls Clubs of Union County, Inc.

Notes to Financial Statements

For the year ended December 31, 2022

14. Fair Value Measurements

Fair value of investments is determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value is defined at three levels: Level 1 based on quoted market prices in active markets; Level 2 is based on significant other observable inputs; Level 3 is based on significant unobservable inputs and is a required disclosure by generally accepted accounting principles.

Fair value of investments measured on a recurring basis at December 31 are as follows:

Level 1	\$511,384
Level 2	-
Level 3	-
	<u>\$511,384</u>

Other fair value measurements:

The Agency has a number of financial instruments, including cash, certificates of deposit, accounts receivable and bank debt. The Agency estimates that the fair value of all financial instruments at December 31, 2022 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying Statement of Position.

15 Rent and Right-of-Use Asset

The Agency has a land lease with the Township of Union at the Union facilities. Annual rent under an agreement with the town is \$1.

In July, 2019, the Agency renewed its lease in Plainfield for another five years, through June 30, 2024, to rent facilities for the Plainfield program. The total rent paid in 2021 was \$51,000.

As of January 1, 2022 the Agency adopted FASB's ASU 2016-02, Leases (Topic 842), which requires the recognition of right-to-use lease assets and lease liabilities on the Statement of Position of the lessee for operating leases, along with the disclosure of key information about leasing arrangements.

The lease in Plainfield is effective through 2024. The following information is recorded in 2022:

operating lease right-of-use asset	\$106,750
less accumulated amortization	(\$35,525)
operating lease liability	\$71,225

The following is the remaining lease term and effective discount rate of 5%:

2023	\$48,162
2024	\$23,063

Boys & Girls Clubs of Union County, Inc.

Notes to Financial Statements

For the year ended December 31, 2022

15. Rent and Right-of-Use Asset, continued,

In adopting the new lease standard, the Agency elected to use a transition method under which the existing lease is measured and capitalized as of the date of the adoption, January 1, 2022, in lieu of applying the standard retrospectively to the prior year. Consequently, the 2021 financial statements and disclosures do not reflect the effects of implementing the new standard. The lease recognized under this new standard includes leases that were not capitalized under previous U.S. Generally Accepted Accounting Principles (G.A.A.P.). The lease obligation is measured and recorded at the present value of future lease payments using a discount rate. Because the Agency generally does not have access to the rate implicit in the lease, the lease obligation is measured using the incremental borrowing rate as the discount rate, which is the rate that would be paid to borrow on a collateralized basis over a similar term and amount equal to the lease payments in a similar economic environment.

16. Schedule of Federal and State Awards

The Schedule of Federal and State Awards includes the grant activity of the Agency and is presented on the accrual basis of accounting. The amounts represent expenses incurred by the Agency during the year ended December 31, 2022. Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

Boys & Girls Clubs of Union County, Inc.

Schedule of Federal and State Awards

For the year ended December 31, 2022

	CFDA #	Total grant			2022 Expenses
		Federal	State	Total	
US Department of Housing and Urban Development:					
Community Development Block Grants:					
Passed through:					
County of Union	14.218	\$6,500	-	6,500	<u>\$ 6,500</u>
US Department of Health & Human Services:					
Passed through NJ Department of Children & Families,					
Division of Family & Community Partnerships:					
Outreach to At-Risk Youth Programs					
Grant # 23AMXM (1/1/22 - 12/31/22)	93.558	100,000	100,000	200,000	<u>200,000</u>
US Department of Justice					
Office of Juvenile Justice & Delinquency Prevention (OJJDP):					
Passed through Boys & Girls Clubs of America:					
National Youth Mentoring Program:					
OJJDP 2021-49634 (Union)	16.726	18,000	-	18,000	18,000
OJJDP 2021-49635 (Elizabeth)	16.726	12,000	-	12,000	<u>12,000</u>
					<u>30,000</u>
New Jersey Department of Education,					
Passed through Boys & Girls Clubs in NJ					
NJ Department of Education					
After school/summer camp, # 21E00168			19,224	19,224	<u>10,340</u>
New Jersey Department of Community Affairs,					
Passed through NJ Alliance of Boys & Girls Clubs					
At Risk Youth Funding					
DCA 2022 05166-0029-00			64,026	64,026	48,019
DCA 2023 05166-0049-00			87,396	87,396	<u>32,600</u>
					<u>80,619</u>
 Total federal and state grants					 <u>\$327,459</u>

See accompanying notes to financial statements.

Donna Foxman
Certified Public Accountant

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Boys & Girls Clubs of Union County, Inc.

I 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 Union County, Inc., which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to financial statements, and have issued my report thereon dated May 12, 2023.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Boys & Girls Clubs of Union County, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boys & Girls Clubs of Union County, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of Boys & Girls Clubs of Union County, Inc.'s internal control.

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

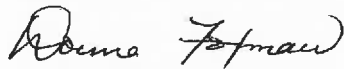
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys & Girls Clubs of Union County, Inc.'s financial statements are free from material misstatements, I performed tests of its compliance with certain provisions of laws, regulations and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Donna Foxman, CPA

Toms River, New Jersey

May 12, 2023