



Boys & Girls Clubs of the Tennessee Valley

**Financial Statements with
Accompanying Information**
Years Ended June 30, 2019 and 2018
and
Independent Auditors' Report

Boys & 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 & Girls Clubs of the Tennessee Valley
Knoxville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Boys & Girls Clubs of the Tennessee Valley (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

J. Wesley Edmondson • Tim Royster • Jenny C. Raines • Michelle Herrell • Jennifer M. Blackwood

P.O. Box 50846, Knoxville, TN 37950-0846 • Telephone (865) 691-8000 • FAX (865) 691-3064 • 6504 Deane Hill Drive, Knoxville, TN 37919



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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 & Girls Clubs of the Tennessee Valley as of June 30, 2019 and 2018, 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 22 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 23 and 24, 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 February 25, 2020, on our consideration of the Boys & 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 & 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 & Girls Clubs of the Tennessee Valley's internal control over financial reporting and compliance.

HG & A Associates, P.C.

Knoxville, Tennessee

February 25, 2020

Boys & Girls Clubs of the Tennessee Valley

Statements of Financial Position

June 30, 2019 and 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	\$ 163,148	179,143
Grants receivable:		
Federal and state	580,691	511,523
Other	-	18,648
Fee vouchers receivable	50,042	59,973
Special events receivable	817	-
Interest and dividend receivable	1,687	2,006
Other receivables	37,210	120,120
Notes receivable - current portion	-	1,852
Unconditional promises to give, net of allowance for uncollectible amounts - current portion:		
Capital	1,856,578	1,474,269
Operating	196,253	19,884
Prepaid expenses	32,693	177,030
Prepaid insurance	564	-
Total current assets	<u>2,919,683</u>	<u>2,564,448</u>
Restricted and designated cash and investments:		
Endowment funds:		
Restricted:		
Cash	889	783
Investments	114,054	107,941
Designated:		
Cash	10,531	9,331
Investments	1,351,170	1,279,889
Total endowment funds	1,476,644	1,397,944
Other restricted assets:		
Cash	1,857,132	1,237,840
Total restricted and designated cash and investments	<u>3,333,776</u>	<u>2,635,784</u>
Unconditional promises to give, net of allowance for uncollectible amounts - long-term portion:		
Capital	5,049,886	3,970,496
Operating	189,225	-
Property and equipment, net of accumulated depreciation	14,739,882	15,249,812
Deposits	14,150	14,150
Other assets:		
Beneficial interest in assets held by others	8,000	5,000
Total assets	<u>\$ 26,254,602</u>	<u>24,439,690</u>

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

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
Current liabilities:		
Notes payable - current portion	\$ 269,571	265,686
Accounts payable	885,843	616,197
Accounts payable - other Boys & Girls Clubs	2,148	12,445
Accrued expenses	219,203	204,616
Deferred revenue	175,446	311,679
Total current liabilities	<u>1,552,211</u>	<u>1,410,623</u>
Line of credit - long term	-	434,000
Notes payable, less current portion	<u>9,677,063</u>	<u>9,945,980</u>
Total liabilities	<u>11,229,274</u>	<u>11,790,603</u>
Net assets:		
Without donor restrictions:		
Board designated - beneficial interest in assets held by others	8,000	5,000
Board designated endowment funds	1,361,701	1,289,220
Undesignated	4,777,088	4,563,538
With donor restrictions	8,878,539	6,791,329
Total net assets	<u>15,025,328</u>	<u>12,649,087</u>
 Total liabilities and net assets	 <u><u>\$ 26,254,602</u></u>	 <u><u>24,439,690</u></u>

Boys & Girls Clubs of the Tennessee Valley
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:						
Contributions	\$ 855,434	3,359,750	4,215,184	1,222,521	5,009,271	6,231,792
Contributions - in-kind	257,816	-	257,816	226,566	-	226,566
Support from the capital campaign	1,213,005	61,450	1,274,455	1,291,880	59,800	1,351,680
Special events, net of direct expenses of \$353,084 in 2019 and \$333,376 in 2018	1,033,355	-	1,033,355	848,512	-	848,512
Allocation - Knoxville Community Development Corporation	100,000	-	100,000	100,000	-	100,000
Allocation - United Way	897,410	-	897,410	857,034	76,000	933,034
Support from government agencies	3,042,913	-	3,042,913	3,197,544	-	3,197,544
Proceeds from vendor/voucher program	460,487	-	460,487	430,873	-	430,873
Activity fees and income	14,519	-	14,519	15,863	-	15,863
Day care fees	1,195,115	-	1,195,115	1,016,315	-	1,016,315
Other support and revenue	312,729	99,000	411,729	103,644	127,266	230,910
Income from investments	30,918	7,858	38,776	27,460	6,343	33,803
Rental income	74,058	-	74,058	61,526	-	61,526
Net realized and unrealized gains from investments	41,387	3,538	44,925	38,081	3,226	41,307
Gain on disposition of assets	500	-	500	2,788	-	2,788
Net assets released from restrictions:						
Restrictions satisfied by payments	1,444,386	(1,444,386)	-	1,400,732	(1,400,732)	-
Total revenue	10,974,032	2,087,210	13,061,242	10,841,339	3,881,174	14,722,513
Expenses:						
Program services - child development	7,544,335	-	7,544,335	8,239,886	-	8,239,886
Management and general	2,318,800	-	2,318,800	1,973,942	-	1,973,942
Development and fundraising	821,866	-	821,866	809,753	-	809,753
Total expenses	10,685,001	-	10,685,001	11,023,581	-	11,023,581
Increase (decrease) in net assets	289,031	2,087,210	2,376,241	(182,242)	3,881,174	3,698,932
Net assets, beginning of year	5,857,758	6,791,329	12,649,087	6,035,000	2,910,155	8,945,155
Prior period adjustment (See Note 23)	-	-	-	5,000	-	5,000
Net assets - beginning of year, as restated	5,857,758	6,791,329	12,649,087	6,040,000	2,910,155	8,950,155
Net assets - end of year	\$ 6,146,789	8,878,539	15,025,328	5,857,758	6,791,329	12,649,087

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

Boys & Girls Clubs of the Tennessee Valley
Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	2019				2018			
	Total Program Services	Management and General	Development and Fund Raising	Total	Total Program Services	Management and General	Development and Fund Raising	Total
Salaries	\$ 3,572,493	798,575	316,897	4,687,965	3,882,581	819,673	316,873	5,019,127
Pension plan contributions	145,785	48,398	16,946	211,129	151,105	31,188	17,794	200,087
Other payroll benefits	251,125	96,901	21,612	369,638	298,734	89,989	25,275	413,998
Payroll taxes	242,640	58,037	23,685	324,362	290,100	56,262	23,650	370,012
Unemployment tax reimbursement	-	8,896	-	8,896	-	7,592	-	7,592
Total salaries and related expenses	4,212,043	1,010,807	379,140	5,601,990	4,622,520	1,004,704	383,592	6,010,816
Conferences, conventions and meetings	13,223	16,819	3,582	33,624	6,983	11,851	10,011	28,845
Direct program expenses	1,225,898	31,954	31	1,257,883	1,391,554	14,116	-	1,405,670
Dues and subscriptions	56,601	4,830	690	62,121	55,731	3,304	1,160	60,195
Repairs and maintenance	406,425	18,927	5,079	430,431	252,335	48,916	4,955	306,206
Insurance	109,548	4,571	1,415	115,534	78,514	3,332	1,053	82,899
Interest expense	-	569,143	-	569,143	-	542,831	-	542,831
Licenses and permits	280	1,010	250	1,540	140	637	700	1,477
Occupancy	56,383	-	-	56,383	76,836	-	-	76,836
Plaques, awards and gifts	681	4,194	3,838	8,713	460	1,504	149	2,113
Postage and shipping	316	6,666	7,946	14,928	152	7,434	8,225	15,811
Professional fees	8,186	238,786	27,450	274,422	838	143,147	59,021	203,006
Promotions and printing	915	6,110	11,297	18,322	1,333	1,995	47,277	50,605
Supplies	5,850	6,912	3,191	15,953	5,992	7,303	1,352	14,647
Technology	31,405	266,762	10,821	308,988	99,337	53,630	1,704	154,671
Telephone	60,328	4,096	1,872	66,296	91,871	6,311	2,062	100,244
Transportation and travel	454,529	6,447	10,392	471,368	498,051	6,376	4,975	509,402
Utilities	288,408	9,723	2,801	300,932	471,793	8,920	2,570	483,283
Uncollectible pledges	-	-	271,608	271,608	-	-	241,719	241,719
Miscellaneous expenses	17,187	31,412	52,421	101,020	3,268	26,819	11,238	41,325
Total before depreciation	6,948,206	2,239,169	793,824	9,981,199	7,657,708	1,893,130	781,763	10,332,601
Depreciation	596,129	79,631	28,042	703,802	582,178	80,812	27,990	690,980
	<u>\$ 7,544,335</u>	<u>2,318,800</u>	<u>821,866</u>	<u>10,685,001</u>	<u>8,239,886</u>	<u>1,973,942</u>	<u>809,753</u>	<u>11,023,581</u>

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

Boys & Girls Clubs of the Tennessee Valley

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 2,376,241	3,698,932
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	703,802	690,980
Realized and unrealized (gain) loss on investments	(36,465)	124,180
Gain on disposition of assets	(500)	(2,788)
Change in allowance for uncollectible promises to give	98,476	231,266
Change in present value discount of uncollectible promises to give	409,127	529,934
Change in operating assets and liabilities:		
Unconditional promises to give	(2,334,896)	(5,149,022)
Grants receivable	(50,520)	(137,931)
Fee vouchers receivable	9,931	(6,580)
Special events receivable	(817)	-
Interest, dividends and other receivables	83,229	(81,357)
Prepaid expenses	144,337	(48,219)
Prepaid insurance	(564)	-
Deposits	-	(450)
Accounts payable	259,349	(57,721)
Accrued expenses	14,587	56,519
Deferred revenue	(136,233)	229,238
Net cash provided by operating activities	<u>1,539,084</u>	<u>76,981</u>
Cash flows from investing activities:		
Purchases of property and equipment	(193,872)	(18,377)
Proceeds from sale of property and equipment	500	4,287
Proceeds from sale of investments	73,724	833,542
Purchases of investments	(114,653)	(995,766)
Increase in beneficial interest in assets held by others	(3,000)	-
Change in notes receivable	1,852	1,715
Net cash used by investing activities	<u>(235,449)</u>	<u>(174,599)</u>
Cash flows from financing activities:		
Principal payments on notes payable and line of credit	(699,032)	(250,713)
Net cash used by financing activities	<u>(699,032)</u>	<u>(250,713)</u>
Net increase (decrease) in cash and cash equivalents	604,603	(348,331)
Cash and cash equivalents - beginning of year	<u>1,427,097</u>	<u>1,775,428</u>
Cash and cash equivalents - end of year	<u>\$ 2,031,700</u>	<u>1,427,097</u>
Reconciliation of Cash on Statement of Cash Flows to Statement of Financial Position:		
Cash and cash equivalents	\$ 163,148	179,143
Restricted cash - endowment and other	1,858,021	1,238,623
Designated cash	10,531	9,331
	<u>2,031,700</u>	<u>1,427,097</u>

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

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2019 and 2018

(1) Nature of Activities and Significant Accounting Policies

(a) Nature of Activities

The Boys & 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

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to grantor or donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

(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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. 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 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 & 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 Boys & Girls Clubs in Tennessee and the Tennessee Alliance of Boys & Girls Clubs, Inc. All of these receivables are considered fully collectible. Therefore, an allowance for uncollectible accounts is not considered necessary.

(continued)

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2019 and 2018

(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. 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 support without donor restrictions 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 donor 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 net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation expense for the years ended June 30, 2019 and 2018, was \$703,802 and \$690,980, 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, 2019 and 2018 of \$114,292 and \$108,663, 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 with the exception of accounting services donated in 2019.

(continued)

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2019 and 2018

(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 2019 and 2018.

The Organization's form 990, *Return of Organization Exempt from Income Tax*, for the years 2016, 2017, 2018 and 2019 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) Recently Adopted Accounting Standard and Change in Accounting Principle

During fiscal year 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which was issued by the Financial Accounting Standards Board (FASB) in August 2016. ASU 2016-14 changed net asset classifications to present two classes of net assets, *net assets with donor restrictions* and *net assets without donor restrictions*. It also requires certain additional disclosures concerning liquidity and availability of resources.

Total net assets did not change as a result of the adoption of this ASU. As originally stated prior to adoption of the ASU, net assets as of June 30, 2018, were classified as follows: unrestricted net assets totaled \$5,857,758 and temporarily restricted net assets totaled \$6,791,329 for a total net asset balance of \$12,649,087. After adoption of the ASU net assets were restated as: net assets without donor restrictions of \$5,857,758 and net assets with donor restrictions of \$6,791,329 for a total net asset balance of \$12,649,087.

The FASB has issued the following recent pronouncements each with effective dates for fiscal years "beginning" as noted. Management is evaluating the potential impact for each of these pronouncements for its future financial statement presentations.

ASU 2014-09- *Revenues from Contracts and Customers* – after December 15, 2018

ASU 2016-01 – *Financial Instruments – Overall* – after December 15, 2018

ASU 2016-02 – *Leases* – after December 15, 2019

(continued)

Boys & Girls Clubs of the Tennessee Valley

Notes to Financial Statements

June 30, 2019 and 2018

(2) Liquidity and Availability of Resources

The Organization consistently reviews its net asset balances *with* and *without* donor restrictions to ensure appropriate availability of assets to meet obligations as they come due. Therefore, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets at year end:	2019	2018
Cash and cash equivalents	\$ 163,148	188,474
Accounts receivable - government grants	580,691	530,171
Accounts receivable - fee vouchers	50,042	59,973
Accounts receivable - special events and other	39,714	122,126
Note receivable - current portion	-	1,852
Unconditional promises to give	7,291,942	5,464,649
	8,125,537	6,367,245
Donor imposed restrictions	(7,291,942)	(5,464,649)
Net financial assets after donor-imposed restrictions	\$ 833,595	902,596

The Organization's primary revenue sources *not* subject to donor restrictions are from state and federal grants, contributions, day care fees, annual campaigns, and annual fundraising events. The Organization's primary revenue sources with donor restrictions are from donations related to the capital campaign to raise money for debt reduction. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. As noted in the table above, financial assets *with* donor-imposed restrictions are unavailable for general expenditures within one year of the statement of financial position date.

As of June 30, 2019, the Organization had approximately \$1,858,000 of cash and cash equivalents and \$114,000 of investments with donor-imposed restrictions along with approximately \$1,370,000 cash and investments in board designated funds that are subject to restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. As described in Note 14, the Organization also has access to a line of credit that is available for general operations.

(3) 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, 2019 and June 30, 2018, the bank deposits exceeded Federal Deposit Insurance Corporation insurance limits by \$1,345,958 and \$745,058, respectively.

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2019 and 2018

(4) Net Assets with Donor Restrictions

Substantially all of the restrictions on net assets at June 30, 2019 and 2018, 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 restricted for campaign objectives until payments are made for the capital objectives. Interest earned on the investment of such support is restricted.

At June 30, 2019 and 2018, net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Cash and cash equivalents	\$ 1,858,021	1,238,623
Investments	114,054	107,941
Capital unconditional promises to give:		
Vision 2020 Capital Campaign	7,551,696	5,435,217
2014-2018 Capital Campaign	749,595	942,842
Less:		
6% present value discount	(1,031,329)	(646,727)
Allowance for doubtful promises to give	(363,498)	(286,567)
	<u>\$ 8,878,539</u>	<u>6,791,329</u>

Capital unconditional promises to give are as follows at June 30, 2019:

Year Ended	
<u>June 30</u>	
2020	\$ 1,954,293
2021	1,374,236
2022	2,727,972
2023	942,095
2024	485,000
2025	316,695
2026	301,000
2027	100,000
2028	<u>100,000</u>
	8,301,291
6% present value discount	(1,031,329)
Allowance for doubtful promises to give	<u>(363,498)</u>
Net unconditional promises to give	<u>\$ 6,906,464</u>

(continued)

Boys & Girls Clubs of the Tennessee Valley

Notes to Financial Statements

June 30, 2019 and 2018

(4) Net Assets with Donor Restrictions (continued)

Net assets were released from donor restrictions by satisfaction of donor requirements during the years ended June 30, 2019 and 2018, and were used for the following purposes:

	2019	2018
Debt service:		
Principal and interest	\$ 769,011	769,011
Supplies and other expenses	257,243	256,148
Salaries and benefits	56,911	158,822
Fixed asset purchases	149,548	40,917
Field trips	-	3,017
Bike trails, bikes, and helmets	1,592	20,475
Contracted services	-	1,796
Operations and program expenses	195,767	149,904
Technology	13,339	-
Staff development	975	-
Other	-	642
	<u>\$ 1,444,386</u>	<u>1,400,732</u>

(5) 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, 2019 and 2018, the Organization incurred no joint costs involving fundraising appeals.

(6) 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 & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2019 and 2018

(6) 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 2019 or 2018.

Investments at June 30, 2019 and 2018, are as follows:

2019				2018			
		Fair Value (Level 1 Inputs)	Unrealized Gains (Losses)		Fair Value (Level 1 Inputs)	Unrealized Gains (Losses)	
	Cost			Cost			
Equities	\$ 309,008	456,101	147,093	311,692	445,840	134,148	
International equities	299,697	304,398	4,701	258,126	267,700	9,574	
Fixed income	620,976	620,642	(334)	628,913	601,570	(27,343)	
Real asset	87,518	84,083	(3,435)	77,539	72,720	(4,819)	
	<u>\$ 1,317,199</u>	<u>1,465,224</u>	<u>148,025</u>	<u>1,276,270</u>	<u>1,387,830</u>	<u>111,560</u>	

(7) 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 (\$19,000 for 2019 and \$18,500 for 2018). 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 2019 and 2018). 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. The maximum number of loans outstanding at any one time by a participant is one. Pension contributions made for each participant represent a percentage of the participant's annual compensation. Pension expense for the years ended June 30, 2019 and 2018 was \$211,129 and \$200,087, respectively, which included a plan administration fee of \$5,550 and \$6,460, respectively.

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2019 and 2018

(8) 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 from a company in which a director of the Organization (through March 2018) was a partner. In 2019, the Organization purchased insurance totaling \$163,013 from a company in which a director of the Organization was a risk advisor at that company.

At June 30, 2019 and 2018, capital campaign pledges due from various members of the Organization's Board of Directors were \$485,770 and \$686,176, respectively. The pledges are receivable through June 2025.

At June 30, 2019 and 2018, various members of the Organization's Board of Directors made operating pledges to the Organization totaling \$250 and \$750, respectively. The pledges are receivable through 2020.

(9) Donated Materials, Supplies and Services

Donated materials, supplies and services 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:

Donor	Description	Estimated Fair Value	
		2019	2018
Knoxville Community Development Corporation	Utilities and maintenance	\$ 226,566	226,566
Volunteer	Accounting services	31,200	-

Donated material and supplies totaling \$74,375 and \$127,824 for the years ended June 30, 2019 and 2018, respectively, are included in special event revenue and expenses. There were no individual special events donations valued at greater than \$30,000.

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2019 and 2018

(10) Deferred Revenue

Deferred revenue activity for the years ended June 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Hall of Fame ticket sales	\$ 8,146	7,993
Hall of Fame sponsor donations	163,800	116,234
Hall of Fame other donations	3,500	14,952
75th Anniversary Event	-	162,500
Knoxville Open	-	10,000
	<u>\$ 175,446</u>	<u>311,679</u>

(11) Property, Equipment and Accumulated Depreciation

At June 30, 2019 and 2018, property, equipment and accumulated depreciation consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 569,578	569,578
Building and improvements	17,897,197	17,718,947
Educational equipment	206,692	206,692
Office furniture and equipment	1,599,369	1,589,994
Kitchen and food preparation equipment	64,879	64,879
Vehicles	431,240	432,240
Machinery and equipment	31,903	25,656
Fundraising equipment	42,401	42,401
Playground equipment	341,515	341,515
	<u>21,184,774</u>	<u>20,991,902</u>
Less accumulated depreciation	<u>(6,444,892)</u>	<u>(5,742,090)</u>
	<u>\$ 14,739,882</u>	<u>15,249,812</u>

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2019 and 2018

(12) 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, 2019, are as follows:

Years ended June 30	Operating Leases
2020	\$ 92,285
2021	92,285
2022	92,285
2023	92,285
2024	92,285

Boys & Girls Clubs of the Tennessee Valley

Notes to Financial Statements

June 30, 2019 and 2018

(13) Operating Unconditional Promises to Give

During fiscal year 2019, the Organization conducted an annual operating funds pledge campaign. The Organization had \$432,922 in pledge receivables at June 30, 2019, related to the annual pledge campaign.

Future pledge payments at June 30, 2019, are as follows:

Years ended June 30	
2020	\$ 207,922
2021	75,000
2022	75,000
2023	75,000
	<hr/> 432,922
less: 6% present value discount	<hr/> (24,524)
	408,398
Allowance for uncollectible pledges	<hr/> (22,920)
Net unconditional promises to give	<hr/> \$ 385,478
	<hr/>
Amounts due in less than one year	\$ 196,253
Amounts due in one to three years	<hr/> 189,225
	<hr/> \$ 385,478

(14) 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. On August 24, 2018, this line of credit was renewed for up to \$450,000. 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, 2019 and 2018 was \$13,456 and \$16,692, respectively. In April 2019, the remaining balance due on this line of credit was paid in full.

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2019 and 2018

(15) Notes Payable

The Organization has the following notes payable:

	<u>2019</u>	<u>2018</u>
(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
(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.	9,946,634	10,203,797
	9,946,634	10,211,666
Less: current maturities	(269,571)	(265,686)
	<u>\$ 9,677,063</u>	<u>9,945,980</u>

Future maturities of notes payable at June 30, 2019, are as follows:

<u>Years ended</u> <u>June 30</u>	
2020	\$ 269,571
2021	284,968
2022	299,754
2023	315,308
2024	330,465
Thereafter	8,446,568
	<u>\$ 9,946,634</u>

(16) 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 has not been renewed but is continuing to operate with the same agreement.

Total rental income for these and other miscellaneous rental activity for 2019 and 2018 was \$74,058 and \$61,526, respectively.

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2019 and 2018

(17) Service Agreement

On January 1, 2019, the Organization entered into a twelve-month service agreement with the Tennessee Alliance of Boys & Girls Clubs, Inc. and the Boys & Girls Clubs in Tennessee, both Tennessee nonprofit corporations. This agreement shall automatically renew for a successive one (1) year term unless one party provides at least a ninety (90) days' notice. 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 & Girls Clubs, Inc., and bill on a quarterly basis for all costs incurred on behalf of the Tennessee Alliance of Boys & 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 \$40,028. Reimbursements of expenses received under this agreement for the year ended June 30, 2019, totaled \$80,056.

(18) Endowment Funds

Without Donor Restrictions – 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 net assets without donor restrictions. 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. At least annually, the Organization has the right to withdraw up to 4.5% of the average of the last three years' June 30th balances. If all isn't withdrawn it is carried forward to future years.

Changes in board designated endowment funds for the years ended June 30, 2019 and 2018, were as follows:

	2019	2018
Beginning of year	\$ 1,289,220	1,255,024
Contributions	34,131	116,480
Investment income	38,439	33,969
Net realized/unrealized gains	41,389	38,078
External trust fees	(7,072)	(6,897)
Released for operations	(34,406)	(147,434)
End of year	<u>\$ 1,361,701</u>	<u>1,289,220</u>

Investment revenues are report net of related external trust fees in the statement of activities. The amount of expenses netted with revenues relating to board designated endowment funds was \$7,072 and \$6,897 for the years ended June 30, 2019 and 2018, respectively.

With Donor Restrictions

Endowment funds with donor restrictions totaled \$114,943 at June 30, 2019, and \$108,724, at June 30, 2018. The change in endowment funds with donor restrictions of \$6,219 is due to investment income earned, netted against external trust fees of \$604, and realized and unrealized gains and losses.

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2019 and 2018

(19) Designated by Board - Beneficial Interest in Assets Held by Others

During the year ended June 30, 2015, the Organization transferred \$5,000 to the East Tennessee Foundation (the "Foundation") to be held at the Foundation as the Boys & Girls Clubs of the Tennessee Valley Endowment Fund (the "Fund"). The Foundation, The Boys & Girls Clubs of the Tennessee Valley, and any other person or organization may from time to time make additional contributions to the Fund. The Fund will be invested and all growth in the Fund, including gains and undistributed income, shall be retained in the Fund and added to the Fund's balance. Annual Distribution Amount will be granted to the Boys & Girls Clubs of the Tennessee Valley unless the Organization indicates the amount is to be retained by the Fund. Upon written request from the Organization, detailing the reasons for the request and evidence that the request was approved by two-thirds vote of the Board of Directors of the Organization, grants in excess of the Annual Distribution amount may be distributed exclusively for the exempt purpose of the Fund. The Foundation is the owner of the Fund and it shall have the ultimate authority and control over the Fund, including the income and distributions, for the charitable purposes of the Foundation.

Amounts transferred to the Foundation are reported as beneficial interest in assets held by others.

During the year ended June 30, 2019, \$3,000 was contributed to the Fund and is shown in contributions of the Organization.

(20) Commitments

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 each fiscal year.

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. This agreement was renewed on August 1, 2019.

On April 30, 2019, the Organization entered into a 60-month agreement with a local company to manage day-to-day network operations at a cost of \$9,200 a month.

(21) Litigation

The Organization is a defendant in a lawsuit which is being defended pursuant to insurance coverage carried by the Boys & 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.

Boys & Girls Clubs of the Tennessee Valley**Notes to Financial Statements**

June 30, 2019 and 2018

(22) Subsequent Events

Subsequent events have been evaluated through February 25, 2020, which is the date the financial statements were available to be issued. Based upon that evaluation the following events are noted:

- On August 1, 2019, 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 drew down \$200,000 on the line of credit.
- On January 31, 2020, the Organization issued Revenue Bond (Boys & Girls Club Project), Series 2020 in the principal amount of \$8,792,874 to pay off the balance of the loan outstanding.

(23) Prior Period Adjustments

Net assets without donor restrictions at the beginning of 2018 have been adjusted for the \$5,000 beneficial interest in assets held by others transferred to the East Tennessee Foundation in 2015. The correction has no effect on the current year's activities; however, the cumulative effect increases beginning net assets for 2018 by \$5,000. Previously issued financial statements have been restated to correct this error.

(24) Supplemental Disclosures of Cash Flow Information

Interest totaling \$525,377 and \$584,223 was paid in 2019 and 2018, respectively.

(25) Reclassifications

Certain items previously reported in the 2018 financial statements have been reclassified to facilitate the presentations in the 2019 financial statements.

ACCOMPANYING INFORMATION

Boys & Girls Clubs of the Tennessee Valley
Schedule of Principal Officials
June 30, 2019

BOARD MEMBERS

Michelle Hardin - Chair	Debby Lutz
Angelique Adams - Vice Chair, Operations	Justin Maierhofer
Jacqueline Holdbrooks - Vice Chair, Communications	Dugan McLaughlin
Russ Watkins - Vice Chair, Finance	Jim Mitchell
Jim Alexander	Terry Payne
Steve Arnett	Steve Pettit
Josh Birdwell	Christy Phillips
Jim Caughorn	Mac Stalcup
Peter "Doc" Claussen	Eve Thomas
John Dempster	Tracy Thompson
Paul Feiden	Henny Weissinger
Joe Fielden, Jr.	Andy White
Mack Gentry	Dean Winegardner
Jeff Hagood	Melissa Charles, Advisor Board Chair (N. Anderson)
Tim Irwin	Belinda Sharp, Advisory Board Chair (Blount)
Tom Jensen	Omar Jubran, Advisory Board Chair (Knoxville)
Michael Johnson	Creighton Cross, Advisory Board Chair (Halls/Powell)
Donna Johnston	Susan Fox, Advisory Board Chair (Loudon)

STAFF

Bart McFadden - Chief Executive Officer
 Natalie Erb - Chief Financial Officer
 Kelly Drummond - VP of Human Resources & Grant Administration

See independent auditors' report.

Boys & Girls Clubs of the Tennessee Valley
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2019

CFDA Number	Description	Balance July 1, 2018	Cash Receipts	Expenditures	Balance June 30, 2019
<u>Federal Awards:</u>					
<u>Major Programs:</u>					
Passed through State of Tennessee Department of Education from U.S. Department of Education					
84.287	21st Century Grant (33109-03013)	\$ (20,544)	20,544	-	-
84.287	21st Century Grant (33109-00819)	-	341,716	478,387	(136,671) 1)
84.287	21st Century Grant (33109-05715)	(64,556)	181,366	152,500	(35,690) 1)
84.287	21st Century Grant (33109-03118)	(133,085)	479,597	438,700	(92,188) 1)
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)	(100,696)	171,956	86,077	(14,817) 1)
84.287	21st Century Grant (33109-00919)	-	135,465	192,679	(57,214) 1)
84.287	21st Century Grant (33109-00115)	(19,160)	19,160	-	-
Passed through Great Schools Partnership through State of Tennessee Department of Education from U.S. Department of Education					
84.287	21st Century Grant	(23,963)	23,963	-	-
Total major programs		<u>(362,004)</u>	<u>1,373,767</u>	<u>1,348,343</u>	<u>- (336,580)</u>
<u>Non-major Programs:</u>					
Direct Assistance from U.S. Department of Education					
84.044A	TRIO Talent Search (PO44A160667-18)	-	174,151	192,947	(18,796) 1)
84.044A	TRIO Talent Search (PO44A160667-17)	(17,432)	64,243	46,811	-
Direct Assistance from U.S. Department of Health and Human Services					
93.137	National Workforce Diversity Pipeline (NWDP) Program (CPIMP151114-01-00)	(24,264)	63,229	38,965	-
93.137	National Workforce Diversity Pipeline (NWDP) Program (CPIMP151114-02-00)	-	281,056	314,624	(33,568) 1)
Passed through State of Tennessee Department of Human Services from U.S. Department of Agriculture					
10.558	Child and Adult Care Food Program (CACFP)	-	493,140	493,140	-
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)	(1,598)	8,929	7,331	-
93.235	Title V Sexual Risk Avoidance Education Grant Program (34347-58519)	-	5,533	5,533	-
Passed through Tennessee Commission on Children and Youth from U.S. Department of Justice					
16.540	Tennessee Commission on Children and Youth (31601-DP03-18)	-	47,697	54,729	(7,032) 1)
16.540	Tennessee Commission on Children and Youth (2016-JF-FX-0014)	(20,012)	20,012	-	-
Passed through Boys and Girls Clubs of America from U.S. Department of Justice					
16.726	Office of Justice Program (OJP-2018-44407)	-	3,281	6,442	(3,161) 1)
16.726	Office of Justice Program (OJP-2018-44408)	-	4,849	10,698	(5,849) 1)
16.726	Office of Justice Program (OJP-2018-44409)	-	962	6,817	(5,855) 1)
16.726	Office of Justice Program (OJP-2018-44410)	-	5,448	10,168	(4,720) 1)
16.726	Office of Justice Program (OJP-2017-43044)	(2,341)	13,628	11,287	-
16.726	Office of Justice Program (OJP-2017-43045)	(4,264)	13,772	9,508	-
16.726	Office of Justice Program (OJP-2017-43046)	(4,335)	15,952	11,617	-
16.726	Office of Justice Program (OJP-2017-43047)	(4,070)	21,066	16,996	-
Passed through Sea Research Foundation from U.S. Department of Justice					
47.076	STEM Mentoring Program (2016-JU-FX-0014)	(10,103)	42,161	32,058	-
47.076	STEM Mentoring Program (2017-JU-FX-0020)	-	4,663	41,951	(37,288) 1)
Total non-major programs		<u>(88,419)</u>	<u>1,283,772</u>	<u>1,311,622</u>	<u>(116,269)</u>
Total federal awards		<u>(450,423)</u>	<u>2,657,539</u>	<u>2,659,965</u>	<u>(452,849)</u>

(continued)

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

CFDA Number	Description	Balance July 1, 2018	Cash Receipts	Expenditures	Balance June 30, 2019
<u>State Awards:</u>					
	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 (33901)	\$ -	73,597	94,940	(21,343) 1)
N/A	The Comprehensive Alcohol, Tobacco and Other Drug Prevention Services for Youth (54374)	(26,238)	26,238	-	-
	Direct Assistance from Tennessee Department of Education				
N/A	LEAP Grant (33109-04418)	(34,530)	121,226	111,193	(24,497) 1)
	Passed through Boys & Girls Clubs in Tennessee from Tennessee Department of Children's Services				
N/A	Child Abuse Prevention Grant	(332)	2,145	1,996	(183) 1)
	Direct Assistance from Tennessee Department of Human Services				
N/A	YouthForce Program (RFS# 34530-71319)	-	94,442	166,441	(71,999) 1)
	Direct Assistance from Tennessee Department of Health				
N/A	Community-Based Organization and Faith-Based Organization Health Disparities Initiative (34352-43019)	-	171	9,991	(9,820) 1)
	Total state awards	<u>(61,100)</u>	<u>317,819</u>	<u>384,561</u>	<u>(127,842)</u>
	Total federal and state awards	<u>\$ (511,523)</u>	<u>2,975,358</u>	<u>3,044,526</u>	<u>(580,691)</u>

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 & Girls Clubs of the Tennessee Valley and is presented on the accrual basis of accounting.

Note B - Indirect Cost Rate

The Organization currently uses a negotiated indirect cost rate, and therefore, the 10 percent deMinimis indirect rate allowed under the Uniform Guidance is not applicable.



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 & 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 & Girls Clubs of the Tennessee Valley (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 February 25, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Boys & 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 & 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 & 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
February 25, 2020



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 & Girls Clubs of the Tennessee Valley
Knoxville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the Boys & 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 & Girls Clubs of the Tennessee Valley's major federal programs for the year ended June 30, 2019. Boys & 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 & 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 & 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 & Girls Clubs of the Tennessee Valley's compliance.

Opinion on Each Major Federal Program

In our opinion, Boys & 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, 2019.

Report on Internal Control over Compliance

Management of the Boys & 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 & 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 & 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
February 25, 2020

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report on the financial statements of the Boys & Girls Clubs of the Tennessee Valley expresses an unmodified opinion.
2. There were no significant 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 & 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 & 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 & Girls Clubs of the Tennessee Valley.
7. The 21st Century Grants (CFDA No. 84.287) were tested as major programs.
8. The threshold for distinguishing Type A and Type B programs was \$750,000.
9. Boys & 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.