



Kenneth K. Dillenbeck CPA, P.C.

AUDITORS' MANAGEMENT LETTER

October 23, 2024

Board of Directors
Boys & Girls Club of OB-EN
1 Pine Hollow Road
Oyster Bay, NY 11771

Dear Jean Marie:

I have recently concluded my audit of the Boys & Girls Club of Oyster Bay-East Norwich for the year ended December 31, 2023. As a result of my audit, I issued an unqualified opinion letter stating that your financial statements presented fairly, in all material respects, the financial position of the Boys & Girls Club of Oyster Bay-East Norwich. In order to reach that conclusion, I examined, on a test basis a number of transactions in the books and records of your Organization. Because my audit was designed to provide reasonable (but not absolute) assurance regarding your financial statements, and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may still exist that were not detected by me. In addition, my audit was not designed to provide assurance on internal control or to identify significant deficiencies in the design or operation of internal control. It is always management's responsibility to maintain effective internal controls over financial reporting and the safeguarding of assets.

Despite the limitations of the audit as described in the above paragraph, during the course of my audit, I did not become aware of any material errors, fraudulent financial reporting or misappropriation of assets. I also did not become aware of any significant deficiencies in the design or operation of internal control. For a small organization, the Boys & Girls Club maintains a segregation of accounting functions that is more than adequate.

Nonetheless, this letter is written in order to communicate to you certain observations that I made during the course of my audit. None are serious in nature, and hopefully any recommendations that I make herein will help streamline the financial operations of your Organization. I am happy to say that, despite the completion of the transition in leadership as Jean Marie Weiner took over as Executive Director, I was still fully satisfied with the answers to all my inquiries during the term of my audit.

- 1) In 2023 the Boys and Girls Club of Oyster Bay-East Norwich experienced a net increase in net assets of \$ 1,672,839. The major reason for such a large increase in net assets was due to the performance of the Club's endowment fund. In

2023 investment income from the endowment fund was \$ 704,230 as compared to a \$ 692,018 investment loss in 2022. The improvement in the performance of this fund was attributed both to a restructuring of the endowment fund portfolio and an upturn in general market performance. Dividends earned in 2023 were also significantly higher due to a restricted donation of \$ 1,000,000 from one of the Club's major donors that was available for investment purposes.

- 2) During my audit I routinely examine all expense accounts for any unusual fluctuations from the prior year and for any unusual items. When I examined the various expense account totals, total expenses for the year showed an increase of about \$ 135,000. About \$ 67,000 of this increase was a result of the increase in salaries and payroll related taxes and fringes. About \$ 25,000 of that increase was attributed to the addition of a full-time building maintenance manager that became necessary due to all the work being done to upgrade and modernize the facility (see item #3 below). This is the first year that the Club made the building maintenance manager position a full-time position. Due to successful fundraising efforts, which provided an additional \$ 135,000 in revenues over the 2022 amounts, the Club continued to expand its staff in other program-related positions so that it could continue to provide much needed services to fulfill its mission to the youth of the Oyster Bay-East Norwich area. The increase in salaries and payroll-related items can be accounted for between the hiring of the full-time building maintenance manager and the additional program-related staff that were added in the 2023 year.

The other major expense account that showed a significant increase was the building maintenance and supply account, which showed about a \$ 45,000 increase over the 2022 amount. As part of the audit, we reviewed the details of this account for any possible items that should have in fact been capitalized. Besides the ongoing kitchen renovation and capital improvement describe in item # 3 below, the increase in this expense account was a part of the overall upgrade and modernization of the Club building. We did not find any invoice items in the building maintenance and supply account that were improperly expensed.

- 3) The Club continues to upgrade and modernize its facilities as part of a long-term capital project. It has through the end of 2023 invested \$ 305,000 in a major kitchen renovation. This renovation shows up on the financial statements as Construction in Progress. Upon completion of the project, the total cost of the renovations will be depreciated under the appropriate depreciation guidelines. In addition, the Club completed an additional \$ 142,000 in capital improvements, including a new roof and replacement of the gym wall padding, both of which are now being depreciated under the appropriate depreciation guidelines. These much-needed upgrades to the Club building have been made possible due to the large donation described in item #1 above. These expenditures have not negatively impacted the cash position of the Club, which showed a net increase in cash funds for 2023 of almost \$ 500,000. After

allowing for \$ 963,968 of funds unavailable due to donor-imposed restrictions, the Club still has \$ 793,101 of financial assets to meet cash expenditures for general purposes. The Club remains in a very strong financial position.

It has been a pleasure working with your Organization again this year. I appreciate the dedication, professionalism and attention to detail of you and your entire staff.

Sincerely,

Kenneth K. Dillenbeck CPA
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