Boys and Girls Clubs of the Tennessee Valley

Financial Statements with Accompanying Information

Years Ended June 30, 2018 and 2017

and

Independent Auditors' Report

Boys and Girls Clubs of the Tennessee Valley

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HG&A Associates, P.C.
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Boys and Girls Clubs of the Tennessee Valley
Knoxville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Boys and Girls Clubs of the Tennessee Valley (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boys and Girls Clubs of the Tennessee Valley as of June 30, 2018 and 2017, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information included on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards included on pages 20 and 21, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is also 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 our 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*, we have also issued our report dated March 13, 2019, on our consideration of the Boys and Girls Clubs of the Tennessee Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Boys and Girls Club of the Tennessee Valley'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 the Tennessee Valley's internal control over financial reporting and compliance.

HG&A Associates, P.C.

Knoxville, Tennessee

March 13, 2019

Boys and Girls Clubs of the Tennessee Valley

Statements of Financial Position

June 30, 2018 and 2017

ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	$ 179,143	18,764
Grants receivable:		
Federal and state	511,523	386,075
Other	18,648	6,165
Fee vouchers receivable	59,973	53,393
Interest and dividend receivable	2,006	1,150
Unconditional promises to give, net of allowance for uncollectible amounts - current portion:		
Capital	1,474,269	435,164
Operating	19,884	18,098
Other receivables	120,120	39,619
Prepaid expenses	177,030	128,811
Notes receivable - current portion	1,852	1,715
Total current assets	2,564,448	1,088,954
Restricted and designated cash and investments:		
Endowment funds:		
Restricted:		
Cash	783	640
Investments	107,941	102,565
Designated:		
Cash	9,331	7,803
Investments	1,279,889	1,247,221
Total endowment funds	1,397,944	1,358,229
Other restricted assets:		
Cash	1,237,840	1,748,221
Total restricted and designated cash and investments	2,635,784	3,106,450
Unconditional promises to give, net of allowance for uncollectible amounts - long-term portion:		
Capital	3,970,496	623,565
Notes receivable - long-term portion	-	1,852
Property and equipment, net of accumulated depreciation	15,249,812	15,923,914
Deposits	14,150	13,700
Total assets	$ 24,434,690	20,758,435

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

LIABILITIES AND NET ASSETS

		2018	2017
Current liabilities:			
Notes payable - current portion	$	265,686	250,983
Accounts payable		616,197	681,477
Accounts payable - other Boys and Girls Clubs		12,445	4,886
Accrued expenses		204,616	148,097
Deferred revenue		311,679	82,441
Total current liabilities		1,410,623	1,167,884
Line of credit - long term		434,000	434,000
Notes payable, less current portion		9,945,980	10,211,396
Total liabilities		11,790,603	11,813,280
Net assets:			
Unrestricted		5,852,758	6,035,000
Temporarily restricted		6,791,329	2,910,155
Total net assets		12,644,087	8,945,155
Total liabilities and net assets	$	24,434,690	20,758,435

Boys and Girls Clubs of the Tennessee Valley

Statements of Activities and Changes in Net Assets

Years Ended June 30, 2018 and 2017

	2018		
	Unrestricted	Temporarily Restricted	Total
Public Support, Revenue and Gains:			
Contributions	$ 1,222,521	5,009,271	6,231,792
Contributions - in-kind	226,566	-	226,566
Support from the capital campaign	1,291,880	59,800	1,351,680
Special events, net of direct expenses of $333,376 in 2018 and $283,992 in 2017	848,512	-	848,512
Allocation - Knoxville Community Development Corporation	100,000	-	100,000
Allocation - United Way	857,034	76,000	933,034
Support from government agencies	3,197,544	-	3,197,544
Proceeds from vendor/voucher program	430,873	-	430,873
Activity fees and income	15,863	-	15,863
Day care fees	1,016,315	-	1,016,315
Income from investments	34,940	6,343	41,283
Rental income	61,526	-	61,526
Net realized and unrealized gains from investments	38,081	3,226	41,307
Gain (loss) on disposition of assets	2,788	-	2,788
Other support and revenue	103,644	127,266	230,910
Net assets released from restrictions:			
Restrictions satisfied by payments	1,400,732	(1,400,732)	-
Total revenue	10,848,819	3,881,174	14,729,993
Expenses:			
Program services - child development	8,348,688	-	8,348,688
Management and general	1,900,610	-	1,900,610
Development and fundraising	781,763	-	781,763
Total expenses	11,031,061	-	11,031,061
Increase (decrease) in net assets	(182,242)	3,881,174	3,698,932
Net assets - beginning of year	6,035,000	2,910,155	8,945,155
Net assets - end of year	$ 5,852,758	6,791,329	12,644,087

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

2017		
Unrestricted	Temporarily Retricted	Total
271,625	321,100	592,725
226,566	-	226,566
1,500,410	972,411	2,472,821
560,916	-	560,916
75,000	-	75,000
1,054,273	54,000	1,108,273
3,367,292	-	3,367,292
588,711	-	588,711
16,191	-	16,191
1,259,865	-	1,259,865
28,504	5,734	34,238
41,381	-	41,381
76,219	5,622	81,841
(367,305)	-	(367,305)
79,872	152,375	232,247
2,367,852	(2,367,852)	-
11,147,372	(856,610)	10,290,762
9,070,851	-	9,070,851
1,628,677	-	1,628,677
636,700	-	636,700
11,336,228	-	11,336,228
(188,856)	(856,610)	(1,045,466)
6,223,856	3,766,765	9,990,621
6,035,000	2,910,155	8,945,155

Boys and Girls Clubs of the Tennessee Valley

Statements of Functional Expenses

Years Ended June 30, 2018 and 2017

	2018			
	Total Program Services	Management and General	Development and Fund Raising	Total
Salaries	$ 3,882,581	819,673	316,873	5,019,127
Pension plan contributions	151,105	31,188	17,794	200,087
Other payroll benefits	298,734	89,989	25,275	413,998
Payroll taxes	290,100	56,262	23,650	370,012
Unemployment tax reimbursement	-	7,592	-	7,592
Total salaries and related expenses	4,622,520	1,004,704	383,592	6,010,816
Conferences, conventions and meetings	6,983	11,851	10,011	28,845
Direct program expenses	1,391,554	14,116	-	1,405,670
Dues and subscriptions	55,731	3,304	1,160	60,195
Repairs and maintenance	252,335	48,916	4,955	306,206
Insurance	78,514	3,332	1,053	82,899
Interest expense	-	542,831	-	542,831
Licenses and permits	140	637	700	1,477
Occupancy	76,836	-	-	76,836
Plaques, awards and gifts	460	1,504	149	2,113
Postage and shipping	152	7,434	8,225	15,811
Professional fees	838	143,147	59,021	203,006
Promotions	1,333	1,995	47,277	50,605
Supplies	5,992	7,303	1,352	14,647
Technology	99,337	53,630	1,704	154,671
Telephone	91,871	6,311	2,062	100,244
Transportation and travel	498,051	6,376	4,975	509,402
Trust fees	-	7,480	-	7,480
Utilities	471,793	8,920	2,570	483,283
Uncollectible pledges	-	-	241,719	241,719
Miscellaneous expenses	3,268	26,819	11,238	41,325
Total before depreciation	7,657,708	1,900,610	781,763	10,340,081
Depreciation	690,980	-	-	690,980
	$ 8,348,688	1,900,610	781,763	11,031,061

2017			
Total Program Services	Management and General	Development and Fund Raising	Total
4,343,044	708,647	305,394	5,357,085
132,730	38,920	18,508	190,158
297,646	74,214	22,869	394,729
325,825	49,084	22,833	397,742
-	3,364	-	3,364
5,099,245	874,229	369,604	6,343,078
7,333	16,289	29,586	53,208
1,618,281	7,311	-	1,625,592
25,580	2,276	1,540	29,396
352,063	36,110	10,474	398,647
88,789	5,066	1,151	95,006
-	438,320	-	438,320
480	361	254	1,095
79,456	5,213	-	84,669
5,302	1,506	3,213	10,021
110	9,173	2,652	11,935
-	143,689	62,821	206,510
-	-	43,639	43,639
6,155	17,786	11,547	35,488
103,393	25,706	5,104	134,203
87,075	11,882	3,476	102,433
486,581	5,942	6,115	498,638
-	7,661	-	7,661
537,855	11,741	3,344	552,940
-	-	8,129	8,129
3,621	8,416	74,051	86,088
8,501,319	1,628,677	636,700	10,766,696
569,532	-	-	569,532
9,070,851	1,628,677	636,700	11,336,228

Boys and Girls Clubs of the Tennessee Valley
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Increase (decrease) in net assets	$	3,698,932	(1,045,466)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation		690,980	569,532
Realized and unrealized loss on investments		124,180	46,175
(Gain) loss on disposition of assets		(2,788)	367,305
Change in allowance for uncollectible promises to give		231,266	(87,583)
Change in present value discount of uncollectible promises to give		529,934	(73,992)
Change in operating assets and liabilities:			
Unconditional promises to give		(5,149,022)	862,748
Grants receivable		(137,931)	31,532
Fee vouchers receivable		(6,580)	39,958
Special events receivable		-	9,475
Interest, dividends and other receivables		(81,357)	12,170
Prepaid expenses		(48,219)	(125,813)
Prepaid insurance		-	24,980
Deposits		(450)	-
Accounts payable		(57,721)	(836,230)
Accrued expenses		56,519	(119,830)
Deferred revenue		229,238	(17,359)
Net cash provided (used) by operating activities		76,981	(342,398)
Cash flows from investing activities:			
Purchases of land, building and equipment		(18,377)	(1,425,956)
Proceeds from sale of property and equipment		4,287	39,899
Proceeds from sale of investments		833,542	592,812
Purchases of investments		(995,766)	(407,326)
Change in notes receivable		1,715	1,587
Net cash used by investing activities		(174,599)	(1,198,984)
Cash flows from financing activities:			
Proceeds from notes payable and line of credit		-	1,731,512
Principal payments on notes payable and line of credit		(250,713)	(148,205)
Net cash provided by financing activities		(250,713)	1,583,307
Net increase (decrease) in cash and cash equivalents		(348,331)	41,925
Cash and cash equivalents - beginning of year		1,775,428	1,733,503
Cash and cash equivalents - end of year	$	1,427,097	1,775,428

Supplemental disclosures of cash flow information:

Interest paid	$	584,223	438,320

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

Boys and Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2018 and 2017

(1) Nature of Activities and Significant Accounting Policies

(a) Nature of Activities

The Boys and Girls Clubs of the Tennessee Valley (the Organization) is a nonprofit corporation that provides services based on principles of behavioral guidance which will promote health, social education, vocational, character and leadership development of their membership.

(b) Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for Profit Organizations.* Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements are prepared on an accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

(c) Promises to Give

Contributions are recognized when a donor makes a written promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in permanent or temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Promises to give that extend beyond one year from the end of the fiscal year are recorded at their estimated present values, discounted at 6%.

(d) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted and temporarily restricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(e) Accounts Receivable

Accounts receivable primarily consists of the following: (1) grants receivable – routine revenues receivable from federal, state and local governments; (2) fee vouchers receivable – revenues from the Department of Human Services for child care programs at Boys and Girls Club Centers in order to help with the support to allow families to work and/or attend school while promoting child physical, emotional, educational and social development; and (3) other receivables – primarily made up of revenues due from the Tennessee Alliance of Boys and Girls Clubs, Inc. All of these receivables are considered fully collectible. Therefore, an allowance for uncollectible accounts is not considered necessary.

(continued)

Boys and Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2018 and 2017

(1) Nature of Activities and Significant Accounting Policies (continued)

(f) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position as unrestricted, temporarily restricted, or permanently restricted, according to donor restrictions. Unrealized gains and losses are included in the statement of activities.

(g) Property, Equipment and Depreciation

Property and equipment in excess of $500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation expense for the years ended June 30, 2018 and 2017 was $690,980 and $569,532, respectively, computed using the straight-line and declining balance methods over the estimated useful lives of the assets, which range from five to thirty-nine years.

(h) Compensated Absences

The Organization's policy concerning vacations allows for up to 40 hours of vacation time to roll over to the following year. Accrued compensated absences at June 30, 2018 and 2017 of $108,663 and $46,619, respectively, are included in accrued expenses.

(i) Functional Allocation of Expenses

The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services.

(j) Donated Services

The Organization receives significant donated services from a substantial number of unpaid volunteers who assist the Organization in many of its activities. No amounts have been recognized in the statement of activities for donated services because the criteria for recognition under Statement of Financial Accounting Standards have not been satisfied.

(continued)

Boys and Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2018 and 2017

(1) Nature of Activities and Significant Accounting Policies (continued)

(k) Income Taxes

The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and the Internal Revenue Service has determined that the Organization is not a private foundation under Internal Revenue Code Section 509(a). There were no unrecognized tax benefits identified or recorded as liabilities for the fiscal year 2018 and 2017.

The Organization's form 990, *Return of Organization Exempt from Income Tax*, for the years' 2015, 2016, 2017 and 2018 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

(l) 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(m) Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early application permitted. The Organization is evaluating the impact the pronouncement may have on future financial statements.

(2) Concentration of Credit Risk for Deposits Held in Bank

The Organization's bank deposits consist of various checking and money market accounts. At June 30, 2018 and June 30, 2017, the bank deposits exceeded Federal Deposit Insurance Corporation insurance limits by $745,058 and $1,255,168, respectively.

(3) Restrictions on Net Assets

Substantially all of the restrictions on net assets at June 30, 2018 and 2017, relate to funds raised through capital campaigns and the Organization's continuing endowment campaign. The newest capital campaign, which was approved in December 2017, was to raise $10,000,000 for debt reduction. The previous campaign, which began in 2014, was to provide funds for a new building, technology upgrades and operations. Cash and promises to give raised through capital campaigns are temporarily restricted for campaign objectives until payments are made for the capital objectives. Interest earned on the temporary investment of such support is temporarily restricted.

There are no permanently restricted net assets for the years end June 30, 2018 and 2017.

(continued)

Boys and Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2018 and 2017

(3) Restrictions on Net Assets (continued)

At June 30, 2018 and 2017, restricted net assets consisted of the following:

		2018	2017
		Temporarily Restricted	Temporarily Restricted
Cash and cash equivalents	$	1,238,623	1,748,861
Investments		107,941	102,565
Capital unconditional promises to give:			
Vision 2020 Capital Campaign		5,435,217	-
2014-2018 Capital Campaign		942,842	1,231,246
Less:			
6% present value discount		(646,727)	(116,794)
Allowance for doubtful promises to give		(286,567)	(55,723)
	$	6,791,329	2,910,155

Capital unconditional promises to give are as follows at June 30, 2018:

Year Ended June 30		
2019	$	1,551,863
2020		1,095,983
2021		863,463
2022		2,268,850
2023		565,900
2024		30,000
2025		2,000
		6,378,059
6% present value discount		(646,727)
Allowance for doubtful promises to give		(286,567)
Net unconditional promises to give	$	5,444,765

(continued)

Boys and Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2018 and 2017

(3) Restrictions on Net Assets (continued)

Net assets were released from donor restrictions by satisfaction of donor requirements during the years ended June 30, 2018 and 2017, and were used for the following purposes:

	2018	2017
Debt service:		
Principal and interest	$ 769,011	289,947
Meals and food	-	20,105
Supplies and other expenses	256,148	277,633
Salaries and benefits	158,822	162,562
Fixed asset purchases	40,917	40,000
Field trips	3,017	-
Bike trails, bikes, and helmets	20,475	-
Contracted services	1,796	1,000
Operations and program expenses	149,904	1,200,484
Buses and transportation expenses	-	200,525
Youthforce stipends	-	16,981
Other	642	158,615
	$ 1,400,732	2,367,852

(4) Functional Allocation Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Expenses are charged directly to program, fund-raising, or management categories based on specific identification or management's allocation, based on expenditures and assessment of time and effort devoted to the respective functions. During the years ended June 30, 2018 and 2017, the Organization incurred no joint costs involving fundraising appeals.

(5) Fair Value Measurements

The Organization's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are 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.

(continued)

Boys and Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2018 and 2017

(5) Fair Value Measurements (continued)

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. Definitions of these inputs are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. When no level 1 inputs are available the Organization utilizes Level 2 inputs or Level 3 inputs. No Level 2 or Level 3 inputs were utilized in 2018 or 2017.

Investments at June 30, 2018 and 2017 are as follows:

		2018			2017		
		Cost	Fair Value (Level 1 Inputs)	Unrealized Gains (Losses)	Cost	Fair Value (Level 1 Inputs)	Unrealized Gains (Losses)
Equities	$	311,692	445,840	134,148	318,361	531,992	213,631
International equities		258,126	267,700	9,574	198,801	229,639	30,838
Fixed income		628,913	601,570	(27,343)	596,884	588,155	(8,729)
Real asset		77,539	72,720	(4,819)	-	-	-
	$	1,276,270	1,387,830	111,560	1,114,046	1,349,786	235,740

(6) Pension Plan

Effective October 1, 2009, the Organization’s money purchase plan was amended to become a 401(k) plan. The amended plan allows eligible employees to make contributions of up to the maximum dollar limit which is set by law ($18,500 for 2018 and $18,000 for 2017). Employees who will attain age 50 before the end of the calendar year may elect to defer additional “catch-up” contributions up to the maximum dollar limit which is set by law ($6,000 for 2018 and 2017). The amended plan does not require an employer contribution. Effective November 15, 2013, the plan was restated to allow participants to borrow from their fund accounts with a maximum number of loans outstanding at two per participant. Pension contributions made for each participant represent a percentage of the participant’s annual compensation. Pension expense for the years ended June 30, 2018 and 2017 was $200,087 and $190,158, respectively, which included a plan administration fee of $6,460 and $5,025, respectively.

Boys and Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2018 and 2017

(7) Related Party Transactions

The Organization's Board of Directors and their companies are given equal opportunity to bid on items and services required by the Organization. The Organization purchased insurance totaling $130,396 in 2018 and $135,367 in 2017 from a company in which a director of the Organization (through March 2018) was a partner. The Organization also purchased insurance totaling $1,565 in 2018 from a company in which a director of the Organization is company president.

At June 30, 2018 and 2017, capital campaign pledges due from various members of the Organization's Board of Directors were $686,176 and $222,146, respectively. The pledges are receivable through June 2025.

At June 30, 2018 and 2017, various members of the Organization's Board of Directors made operating pledges to the Organization totaling $750 and $4,250, respectively. The pledges are receivable through 2019.

(8) Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Contributions of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The following is a list of non-cash donations valued at greater than $30,000 by the Organization that are included within in-kind contributions:

			Estimated Fair Value	
Donor	Description		2018	2017
Knoxville Community Development Corporation	Utilities and maintenance	$	226,566	226,566

Donated material and supplies totaling $127,824 and $98,229 for the years ended June 30, 2018 and 2017, respectively, are included in special event revenue and expenses. The following is a list of special events donations valued at greater than $30,000 by the Organization:

			Estimated Fair Value	
Donor	Description		2018	2017
WIVK (Cumulus)	Advertising	$	-	34,850

Boys and Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2018 and 2017

(9) Deferred Revenue

Deferred revenue activity for the years ended June 30, 2018 and 2017, are as follows:

		2018	2017
Hall of Fame ticket sales	$	7,993	29,110
Hall of Fame sponsor donations		116,234	46,100
Hall of Fame other donations		14,952	5,006
75th Anniversary Event		162,500	-
Irwin Fishing Tournament		-	225
Knoxville Open		10,000	-
Loudon County Golf sponsor donations		-	2,000
	$	311,679	82,441

(10) Property, Equipment and Accumulated Depreciation

At June 30, 2018 and 2017, property, equipment and accumulated depreciation consist of the following:

		2018	2017
Land	$	569,578	569,578
Building and improvements		17,718,947	17,710,893
Educational equipment		206,692	204,954
Office furniture and equipment		1,589,994	1,587,459
Kitchen and food preparation equipment		64,879	64,879
Vehicles		432,240	474,862
Machinery and equipment		25,656	19,607
Fundraising equipment		42,401	42,401
Playground equipment		341,515	341,515
		20,991,902	21,016,148
Less accumulated depreciation		(5,742,090)	(5,092,234)
	$	15,249,812	15,923,914

Boys and Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2018 and 2017

(11) Leases

The Organization leases its Vestal facilities from the City of Knoxville for $37,938 per year. Under the terms of the agreement, the City has granted the Organization the perpetual right to occupy this location as long as the Organization provides its activities to youth. In the event the Organization no longer provides activities for youth, the City may terminate the lease at any time without cause upon 30 days written notice.

The Organization leases its Fort Craig facilities from the City of Maryville for $500 a month. The current contract expires December 31, 2023.

A contract was entered into August 1, 2014 with J.E. Murphree for lease of premises to be used for the operations of a boys and girls club at a rate of $2,200 a month. This contract expired July 31, 2017 but was continued on a month to month basis through May 2018 at which time the contract was terminated.

The Organization had entered into three contracts for the lease of copiers. The first copier contract was for one copier for thirty-six months beginning August 14, 2014 at a rate of $84 a month. The second copier contract was for five copiers for thirty-nine months beginning March 3, 2015 at a rate of $1,084 a month. The third copier contract was for thirteen copiers for sixty months beginning January 19, 2016 with payments of $1,498 a month. On June 27, 2018, the Organization replaced these three contracts with a new contract for the lease of eighteen copiers for 60 months at a rate of $4,029 a month.

Future minimum lease payments under non-cancelable leases at June 30, 2018 are as follows:

Years ended June 30		Operating Leases
2019	$	92,285
2020		92,285
2021		92,285
2022		92,285
2023		92,285

(12) Operating Unconditional Promises to Give

During fiscal year 2018, the Organization conducted an annual operating funds pledge campaign. The Organization had $21,260 in pledge receivables at June 30, 2018 related to the annual pledge campaign. All pledges are due within one year or less. Allowance for uncollectible pledges totaled $1,376.

Boys and Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2018 and 2017

(13) Line of Credit

On January 22, 2013, the Organization entered into a $450,000 line of credit with a local bank to provide funds for short-term operating needs, capital campaigns and renovations or furnishing of locations. This line of credit has been renewed annually. The line of credit is collateralized by property on Dry Gap Pike. Principal is due in full on October 7, 2023. During the year ended June 30, 2017, $1,000 was repaid leaving a balance remaining of $434,000. No principal payment was made on the line of credit in 2018. Interest is payable monthly at the bank's base rate, which was 5.25% at June 30, 2018. Interest expense on the line of credit for the years ended June 30, 2018 and 2017 was $16,692 and $17,680, respectively. On August 24, 2018, this line of credit was renewed for up to $450,000.

(14) Notes Payable

The Organization has the following notes payable:

	2018	2017
(a) Note payable to a bank, payable in monthly installments of $556 plus interest at 4.0% through September 5, 2018. This note is collateralized by a first mortgage on the Lenoir City facility.	$ 7,869	15,096
(b) Construction promissory note to a bank with interest being paid monthly beginning May 5, 2015 consecutively through December 5, 2016. Monthly installments of principal and interest began January 5, 2017 to maturity on December 5, 2036. This note is secured by the absolute assignment of rents, leases, pledges and gift agreements, architects, engineers, and contract agreements, and a security agreement of real property.	10,203,797	10,447,283
	10,211,666	10,462,379
Less: current maturities	(265,686)	(250,983)
	$ 9,945,980	10,211,396

Future maturities of notes payable at June 30, 2018 are as follows:

Years ended June 30	
2019	$ 265,686
2020	269,538
2021	285,000
2022	299,676
2023	315,220
Thereafter	8,776,546
	$ 10,211,666

Boys and Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2018 and 2017

(15) Rental Income

On April 1, 2010 the Organization began renting a portion of its Lenoir City facilities on a month-to-month basis at a rate of $1,250 per month. In August, 2012, this rate increased to $1,750. On November 1, 2013, a three-year contract was signed for a monthly rate of $2,050. On November 1, 2016, a three-year contract was signed for the same monthly rate.

On September 19, 2010 the Organization entered into an agreement to lease a portion of its Halls/Powell facilities to White Stone Church at a rate of $1,400 per month. This contract is to be reviewed annually.

Total rental income for these and other miscellaneous rental activity for 2018 and 2017 was $61,526 and $41,381, respectively.

(16) Service Agreement

On January 1, 2017, the Organization entered into a twelve-month service agreement with the Tennessee Alliance of Boys and Girls Clubs, Inc. and the Boys & Girls Clubs in Tennessee, both Tennessee nonprofit corporations. This agreement was renewed for 2018. The agreement provides that the Organization will manage the administrative and operational services for the Boys & Girls Clubs in Tennessee and the Tennessee Alliance of Boys and Girls Clubs, Inc., and bill the Tennessee Alliance of Boys and Girls Clubs, Inc., on a quarterly basis for all costs incurred on behalf of the Tennessee Alliance of Boys and Girls Clubs, Inc. and the Boys & Girls Clubs in Tennessee. In addition, a quarterly contract fee is to be paid to the Organization in the amount of $36,279. Reimbursements of expenses received under this agreement for the year ended June 30, 2018 totaled $72,558.

(17) Endowment Funds

Board Designated

The Organization's Board of Directors had designated certain cash and investments as a general endowment. This endowment is not donor-restricted and therefore is reported as unrestricted net assets. The investment objectives are (1) to achieve a total annual return after expenses of 8-9% and (2) to achieve the highest level of income without undue risk and consistent with the need for long-term capital appreciation.

Changes in Board Designated Endowment funds for the years ended June 30, 2018 and 2017 were as follows:

		2018	2017
Board designated endowment funds, beginning of year	$	1,255,024	1,301,924
Contributions		116,480	58,720
Investment income		33,969	28,720
Net realized/unrealized gains		38,078	76,218
Trust fees		(6,897)	(7,135)
Released for operations		(147,434)	(203,423)
Board designated endowment funds, end of year	$	1,289,220	1,255,024

(continued)

Boys and Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2018 and 2017

(17) Endowment Funds (continued)

Temporarily Restricted

Endowment funds temporarily restricted due to donor restrictions totaled $108,724 at June 30, 2018 and $103,205, at June 30, 2017. The change in Temporarily Restricted Endowment funds of $5,519 is due to income, gains and losses, and fees paid.

(18) Commitments

On March 16, 2015, the Organization entered into an agreement with a local design-builder for the construction of a new facility of approximately 53,000 square feet and associated site improvements for a quoted maximum price of $10,595,481. During 2017, the construction of the new facility was completed.

On August 1, 2016, the Organization entered into a contract renewable up to five years with a local bus lines transporter to provide transportation for specific clubs for Knox County School instructional school days to be paid in installment payments of $45,000 per month for 10 months.

On July 1, 2016, the Organization entered into a one-year agreement with a consulting firm for professional services at a cost of $5,000 monthly. This contract was renewed in 2017.

(19) Litigation

The Organization is a defendant in a lawsuit which is being defended pursuant to insurance coverage carried by the Boys and Girls Clubs of the Tennessee Valley and any settlement or judgement ostensibly would be paid from such insurance coverage to the extent coverage is available.

(20) Subsequent Events

Subsequent events have been evaluated through March 13, 2019 which is the date the financial statements were available to be issued. Based upon that evaluation the following events are noted:

- On August 1, 2018, the Organization entered into a one-year agreement with a consulting firm for professional services at a cost of $5,000 monthly.

- Subsequent to year end, the Organization paid the outstanding balance of $434,000 on the line of credit from a local bank. On March 5, 2019 the organization drew down $150,000 on the line of credit.

(21) Reclassifications

Certain items previously reported in the 2017 financial statements have been reclassified to facilitate the presentations in the 2018 financial statements.

ACCOMPANYING INFORMATION

Boys and Girls Clubs of the Tennessee Valley
Schedule of Principal Officials
June 30, 2018

BOARD MEMBERS

Michelle Hardin - Chair
Angelique Adams - Vice Chair, Operations
Jacqueline Holdbrooks - Vice Chair, Development
Russ Watkins - Vice Chair, Administration
Jim Alexander
Steve Arnett
Brian DeBusk
Josh Birdwell
Peter "Doc" Claussen
John Dempster
Paul Feiden
Joe Fielden, Jr.
Mack Gentry
Jeff Hagood
Tim Irwin
Tom Jensen
Tony Johnson
Donna Johnston
Debby Lutz
Justin Maierhofer
Dugan McLaughlin
Jim Mitchell
Terry Payne
Christy Phillips
David Rausch
Mac Stalcup
Tracy Thompson
Henny Weissinger
Andy White
Dean Winegardner
David Erb, Advisor Board Chair (N. Anderson)
Belinda Cline, Advisory Board Chair (Blount)
Helen Hewitt, Advisory Board Co-Chair (Knoxville)
David Jones, Advisory Board Co-Chair (Knoxville)
Creighton Cross, Advisory Board Chair (Halls/Powell
Ron Tilley, Advisory Board Chair (Loudon)

STAFF

Bart McFadden - Chief Executive Officer
Kevin Ellsworth - Chief Financial Officer
Lorene Jackson - VP of Corporate, Foundation, and Government Relations

See independent auditors' report.

Boys and Girls Clubs of the Tennessee Valley
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2018

CFDA Number	Description
Federal Awards:	
	Major Programs:
	Direct Assistance from U.S. Department of Education
84.044A	TRIO Talent Search (PO44A160667-16)
84.044A	TRIO Talent Search (PO44A160667-17)
	Direct Assistance from U.S. Department of Health and Human Services
93.137	National Workforce Diversity Pipeline (NWDP) Program (CPIMP151114-03-00)
93.137	National Workforce Diversity Pipeline (NWDP) Program (CPIMP151114-02-00)
	Total major programs
	Non-major Programs:
	Passed through State of Tennessee Department of Education from U.S. Department of Education
84.287	21st Century Grant (33109-03013)
84.287	21st Century Grant (33109-05715)
84.287	21st Century Grant (33109-03118)
	Passed through Boys & Girls Clubs in Tennessee through State of Tennessee Department of Education from U.S. Department of Education
84.287	21st Century Grant (33109-05515)
84.287	21st Century Grant (33109-00115)
	Passed through Great Schools Partnership through State of Tennessee Department of Education from U.S. Department of Education
84.287	21st Century Grant
	Passed through State of Tennessee Department of Human Services from U.S. Department of Agriculture
10.558	Child and Adult Care Food Program (CACFP)
	Passed through State of Tennessee Department of Health from U.S. Department of Health and Human Services
93.235	Title V State Abstinence Education Grant Program (34347-58518)
93.235	Title V State Abstinence Education Grant Program (34347-58517)
	Passed through Tennessee Commission on Children and Youth from U.S. Department of Justice
16.540	Tennessee Commission on Children and Youth (31601-1015-44536)
16.540	Tennessee Commission on Children and Youth (2016-JF-FX-0014)
	Direct Assistance from the Appalachian Regional Commission
23.001	ARC Youth Force (TN-18569-302-16)
	Direct Assistance from U.S. Department of Education
84.215F	Carol M. White Physical Education Program (PEP) Grant (S215F140206)
	Passed through Boys and Girls Clubs of America from U.S. Department of Justice
16.726	Office of Justice Program (OJP-2016-41445)
16.726	Office of Justice Program (OJP-2016-41446)
16.726	Office of Justice Program (OJP-2016-41447)
16.726	Office of Justice Program (OJP-2016-41448)
16.726	Office of Justice Program (OJP-2017-43044)
16.726	Office of Justice Program (OJP-2017-43045)
16.726	Office of Justice Program (OJP-2017-43046)
16.726	Office of Justice Program (OJP-2017-43047)
	Passed through Sea Research Foundation from U.S. Department of Justice
47.076	STEM Mentoring Program (2016-JU-FX-0014)
47.076	STEM Mentoring Program (2016-JU-FX-0007)
	Total non-major programs
	Total federal awards

See independent auditors' rerport.

Balance July 1, 2017	Cash Receipts	Expenditures	Balance June 30, 2018	
$ (20,041)	70,340	50,299	-	
-	171,063	188,495	(17,432)	1)
-	307,611	331,875	(24,264)	1)
(23,836)	102,728	78,892	-	
(43,877)	651,742	649,561	(41,696)	
(126,536)	529,449	423,457	(20,544)	1)
(23,405)	84,772	125,923	(64,556)	1)
-	246,378	379,463	(133,085)	1)
(8,290)	101,961	194,367	(100,696)	1)
(42,461)	97,241	73,940	(19,160)	1)
-	-	23,963	(23,963)	1)
-	508,553	508,553	-	
-	4,897	6,495	(1,598)	1)
(973)	7,697	6,724	-	
(6,389)	17,892	11,503	-	
-	12,679	32,691	(20,012)	1)
(17,417)	60,568	43,151	-	
(31,981)	294,297	262,316	-	
(2,739)	13,604	10,865	-	
(4,598)	17,350	12,752	-	
(3,019)	19,477	16,458	-	
(5,215)	19,952	14,737	-	
-	3,752	6,093	(2,341)	1)
-	7,084	11,348	(4,264)	1)
-	8,380	12,715	(4,335)	1)
-	5,351	9,421	(4,070)	1)
-	12,076	22,179	(10,103)	1)
(28,935)	51,057	22,122	-	
(301,958)	2,124,467	2,231,236	(408,727)	
(345,835)	2,776,209	2,880,797	(450,423)	

(continued)

Boys and Girls Clubs of the Tennessee Valley
Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2018

CFDA Number	Description
State Awards:	
	Direct Assistance from Tennessee Department of Mental Health and Substance Abuse Services
N/A	The Comprehensive Alcohol, Tobacco and Other Drug Prevention Services for Youth (37271)
N/A	The Comprehensive Alcohol, Tobacco and Other Drug Prevention Services for Youth (54374)
	Direct Assistance from Tennessee Department of Education
N/A	LEAP Grant (33109-07815)
N/A	LEAP Grant (33109-04418)
	Passed through Boys & Girls Clubs in Tennessee from Tennessee Department of Children's Services
N/A	Child Abuse Prevention Grant
	Total state awards
	Total federal and state awards

1) Due from grantor

Note A - Basis of Presentation

The schedule of expenditures of federal and state awards includes the federal and State of Tennessee grant activity of the Boys and Girls Clubs of the Tennessee Valley and is presented on the accrual basis of accounting.

	Balance July 1, 2017	Cash Receipts	Expenditures	Balance June 30, 2018	
$	(18,904)	18,904	-	-	
	-	68,762	95,000	(26,238)	1)
	(20,542)	20,542	-	-	
	-	59,380	93,910	(34,530)	1)
	(794)	2,099	1,637	(332)	1)
	(40,240)	169,687	190,547	(61,100)	
$	(386,075)	2,945,896	3,071,344	(511,523)	

Independent Auditors' 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*

To the Board of Directors
Boys and Girls Clubs of the Tennessee Valley
Knoxville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Boys and Girls Clubs of the Tennessee Valley (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Boys and Girls Clubs of the Tennessee Valley's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Boys and Girls Clubs of the Tennessee Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Boys and Girls Clubs of the Tennessee Valley's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HG&A Associates, P.C.

Knoxville, Tennessee
March 13, 2019

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Boys and Girls Clubs of the Tennessee Valley
Knoxville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the Boys and Girls Clubs of the Tennessee Valley's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Boys and Girls Clubs of the Tennessee Valley's major federal programs for the year ended June 30, 2018. Boys and Girls Clubs of the Tennessee Valley's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Boys and Girls Clubs of the Tennessee Valley's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Boys and Girls Clubs of the Tennessee Valley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Boys and Girls Clubs of the Tennessee Valley's compliance.

Opinion on Each Major Federal Program

In our opinion, Boys and Girls Clubs of the Tennessee Valley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance
Management of the Boys and Girls Clubs of the Tennessee Valley is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Boys and Girls Clubs of the Tennessee Valley's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Boys and Girls Clubs of the Tennessee Valley's internal control over compliance.

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

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

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

HG&A Associates, P.C.

Knoxville, Tennessee
March 13, 2019

BOYS AND GIRLS CLUBS OF THE TENNESSEE VALLEY

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report on the financial statements of the Boys and Girls Clubs of the Tennessee Valley expresses an unmodified opinion.

2. There were no deficiencies relating to the audit of the financial statements reported in the 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*.

3. No instances of noncompliance material to the basic financial statements of the Boys and Girls Clubs of the Tennessee Valley were disclosed during the audit.

4. There were no significant deficiencies in internal control over major federal award programs disclosed during the audit as reported in the auditors' report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the Uniform Guidance.

5. The auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with the Uniform Guidance for the Boys and Girls Clubs of the Tennessee Valley expresses an unmodified opinion.

6. There are no audit findings relative to major federal award programs for the Boys and Girls Clubs of the Tennessee Valley.

7. The TRIO Talent Search Program (CFDA No. 84.044A) and the National Workforce Diversity Pipeline Program (CFDA No. 93.137) were tested as major programs.

8. The threshold for distinguishing Type A and Type B programs was $750,000.

9. Boys and Girls Clubs of the Tennessee Valley was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None. There were no prior year audit findings.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None. There were no prior year audit findings.