

Boys and Girls Clubs of Greater Houston, Inc.

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2024 and 2023

Boys and Girls Clubs of Greater Houston, Inc.

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Independent Auditors' Report

To the Board of Directors of
Boys and Girls Clubs of Greater Houston, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Boys and Girls Clubs of Greater Houston, Inc., which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Boys and Girls Clubs of Greater Houston, Inc. as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Financial Statements* section of our report. We are required to be independent of Boys and Girls Clubs of Greater Houston, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 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 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*, 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 Clubs of Greater Houston, 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 Clubs of Greater Houston, 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 audit findings, and certain internal control related matters that we identified during the audit.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2025 on our consideration of Boys and Girls Clubs of Greater Houston, Inc.'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 Boys and Girls Clubs of Greater Houston, Inc.'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 Boys and Girls Clubs of Greater Houston, Inc.'s internal control over financial reporting and compliance.



June 30, 2025

Boys and Girls Clubs of Greater Houston, Inc.

Consolidated Statements of Financial Position as of December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents <i>(Notes 3 and 5)</i>	\$ 1,016,440	\$ 2,266,942
Contributions receivable, net <i>(Note 4)</i>	2,789,877	2,798,646
Prepaid expenses and other assets	277,400	160,489
Operating investments <i>(Note 5)</i>	2,416,549	2,188,901
Endowment investments <i>(Note 5)</i>	5,560,654	5,085,972
Property and equipment, net <i>(Note 6)</i>	<u>9,863,240</u>	<u>9,634,781</u>
TOTAL ASSETS	<u>\$ 21,924,160</u>	<u>\$ 22,135,731</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 209,082	\$ 250,381
Accrued payroll expenses	130,496	598,213
Refundable advances	<u>7,500</u>	<u>8,000</u>
Total liabilities	<u>347,078</u>	<u>856,594</u>
Contingencies <i>(Notes 7 and 9)</i>		
Net assets:		
Without donor restrictions <i>(Note 10)</i>	13,625,105	13,170,520
With donor restrictions <i>(Notes 11 and 12)</i>	<u>7,951,977</u>	<u>8,108,617</u>
Total net assets	<u>21,577,082</u>	<u>21,279,137</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,924,160</u>	<u>\$ 22,135,731</u>

See accompanying notes to consolidated financial statements.

Boys and Girls Clubs of Greater Houston, Inc.

Consolidated Statement of Activities for the year ended December 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contract revenue	\$ 489,745		\$ 489,745
Contributions:			
Government (Note 7):			
Nonfinancial (Note 8)		\$ 1,026,555	1,026,555
Cash and other financial		3,363,209	3,363,209
Non-government:			
Nonfinancial (Note 8)	1,359,068	429,201	1,788,269
Cash and other financial	1,947,585	5,359,226	7,306,811
Special events:			
Cash and other financial assets	1,487,572		1,487,572
Proceeds from contributed auction items (Note 8)	105,021		105,021
Cost of direct donor benefits	(180,492)		(180,492)
Net investment return	218,504	643,182	861,686
Other	<u>109,309</u>		<u>109,309</u>
Total revenue	5,536,312	10,821,373	16,357,685
Net assets released from restrictions:			
Expiration of time restrictions	481,204	(481,204)	
Program expenditures	9,293,478	(9,293,478)	
Capital expenditures	<u>1,203,331</u>	<u>(1,203,331)</u>	
Total	<u>16,514,325</u>	<u>(156,640)</u>	<u>16,357,685</u>
EXPENSES:			
Program services	12,553,494		12,553,494
Management and general	2,195,867		2,195,867
Fundraising	<u>1,310,379</u>		<u>1,310,379</u>
Total expenses	<u>16,059,740</u>		<u>16,059,740</u>
CHANGES IN NET ASSETS	454,585	(156,640)	297,945
Net assets, beginning of year	<u>13,170,520</u>	<u>8,108,617</u>	<u>21,279,137</u>
Net assets, end of year	<u>\$ 13,625,105</u>	<u>\$ 7,951,977</u>	<u>\$ 21,577,082</u>

See accompanying notes to consolidated financial statements.

Boys and Girls Clubs of Greater Houston, Inc.

Consolidated Statement of Activities for the year ended December 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government (Note 7):			
Nonfinancial (Note 8)		\$ 1,068,766	\$ 1,068,766
Cash and other financial		4,458,031	4,458,031
Non-government:			
Nonfinancial (Note 8)	\$ 1,246,105	538,027	1,784,132
Cash and other financial	2,857,629	3,087,390	5,945,019
Special events:			
Cash and other financial assets	1,174,323		1,174,323
Proceeds from contributed auction items (Note 8)	93,234		93,234
Cost of direct donor benefits	(377,404)		(377,404)
Net investment return	264,238	619,003	883,241
Loss on disposal of assets	(3,863)		(3,863)
Other	<u>83,548</u>		<u>83,548</u>
Total revenue	5,337,810	9,771,217	15,109,027
Net assets released from restrictions:			
Expiration of time restrictions	475,482	(475,482)	
Program expenditures	9,121,039	(9,121,039)	
Capital expenditures	<u>434,423</u>	<u>(434,423)</u>	
Total	<u>15,368,754</u>	<u>(259,727)</u>	<u>15,109,027</u>
EXPENSES:			
Program services	12,858,052		12,858,052
Management and general	2,109,147		2,109,147
Fundraising	<u>1,224,617</u>		<u>1,224,617</u>
Total expenses	<u>16,191,816</u>		<u>16,191,816</u>
CHANGES IN NET ASSETS	(823,062)	(259,727)	(1,082,789)
Net assets, beginning of year	<u>13,993,582</u>	<u>8,368,344</u>	<u>22,361,926</u>
Net assets, end of year	<u>\$ 13,170,520</u>	<u>\$ 8,108,617</u>	<u>\$ 21,279,137</u>

See accompanying notes to consolidated financial statements.

Boys and Girls Clubs of Greater Houston, Inc.

Consolidated Statement of Functional Expenses for the year ended December 31, 2024

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and related expenses	\$ 6,334,929	\$ 1,633,212	\$ 890,833	\$ 8,858,974
Food and supplies	1,646,919	19,891	226,630	1,893,440
Rent	1,535,568	24,617	24,617	1,584,802
Depreciation	870,530	10,675		881,205
Professional fees	266,843	164,127	70,280	501,250
Janitorial and maintenance	422,372	31,503		453,875
Insurance	344,526	43,754	27,504	415,784
Supplies	355,278	22,414	12,411	390,103
Information technology	206,670	81,354	21,895	309,919
Utilities	175,023			175,023
Contract services	70,507	59,953	11,452	141,912
Vehicle and transportation	128,128	6,164	6,503	140,795
Telephone	61,926	33,456	2,561	97,943
Staff training	52,611	15,682	6,548	74,841
Advertising	445	29,695	4,250	34,390
Printing and postage	7,873	18,064	1,730	27,667
Other	<u>73,346</u>	<u>1,306</u>	<u>3,165</u>	<u>77,817</u>
Total expenses	<u>\$ 12,553,494</u>	<u>\$ 2,195,867</u>	<u>\$ 1,310,379</u>	16,059,740
Donor benefits				<u>180,492</u>
Total				<u>\$ 16,240,232</u>

See accompanying notes to consolidated financial statements.

Boys and Girls Clubs of Greater Houston, Inc.

Consolidated Statement of Functional Expenses for the year ended December 31, 2023

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and related expenses	\$ 6,510,435	\$ 1,533,459	\$ 886,401	\$ 8,930,295
Food and supplies	1,772,237	26,577	39,562	1,838,376
Rent	1,355,311	23,012	23,012	1,401,335
Depreciation	889,076	17,065		906,141
Professional fees	404,529	140,546	122,262	667,337
Janitorial and maintenance	473,610	35,727	475	509,812
Insurance	289,716	32,675	22,993	345,384
Supplies	400,561	22,954	13,709	437,224
Information technology	200,105	80,405	24,253	304,763
Utilities	192,986			192,986
Contract services	22,278	96,117	38,926	157,321
Vehicle and transportation	105,182	5,014	4,658	114,854
Telephone	58,239	22,218	3,291	83,748
Staff training	60,848	10,851	8,883	80,582
Advertising	6,046	44,488	6,684	57,218
Printing and postage	55,027	10,520	20,546	86,093
Other	<u>61,866</u>	<u>7,519</u>	<u>8,962</u>	<u>78,347</u>
Total expenses	<u>\$ 12,858,052</u>	<u>\$ 2,109,147</u>	<u>\$ 1,224,617</u>	16,191,816
Donor benefits				<u>377,404</u>
Total				<u>\$ 16,569,220</u>

See accompanying notes to consolidated financial statements.

Boys and Girls Clubs of Greater Houston, Inc.

Consolidated Statements of Cash Flows for the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 297,945	\$ (1,082,789)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Contributions restricted for endowment	(7,500)	(10,000)
Contributions restricted for capital improvements	(757,850)	(717,669)
Depreciation	881,205	906,141
Loss on disposal of assets		3,863
Net realized and unrealized gain on investments	(632,726)	(578,921)
Changes in operating assets and liabilities:		
Contributions receivable	8,769	736,642
Prepaid expenses and other assets	(116,911)	24,781
Accounts payable and accrued expenses	(509,016)	(51,717)
Refundable advances	<u>(500)</u>	<u>(100,000)</u>
Net cash used by operating activities	<u>(836,584)</u>	<u>(869,669)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,109,664)	(473,910)
Purchases of investments	(4,001,008)	(5,534,386)
Proceeds from sales of investments	4,930,142	4,977,433
Change in money market mutual funds held as investments	<u>(998,738)</u>	<u>(31,983)</u>
Net cash used by investing activities	<u>(1,179,268)</u>	<u>(1,062,846)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment	7,500	10,000
Proceeds from contributions restricted for capital improvements	<u>757,850</u>	<u>717,669</u>
Net cash provided by financing activities	<u>765,350</u>	<u>727,669</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,250,502)	(1,204,846)
Cash and cash equivalents, beginning of year	<u>2,266,942</u>	<u>3,471,788</u>
Cash and cash equivalents, end of year	<u>\$ 1,016,440</u>	<u>\$ 2,266,942</u>

See accompanying notes to consolidated financial statements.

Boys and Girls Clubs of Greater Houston, Inc.

Notes to Consolidated Financial Statements for the years ended December 31, 2024 and 2023

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Boys and Girls Clubs of Greater Houston, Inc. (the Clubs) was incorporated in 1989 for the purpose of providing youth development activities in the greater Houston, Texas area. Serving youth from ages 6 to 17 predominantly from lower income families, approximately 22 clubs were in operation in 2024 providing many programs to achieve academic success, health and wellbeing, character and leadership, and life and workforce readiness.

Boys and Girls Clubs Foundation (the Foundation) was incorporated under the laws of the State of Texas in 1987 and is governed by a Board of Trustees elected by the Board of Directors of the Clubs.

Basis of consolidation – These financial statements include the assets, liabilities, net assets, and activities of the Clubs and the Foundation (collectively Boys and Girls Clubs). All balances and transactions between the consolidated entities have been eliminated.

Federal income tax status – The Clubs and the Foundation are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code (the Code). The Clubs is further classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). The Foundation is classified as a Type I supporting organization under §509(a)(3).

Cash equivalents consists of highly liquid investments with original maturities of three months or less.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property and equipment is reported at cost or, if contributed, at the estimated fair value at the date of gift. Boys and Girls Clubs capitalizes additions and improvements with a cost of \$2,500 or more. Depreciation is provided using the straight-line method over estimated useful lives ranging from 3 to 39 years. Leasehold improvements are depreciated over the term of the lease.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contract revenue is derived from providing youth development programming. Revenue is recognized as performance obligations are satisfied, in an amount that reflects the consideration Boys and Girls Clubs expects to be entitled to in exchange for those services. Revenue is recognized based on service output as services are rendered

over the term of the contract. Payment is due upon receipt of the invoice. There are no contract assets or contract liabilities in 2024.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Amounts received in advance are reported as refundable advances.

Contributed nonfinancial assets are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the events occur. Amounts received for future events represent conditional contributions and are reported in the statement of financial position as deferred revenue until earned. Donor benefits represent the cost of goods and services provided to attendees of special events.

Advertising costs are expensed as incurred.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Occupancy costs are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 1,016,440	\$ 2,266,942
Contributions receivable, net	2,789,877	2,798,646
Investments	<u>7,977,203</u>	<u>7,274,873</u>
Total financial assets	11,783,520	12,340,461
Less financial assets not available for general expenditure:		
Donor-restricted endowment, less estimated appropriation	(5,385,954)	(4,912,172)
Donor-restricted assets subject to satisfaction of restriction and the passage of time	(943,199)	(723,254)
Board-designated operating reserve	<u>(2,041,241)</u>	<u>(2,420,196)</u>
Total financial assets available for general expenditure	<u>\$ 3,413,126</u>	<u>\$ 4,284,839</u>

Boys and Girls Clubs expect routine contributions to fund operations. In the event of a shortfall, Boys and Girls Clubs has a line of credit in the amount of \$1,000,000. The Board of Directors has designated a portion of its resources without donor restrictions. These funds remain available to be spent at the discretion of the Board of Directors.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 consist of the following:

	<u>2024</u>	<u>2023</u>
Bank deposits	\$ 250,805	\$ 228,162
Money market mutual funds	764,503	2,036,442
Petty cash	<u>1,132</u>	<u>2,338</u>
Total cash and cash equivalents	<u>\$ 1,016,440</u>	<u>\$ 2,266,942</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2024 are expected to be collected as follows:

2025	\$ 2,641,744
2026	<u>148,133</u>
Total contributions receivable	<u>\$ 2,789,877</u>

Concentration – Two donors represent 61% of the contributions receivable balance outstanding at December 31, 2024. Three donors represent 44% of the contributions receivable balance outstanding at December 31, 2023.

Conditional contributions from government agencies – At December 31, 2024, Boys and Girls Clubs has approximately \$891,000 of conditional contributions from various government agencies. The contributions will be recognized as revenue when the conditions are met, which include performance of allowable activities and incurring allowable expenses.

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2024 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity exchange-traded funds	\$ 4,417,729			\$ 4,417,729
Fixed-income exchange-traded funds	1,475,852			1,475,852
Money market mutual funds	1,084,494			1,084,494
U. S. Treasury securities	507,989			507,989
Certificates of deposit	<u> </u>	<u>\$ 491,139</u>		<u>491,139</u>
Total investments	7,486,064	491,139		7,977,203
Money market mutual funds held as cash equivalents	<u>764,503</u>			<u>764,503</u>
Total assets measured at fair value	<u>\$ 8,250,567</u>	<u>\$ 491,139</u>	<u>\$ 0</u>	<u>\$ 8,741,706</u>

Assets measured at fair value at December 31, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Equity exchange-traded funds	\$ 3,852,078			\$ 3,852,078
Fixed-income exchange-traded funds	3,337,039			3,337,039
Money market mutual funds	<u>85,756</u>			<u>85,756</u>
Total investments	7,274,873			7,274,873
Money market mutual funds held as cash equivalents	<u>2,036,442</u>			<u>2,036,442</u>
Total assets measured at fair value	<u>\$ 9,311,315</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,311,315</u>

Valuation methods used for assets measured at fair value are as follows:

- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the reported net asset value.
- *U. S. Treasury securities* are valued at prices obtained from active market makers and inter-dealer brokers on a daily basis.
- *Certificates of deposit* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes, to calculate fair values.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Boys and Girls Clubs believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments at December 31 consist of the following:

	<u>2024</u>	<u>2023</u>
Equity exchange-traded funds	\$ 4,417,729	\$ 3,852,078
Fixed-income exchange-traded funds	1,475,852	3,337,039
Money market mutual funds	1,084,494	85,756
U. S. Treasury securities	507,989	
Certificates of deposit	<u>491,139</u>	
Total investments	7,977,203	7,274,873
Less: Investments without donor restrictions	<u>(2,416,549)</u>	<u>(2,188,901)</u>
Total investments restricted for endowment	<u>\$ 5,560,654</u>	<u>\$ 5,085,972</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of the following:

	<u>2024</u>	<u>2023</u>
Building and improvements	\$ 13,929,734	\$ 13,094,128
Contributed building and facility rights	2,050,000	2,050,000
Software	1,597,860	1,470,080
Land	776,401	776,401
Equipment and fixtures	890,377	843,850
Transportation equipment	583,287	514,178
Construction in progress	<u>57,947</u>	<u>30,284</u>
Total property and equipment, at cost	19,885,606	18,778,921
Accumulated depreciation	<u>(10,022,366)</u>	<u>(9,144,140)</u>
Property and equipment, net	<u>\$ 9,863,240</u>	<u>\$ 9,634,781</u>

Depreciation expense of \$881,205 and \$906,141 was recognized for the years ended December 31, 2024 and 2023.

Contributed building and facility rights – Boys and Girls Clubs is provided use of building and facility rights under the terms of a contributed facility agreement, which is being depreciated over the life of the lease. The Spring Branch facility agreement expires in 2031.

NOTE 7 – CONTRIBUTIONS FROM GOVERNMENT AGENCIES

Boys and Girls Clubs is a party to contracts with federal, state, and local agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of government grants recognized consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
U. S. Department of Agriculture (food commodities)	\$ 1,026,555	\$ 1,068,766
U. S. Department of Education	528,879	1,820,952
U. S. Department of Health and Human Services	430,224	154,538
U. S. Department of Justice	418,802	492,719
U. S. Department of Homeland Security	130,891	
U. S. Department of Labor	105,897	98,441
U. S. Department of Treasury	30,000	237,500
State and local grants	<u>1,718,516</u>	<u>1,653,881</u>
Total government grants	<u>\$ 4,389,764</u>	<u>\$ 5,526,797</u>

Grants from federal, state, and local funding sources require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable cost adjustments to final indirect cost rates. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Boys and Girls Clubs with the terms of the contracts or changes in the final indirect cost rates.

NOTE 8 – NONFINANCIAL CONTRIBUTIONS

Boys and Girls Clubs recognized the following nonfinancial contributions:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	2024	2023
Food commodities	Used in programs	Preparation of meals served in eligible schools	Fair value of food donated is based on an average fair value per standard bag of food distributed.	\$1,455,756	\$1,606,793
Facilities	Used in programs	None	Fair value estimated at the average price per square foot of similar properties.	\$1,335,124	\$1,208,256
Auction items	Monetized in auction	None	Gross sales price received.	\$105,021	\$93,234
Materials and supplies	Used in programs	None	Fair value estimated based on current rates for similar products.	\$23,944	\$37,849
Total contributed nonfinancial assets				<u>\$2,919,845</u>	<u>\$2,946,132</u>

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and clerical support for which no amount has been recognized in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Boys and Girls Clubs has a \$1,000,000 bank line of credit that expires on December 31, 2025 and bears interest at prime minus .250%, which is 7.40% at December 31, 2024. Advances under this agreement are due on demand, or the expiration date, if a demand has not been made. The line of credit is unsecured. There is no outstanding balance at December 31, 2024.

In January 2025, the U. S. Office of Management and Budget (OMB) issued a memo directing federal agencies to temporarily pause funding of all federal assistance programs to allow time to evaluate agencies and programs for consistency with the law and with Presidential priorities. The memo was later rescinded but there continue to be delays in funding and increased scrutiny of programs. These actions are the subject of various on-going legal proceedings which may impact collectability of existing contracts and future funding availability.

The extent to which OMB's actions and presidential priorities may impact current and future operations, financial results, and cash flows depends on developments which are uncertain at this time and cannot be reasonably estimated. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 10 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31 consist of the following:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 11,584,864	\$ 10,750,324
Board-designated operating reserve	<u>2,040,241</u>	<u>2,420,196</u>
Total net assets without donor restrictions	<u>\$ 13,625,105</u>	<u>\$ 13,170,520</u>

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 are restricted as follows:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Social and Character Development (United Way)	\$ 769,070	\$ 176,562
Scholarships	457,452	416,402
Capital improvements	183,199	628,680
Galveston Clubs	150,000	190,000
Health and wellbeing	120,000	120,000
Academic success	85,000	
Cristo Rey Jesuit Club	39,000	132,500
Richmond-Rosenberg Club capital improvements	19,845	19,845
Fort Bend Clubs		500,000
Life and workforce readiness		25,000
Other	<u>25,000</u>	
Total subject to expenditure for specified purpose	<u>1,848,566</u>	<u>2,208,989</u>
Subject to passage of time:		
Contributions receivable that are not purpose-restricted by donors, but which are unavailable until future periods	208,405	429,555
Undepreciated contributed building and facility rights	<u>334,352</u>	<u>386,001</u>
Total subject to passage of time	<u>542,757</u>	<u>815,556</u>
General endowment subject to spending policy and appropriation	<u>5,560,654</u>	<u>5,084,072</u>
Total net assets with donor restrictions	<u>\$ 7,951,977</u>	<u>\$ 8,108,617</u>

NOTE 12 – ENDOWMENT

Endowment net assets include a donor-restricted fund that Boys and Girls Clubs must hold in perpetuity, and whose earnings can be used for the general operations of Boys and Girls Clubs. The Foundation's Board of Trustees (the Board) is charged with preserving the corpus of the endowment, growing the total value of the endowment through investments and gifts, and financially supporting the mission and activities of Boys and Girls Clubs.

The Board has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Boys and Girls Clubs classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as *net assets with donor restrictions* until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, Boys and Girls Clubs considers the duration and preservation of the fund in making a determination to appropriate or accumulate donor-restricted endowment funds.

Changes in net assets of the endowment funds are as follows:

	<u>WITH DONOR RESTRICTIONS</u>		<u>TOTAL</u>
	<u>ACCUMULATED NET INVESTMENT RETURN</u>	<u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	
Endowment net assets, December 31, 2022	\$ 262,269	\$ 4,354,700	\$ 4,616,969
Contributions		10,000	10,000
Net investment return	619,003		619,003
Appropriation	<u>(161,900)</u>		<u>(161,900)</u>
Endowment net assets, December 31, 2023	719,372	4,364,700	5,084,072
Contributions		7,500	7,500
Net investment return	643,182		643,182
Appropriation	<u>(174,100)</u>		<u>(174,100)</u>
Endowment net assets, December 31, 2024	<u>\$ 1,188,454</u>	<u>\$ 4,372,200</u>	<u>\$ 5,560,654</u>

Investment and Spending Policies

The Board approves amounts to be withdrawn from the endowment each year. No distributions from the corpus or principal is allowed. The target spending rate for long-term investments is expected to range from 2.5% to 5.0%. The amount to be spent in each coming year will be calculated by multiplying the spending rate by the lesser of: 1) a rolling 60-month average of the total portfolio value, or 2) the total portfolio value at the time of distribution. The investment policy adopted by Boys and Girls Clubs was established to maximize returns without undue exposure to risk and with the following objectives: a) maintain the purchasing power of the assets and all future contributions, which requires establishing an equilibrium spending rate of up to 5%, b) applying a smoothing rule to mitigate the effects of short-term market volatility on spending using a moving average of the last five years of the portfolio's market value, or the previous year's market portfolio, whichever is less, c) to maximize return within reasonable and prudent levels of risk, and d) maintain an appropriate asset allocation based on a total return policy that is compatible with an established spending rate, while still having the potential to produce positive real returns.

NOTE 13 – RELATED PARTY TRANSACTIONS

Boys and Girls Clubs is voluntarily affiliated with Boys and Girls Clubs of America (BGCA) and pays dues to BGCA. In 2024 and 2023, these dues totaled \$36,300 and \$30,900, respectively. Dues entitle Boys and Girls Clubs to staff training and program support and the opportunity to participate in grants arranged by BGCA. In 2024, Boys and Girls Clubs paid BGCA an annual club safety assessment and My Club Hub fees totaling \$61,800. Boys and Girls Clubs recognized \$686,701 and \$430,711 in contributions directly from BGCA in 2024 and 2023, respectively.

NOTE 14 – RETIREMENT PLAN

Boys and Girls Clubs sponsors a 401(k) Safe Harbor Master Plan (401(k) Plan). All Boys and Girls Clubs employees with at least one year of service and who accumulate 1,000 hours of service in a year are eligible to participate in the 401(k) Plan. Boys and Girls Clubs contributes 3% of the participant's compensation for the plan year and employees are 100% vested after three years. Boys and Girls Clubs also may make a discretionary matching contribution in any amount. Boys and Girls Clubs contributed, net of forfeitures, approximately \$197,000 and \$207,000 to the 401(k) Plan during the years ended December 31, 2024 and 2023, respectively.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 30, 2025, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than as disclosed in Note 9, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
