



Boys & Girls Clubs of the Tennessee Valley

**Financial Statements with
Accompanying Information**
Years Ended June 30, 2020 and 2019
and
Independent Auditors' Report

Boys & Girls Clubs of the Tennessee Valley

Table of Contents

Independent Auditors' Report	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 23
ACCOMPANYING INFORMATION	
Schedule of Principal Officials	24
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	25 - 26
INTERNAL CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	27 - 28
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	29 - 30
Schedule of Findings and Questioned Costs	31



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, 2020 and 2019, 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

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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, 2020 and 2019, 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 24 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 25 and 26, 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 11, 2021, 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 11, 2021

Boys & Girls Clubs of the Tennessee Valley

Statements of Financial Position

June 30, 2020 and 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	\$ 1,504,593	163,148
Investments	809,263	-
Grants receivable:		
Federal and state	911,996	580,691
Fee vouchers receivable	31,993	50,042
Special events receivable	-	817
Interest and dividend receivable	916	1,687
Other receivables	4,291	37,210
Unconditional promises to give, net of allowance for uncollectible amounts - current portion:		
Capital	1,433,976	1,856,578
Operating	318,524	196,253
Prepaid expenses	52,063	32,693
Prepaid insurance	13,873	564
Total current assets	<u>5,081,488</u>	<u>2,919,683</u>
Restricted and designated cash and investments:		
Endowment funds:		
Restricted:		
Cash	1,174	889
Investments	115,712	114,054
Designated:		
Cash	13,131	10,531
Investments	<u>1,294,047</u>	<u>1,351,170</u>
Total endowment funds	1,424,064	1,476,644
Other restricted assets:		
Cash	<u>845,112</u>	<u>1,857,132</u>
Total restricted and designated cash and investments	<u>2,269,176</u>	<u>3,333,776</u>
Unconditional promises to give, net of allowance for uncollectible amounts - long-term portion:		
Capital	3,418,509	5,049,886
Operating	219,238	189,225
Property and equipment, net of accumulated depreciation	14,327,534	14,739,882
Deposits	950	14,150
Other assets:		
Beneficial interest in assets held by others	<u>13,240</u>	<u>8,000</u>
Total assets	<u>\$ 25,330,135</u>	<u>26,254,602</u>

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

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
Current liabilities:		
Loans payable - current portion	\$ 390,712	269,571
Accounts payable	445,405	885,843
Accounts payable - other Boys & Girls Clubs	-	2,148
Accrued expenses	255,009	219,203
Deferred revenue	517,987	175,446
Total current liabilities	<u>1,609,113</u>	<u>1,552,211</u>
Loans payable, less current portion	<u>8,074,064</u>	<u>9,677,063</u>
Total liabilities	<u>9,683,177</u>	<u>11,229,274</u>
Net assets:		
Without donor restrictions:		
Board designated - beneficial interest in assets held by others	13,240	8,000
Board designated endowment funds	1,307,178	1,361,701
Undesignated	8,512,058	4,777,088
With donor restrictions	5,814,482	8,878,539
Total net assets	<u>15,646,958</u>	<u>15,025,328</u>
 Total liabilities and net assets	 \$ <u>25,330,135</u>	 <u>26,254,602</u>

Boys & Girls Clubs of the Tennessee Valley
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:						
Contributions	\$ 2,471,707	297,746	2,769,453	2,068,439	3,421,200	5,489,639
Contributions - in-kind	439,571	-	439,571	257,816	-	257,816
Special events, net of direct expenses of \$166,064 in 2020 and \$353,084 in 2019	586,283	-	586,283	1,033,355	-	1,033,355
Allocation - Knoxville Community Development Corporation	100,000	-	100,000	100,000	-	100,000
Allocation - United Way	955,424	-	955,424	897,410	-	897,410
Support from government agencies	4,156,262	-	4,156,262	3,042,913	-	3,042,913
Proceeds from vendor/voucher program	529,698	-	529,698	460,487	-	460,487
Activity fees and income	13,995	-	13,995	14,519	-	14,519
Day care fees	860,343	-	860,343	1,195,115	-	1,195,115
Other support and revenue	713,941	-	713,941	312,729	99,000	411,729
Income from investments	42,478	969	43,447	30,918	7,858	38,776
Rental income	65,851	-	65,851	74,058	-	74,058
Net realized and unrealized gains (losses) from investments	21,156	(691)	20,465	41,387	3,538	44,925
Gain on disposition of assets	-	-	-	500	-	500
Net assets released from restrictions:						
Restrictions satisfied by payments	3,362,081	(3,362,081)	-	1,444,386	(1,444,386)	-
Total revenue	14,318,790	(3,064,057)	11,254,733	10,974,032	2,087,210	13,061,242
Expenses:						
Program services - child development	7,652,148	-	7,652,148	7,544,335	-	7,544,335
Management and general	2,349,437	-	2,349,437	2,318,800	-	2,318,800
Development and fundraising	631,518	-	631,518	821,866	-	821,866
Total expenses	10,633,103	-	10,633,103	10,685,001	-	10,685,001
Increase (decrease) in net assets	3,685,687	(3,064,057)	621,630	289,031	2,087,210	2,376,241
Net assets, beginning of year	6,146,789	8,878,539	15,025,328	5,857,758	6,791,329	12,649,087
Net assets - end of year	\$ 9,832,476	5,814,482	15,646,958	6,146,789	8,878,539	15,025,328

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, 2020 and 2019

	2020				2019			
	Total Program Services	Management and General	Development and Fund Raising	Total	Total Program Services	Management and General	Development and Fund Raising	Total
Salaries	\$ 3,615,499	928,910	248,305	4,792,714	3,572,493	798,575	316,897	4,687,965
Pension plan contributions	200,157	66,404	15,621	282,182	145,785	48,398	16,946	211,129
Other payroll benefits	261,120	64,504	28,300	353,924	251,125	96,901	21,612	369,638
Payroll taxes	254,705	65,574	19,497	339,776	242,640	58,037	23,685	324,362
Unemployment tax reimbursement	-	5,896	-	5,896	-	8,896	-	8,896
Total salaries and related expenses	4,331,481	1,131,288	311,723	5,774,492	4,212,043	1,010,807	379,140	5,601,990
Conferences, conventions and meetings	9,905	13,067	8,819	31,791	13,223	16,819	3,582	33,624
Direct program expenses	1,311,814	122,044	1,560	1,435,418	1,225,898	31,954	31	1,257,883
Dues and subscriptions	33,103	18,649	310	52,062	56,601	4,830	690	62,121
Repairs and maintenance	261,720	231,457	4,185	497,362	406,425	18,927	5,079	430,431
Insurance	90,401	3,607	1,124	95,132	109,548	4,571	1,415	115,534
Interest expense	-	379,654	-	379,654	-	569,143	-	569,143
Licenses and permits	135	3,091	-	3,226	280	1,010	250	1,540
Occupancy	45,144	160	-	45,304	56,383	-	-	56,383
Plaques, awards and gifts	298	3,556	2,365	6,219	681	4,194	3,838	8,713
Postage and shipping	142	9,367	1,554	11,063	316	6,666	7,946	14,928
Professional fees	188,251	137,988	203,825	530,064	8,186	238,786	27,450	274,422
Promotions and printing	1,717	7,985	12,656	22,358	915	6,110	11,297	18,322
Supplies	12,071	3,581	510	16,162	5,850	6,912	3,191	15,953
Technology	189,313	81,099	105	270,517	31,405	266,762	10,821	308,988
Telephone	96,871	119	1,752	98,742	60,328	4,096	1,872	66,296
Transportation and travel	333,428	3,446	1,101	337,975	454,529	6,447	10,392	471,368
Utilities	251,935	127,985	5,028	384,948	288,408	9,723	2,801	300,932
Uncollectible pledges	-	-	47,601	47,601	-	-	271,608	271,608
Miscellaneous expenses	31,698	10,918	7,175	49,791	17,187	31,412	52,421	101,020
Total before depreciation	7,189,427	2,289,061	611,393	10,089,881	6,948,206	2,239,169	793,824	9,981,199
Depreciation	462,721	60,376	20,125	543,222	596,129	79,631	28,042	703,802
	<u>\$ 7,652,148</u>	<u>2,349,437</u>	<u>631,518</u>	<u>10,633,103</u>	<u>7,544,335</u>	<u>2,318,800</u>	<u>821,866</u>	<u>10,685,001</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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 621,630	2,376,241
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	543,222	703,802
Realized and unrealized gain on investments	(16,304)	(36,465)
Gain on disposition of assets	-	(500)
Change in allowance for uncollectible promises to give	(102,721)	98,476
Change in present value discount of uncollectible promises to give	(619,414)	409,127
Change in operating assets and liabilities:		
Unconditional promises to give	2,623,830	(2,334,896)
Grants receivable	(331,305)	(50,520)
Fee vouchers receivable	18,049	9,931
Special events receivable	817	(817)
Interest, dividends and other receivables	33,690	83,229
Prepaid expenses	(19,370)	144,337
Prepaid insurance	(13,309)	(564)
Deposits	13,200	-
Accounts payable	(442,586)	259,349
Accrued expenses	35,806	14,587
Deferred revenue	342,541	(136,233)
Net cash provided by operating activities	<u>2,687,776</u>	<u>1,539,084</u>
Cash flows from investing activities:		
Purchases of property and equipment	(130,874)	(193,872)
Proceeds from sale of property and equipment	-	500
Proceeds from sale of investments	159,546	73,724
Purchases of investments	(897,040)	(114,653)
Increase in beneficial interest in assets held by others	(5,240)	(3,000)
Change in notes receivable	-	1,852
Net cash used by investing activities	<u>(873,608)</u>	<u>(235,449)</u>
Cash flows from financing activities:		
Loan proceeds	9,898,873	-
Debt issuance costs	(41,755)	-
Principal payments on loans payable and line of credit	(11,338,976)	(699,032)
Net cash used by financing activities	<u>(1,481,858)</u>	<u>(699,032)</u>
Net increase in cash and cash equivalents	332,310	604,603
Cash and cash equivalents - beginning of year	<u>2,031,700</u>	<u>1,427,097</u>
Cash and cash equivalents - end of year	<u>\$ 2,364,010</u>	<u>2,031,700</u>
Reconciliation of Cash on Statement of Cash Flows to Statement of Financial Position:		
Cash and cash equivalents	\$ 1,504,593	163,148
Restricted cash - endowment and other	846,286	1,858,021
Designated cash	13,131	10,531
	<u>\$ 2,364,010</u>	<u>2,031,700</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, 2020 and 2019

(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) 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.

(d) 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 along with realized gains and losses.

(e) Accounts Receivable

Accounts receivable primarily consists of the following: (1) grants receivable – routine revenues receivable from federal and state 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 – in the 2019 reporting period 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, 2020 and 2019

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

(f) Revenue Recognition

Revenue and Cost Recognition

Revenue is measured based on consideration specified in a contract with a customer. The Organization recognizes revenue when it satisfies a performance obligation which is determined by a series of services performed or upon delivery of a promised good or service, for example, programs provided to our participating youth. Contract terms are determined based on the expected completion dates of each performance obligation.

Contract modifications are routine in the performance of any contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods or services that are distinct, and therefore, accounted as part of the existing contract.

Performance Obligation

A performance obligation is a promise to transfer a distinct good or service to the customer, and is the unit of account in the new revenue recognition standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our service contracts satisfied at a point in time have a single performance obligation that is based on the service specifically described in the contracts.

All of our revenue is recognized at a point in time rather than over time. Upon fulfillment of the performance obligation, which is the delivery of the service and reimbursement requests to the customer, the customer is provided documentation demonstrating transfer of control to the customer. The Organization believes that point in time recognition remains appropriate for this segment and will continue to recognize revenues upon completion of the performance obligation and issuance of any documentation related to that service provided.

Contract Estimates

Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include estimated transaction price changes by third party payers and estimated penalties determined by the oversight agencies over some contracts. There were not any contract estimates for the year ended June 30, 2020.

Grants

The Organization recognizes grant revenues from federal and State of Tennessee grantors when the grant is awarded or when the expenditures are completed that allow for reimbursement by the grantor depending upon the type of grant obtained by the Organization. At June 30, 2020 and 2019, no allowance was considered necessary for uncollectible grant receivables.

(continued)

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2020 and 2019

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

(f) Revenue Recognition (continued)

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%.

Donated Services

The Organization received donated services from a 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 2020 and 2019.

(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, 2020 and 2019, was \$543,222 and \$703,802, 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, 2020 and 2019, of \$148,345 and \$114,292, 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.

(continued)

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2020 and 2019

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

(j) 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 2020 and 2019.

(k) 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.

(l) Recently Issued Accounting Standards

The Financial Accounting Standards Board (FASB) issued two Accounting Standards Updates (ASU) that will be effective during this reporting period. ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. The ASU requires entities to make new judgements and estimates and provide expanded disclosures about revenue. The second ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. We have adopted these standards retrospectively; however, neither currently has any effect on the beginning net assets on our statement of activities for the year ended June 30, 2020.

In February 2016, the FASB issued ASU No. 2016-02 – *Leases*. The standard requires all leases with lease terms over twelve months to be capitalized as a right to use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities and changes in net assets. This standard will be effective for annual periods beginning after December 15, 2021. Management is evaluating the potential impact of the adoption of this standard.

Boys & Girls Clubs of the Tennessee Valley

Notes to Financial Statements

June 30, 2020 and 2019

(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:	2,020	2019
Cash and cash equivalents	\$ 1,504,593	163,148
Investments	809,263	-
Accounts receivable - government grants	911,996	580,691
Accounts receivable - fee vouchers	31,993	50,042
Accounts receivable - special events and other	5,207	39,714
Unconditional promises to give, current portion	1,752,500	2,052,831
	5,015,552	2,886,426
Donor imposed restrictions	(1,433,976)	(1,856,578)
Net financial assets after donor-imposed restrictions	\$ <u>3,581,576</u>	<u>1,029,848</u>

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, 2020, the Organization had approximately \$846,000 of cash and cash equivalents and \$115,700 of investments with donor-imposed restrictions along with approximately \$1,307,000 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 lines of credit with two local banks 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, 2020 and June 30, 2019, the bank deposits exceeded Federal Deposit Insurance Corporation insurance limits by \$1,344,352 and \$1,345,958, respectively.

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2020 and 2019

(4) Net Assets with Donor Restrictions

Substantially all of the restrictions on net assets at June 30, 2020 and 2019, 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, 2020 and 2019, net assets with donor restrictions consisted of the following:

	2020	2019
	With Donor Restrictions	With Donor Restrictions
Cash and cash equivalents	\$ 846,286	1,858,021
Investments	115,712	114,054
Capital unconditional promises to give:		
Vision 2020 Capital Campaign	3,995,976	7,551,696
2014-2018 Capital Campaign	1,526,620	749,595
Less:		
6% present value discount	(414,718)	(1,031,329)
Allowance for doubtful promises to give	(255,394)	(363,498)
	<u>\$ 5,814,482</u>	<u>8,878,539</u>

Capital unconditional promises to give are as follows at June 30, 2020:

Year Ended	
<u>June 30</u>	
2021	\$ 1,509,447
2022	1,125,936
2023	2,411,067
2024	335,000
2025	81,000
2026	60,147
	<u>5,522,597</u>
6% present value discount	(414,718)
Allowance for doubtful promises to give	<u>(255,394)</u>
Net unconditional promises to give	<u>\$ 4,852,485</u>

(continued)

Boys & Girls Clubs of the Tennessee Valley

Notes to Financial Statements

June 30, 2020 and 2019

(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, 2020 and 2019, and were used for the following purposes:

	2020	2019
Debt service:		
Principal and interest	\$ 2,810,316	769,011
Supplies and other expenses	143,592	257,243
Salaries and benefits	81,465	56,911
Fixed asset purchases	-	149,548
Bike trails, bikes, and helmets	-	1,592
Operations and program expenses	303,070	195,767
Technology	23,638	13,339
Staff development	-	975
	<u>\$ 3,362,081</u>	<u>1,444,386</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, 2020 and 2019, 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.

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.

(continued)

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2020 and 2019

(6) Fair Value Measurements (continued)

- 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 2020 or 2019.

Investments at June 30, 2020 and 2019, are as follows:

	2020			2019		
	Cost	Fair Value	Unrealized Gains	Cost	Fair Value	Unrealized Gains
		(Level 1 Inputs)	(Losses)		(Level 1 Inputs)	(Losses)
Equities	\$ 817,287	979,380	162,093	309,008	456,101	147,093
International equities	327,180	315,343	(11,837)	299,697	304,398	4,701
Fixed income	795,713	819,295	23,582	620,976	620,642	(334)
Real asset	123,011	105,004	(18,007)	87,518	84,083	(3,435)
	<u>\$ 2,063,191</u>	<u>2,219,022</u>	<u>155,831</u>	<u>1,317,199</u>	<u>1,465,224</u>	<u>148,025</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 (\$19,500 for 2020 and \$19,000 for 2019). 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 (\$6,500 for 2020 and \$6,000 and 2019). 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, 2020 and 2019 was \$282,182 and \$211,129, respectively, which included a plan administration fee of \$5,865 and \$5,550, respectively.

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2020 and 2019

(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. In 2020 and 2019, the Organization purchased insurance totaling \$112,629 and \$163,013, respectively, from a company in which a director of the Organization was a risk advisor at that company. The Organization has a line of credit agreement and a building bond loan agreement with a financial institution, in which a director of the Organization is a Senior Vice President.

At June 30, 2020 and 2019, capital campaign pledges due from various members of the Organization's Board of Directors were \$394,070 and \$485,770, respectively. The pledges are receivable through June 2026.

At June 30, 2020 and 2019, various members of the Organization's Board of Directors made operating pledges to the Organization totaling \$12,159 and \$250, respectively. The pledges are receivable through 2021.

(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	
		2020	2019
Knoxville Community Development Corporation	Facilities, utilities and maintenance	\$ 328,219	226,566
Volunteer	Accounting services	42,131	31,200
Kaboom!	Court surfacing, tools and materials	50,020	-

Donated material and supplies totaling \$30,980 and \$74,375 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019

(10) Deferred Revenue

Deferred revenue activity for the years ended June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Hall of Fame	\$ 161,096	175,446
Fulmer Golf Classic	137,500	-
Gift of Hope	39,000	-
Pipeline Program	100,000	-
Other	80,391	-
	<u>\$ 517,987</u>	<u>175,446</u>

(11) Property, Equipment and Accumulated Depreciation

At June 30, 2020 and 2019, property, equipment and accumulated depreciation consist of the following:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 16,873,608	16,873,608
Building improvements	853,327	824,642
Leasehold improvements	82,699	79,751
Land	616,510	616,510
Land improvements	353,902	353,902
Vehicles	471,240	431,240
Machinery and equipment	432,959	421,958
Furniture and fixtures	248,467	248,467
Computer software	679,857	669,794
Computer hardware	689,158	664,902
Other - not yet in service	13,921	-
	<u>21,315,648</u>	<u>21,184,774</u>
Less accumulated depreciation	<u>(6,988,114)</u>	<u>(6,444,892)</u>
	<u>\$ 14,327,534</u>	<u>14,739,882</u>

Boys & Girls Clubs of the Tennessee Valley

Notes to Financial Statements

June 30, 2020 and 2019

(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. After the first quarter of 2020, the City of Knoxville is no longer charging the Organization for the use of the building.

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

On June 27, 2018, the Organization entered into a 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, 2020, are as follows:

<u>June 30</u>	<u>Leases</u>
2021	\$ 54,348
2022	54,348
2023	54,348
2024	54,348

(13) Operating Unconditional Promises to Give

During fiscal year 2020, the Organization continued its operating funds pledge campaign. The Organization had \$587,789 in pledge receivables at June 30, 2020, related to the pledge campaign.

Future pledge payments at June 30, 2020, are as follows:

<u>Years ended June 30</u>	
2021	\$ 335,289
2022	127,500
2023	110,000
2024	15,000
	<u>587,789</u>
less: 6% present value discount	<u>(21,723)</u>
	566,065
Allowance for uncollectible pledges	<u>(28,303)</u>
Net unconditional promises to give	<u>\$ 537,762</u>
Amounts due in less than one year	\$ 318,524
Amounts due in one to three years	<u>219,238</u>
	<u>\$ 537,762</u>

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2020 and 2019

(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, 2020 and 2019 the line was used as needed for various operating needs of the Organization. However, there was not any unpaid balance on the line at the end of either fiscal year. Interest is payable monthly at the bank's base rate, which was 4% at June 30, 2020. Interest incurred for the use of the line of credit and charged to expense for the years ended June 30, 2020 and 2019 was \$7,423, and \$13,456, respectively.

In April, 2020, the Organization entered into a \$500,000 line of credit with another local bank. No funds have been drawn down against this line of credit through June 30, 2020.

(15) Loans Payable

The Organization has the following loans payable:

	<u>2020</u>	<u>2019</u>
(a) A refinancing loan was issued to provide funds to pay off the Organization's outstanding construction loan (see b); the full amount of the proceeds were used to pay off the balance. Interest payments are being paid monthly beginning March 5, 2020. Mandatory principal reductions are to be made per scheduled dates as shown below. The debt issue costs being amortized are netted against the outstanding balance.	\$ 7,658,776	-
(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 was 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
(c) Note due to a bank for the Payroll Protection Program. See additional information for this note below.	806,000	-
	8,464,776	9,946,634
	(390,712)	(269,571)
Less: current maturities	<u>\$ 8,074,064</u>	<u>9,677,063</u>

(continued)

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2020 and 2019

(15) Loans Payable (continued)

Refinancing Loan

On January 31, 2020, proceeds from the sale of Revenue Bond Series 2020 by the Industrial Development Board of the County of Knox were purchased by a bank and loaned to the Organization, see (a) above, to provide funds to refinance the Organization's outstanding loan, noted at (b) above. These proceeds of \$8,792,874 were used to pay off the outstanding loan balance as of that date. This loan has an interest rate of 3.25% and is to be paid monthly for 60 months until the loan matures on December 31, 2024. Mandatory principal reductions are required as follows:

<u>Date</u>	<u>Amount</u>
12/31/2020	\$ 46,090
12/31/2021	1,050,000
12/31/2022	950,000
12/31/2023	2,000,000
12/31/2024	3,650,000

Debt issuance costs of \$41,755 are being amortized using the straight-line method over the life of the loan. Accumulated amortization at June 30, 2020 relating to the loan closing costs was \$4,442.

Payroll Protection Program Loan

On April 16, 2020, the Organization obtained a loan through a bank in the amount of \$806,000 under the Payroll Protection Program ("PPP"). This loan bears interest at a rate of 1% with a term of two years, maturing on April 16, 2022. The PPP is a loan program designed to provide a direct incentive for small businesses to keep their workers on their payroll. Although this loan is being originated by a bank, it is part of a program to be funded by the United States Treasury, with qualification overseen by the Small Business Administration ("SBA").

It is intended that loans funded through the PPP may be forgiven. SBA has advised that these loans will be fully forgiven if employees of the Borrower are kept on the payroll for eight (or twenty-four) weeks, the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 60% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for seven months with the first payment due to begin in November of 2020. No collateral or personal guarantees are required by the Organization, but the Organization is responsible for repayment of any portion of the loan that is not forgiven, payable in forty-four equal installments commencing sixteen months from the date the loan is funded. Neither the government nor lenders will charge small businesses any fees. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels and providing complete documentation of those expenses as may be required by SBA. Forgiveness will be reduced if full-time employee headcount declines or if salaries and wages decrease, or if expense documentation does not comply with SBA requirements.

(continued)

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2020 and 2019

(15) Loans Payable (continued)

Payroll Protection Program Loan (continued)

The SBA has guaranteed to make all required payments that the Organization is unable to make on the PPP loan. The Organization is not required to repay the SBA for any payments the SBA makes pursuant to the guarantee. This arrangement is considered a nonexchange financial guarantee. According to Governmental Accounting Standards Board (GASB) Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantee*, when an entity that has issued an obligation that has received a nonexchange financial guarantee is legally released as an obligor from the obligation and from any liability to the guarantor, the entity should recognize revenue to the extent of the reduction of its guaranteed liabilities. Based on this guidance and the fact that the Organization has not been legally released from the debt related to the PPP loan as of June 30, 2020, the PPP loan proceeds have been recorded as a liability on the statement of net position. The Organization and the SBA have made no principal or interest payments on the PPP loan during the fiscal year ended June 30, 2020.

Future maturities of the Refinancing and PPP loans payable at June 30, 2020, are as follows:

Years ended		Debt Issuance	
June 30	Principal	Costs	Net
		Amortization	
2021	\$ 399,004	8,292	390,712
2022	1,503,085	8,292	1,494,793
2023	950,000	8,292	941,708
2024	2,000,000	8,292	1,991,708
2025	3,650,000	4,145	3,645,855
	<u>\$ 8,502,089</u>	<u>37,313</u>	<u>8,464,776</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. This contract has not been renewed but is continuing to operate with the same agreement.

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 2020 and 2019 was \$65,851 and \$74,058, respectively.

Boys & Girls Clubs of the Tennessee Valley

Notes to Financial Statements

June 30, 2020 and 2019

(17) Service Agreement

On January 1, 2020, 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 at a total cost of \$130,000. The agreement provides that the Organization will provide administrative and operational services for the first quarter of 2020 and management services beginning the second quarter for the Boys & Girls Clubs in Tennessee and the Tennessee Alliance of Boys & Girls Clubs, Inc., and will receive funding to cover direct costs associated with the management fees. A quarterly contract fee is to be paid to the Organization in the amount of \$40,028 for the period ending March 31, 2020 and \$32,500 for the remaining three quarters ending December 31, 2020. Reimbursements of expenses received under this agreement for the year ended June 30, 2020, totaled \$72,528.

(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, 2020 and 2019, were as follows:

	2020	2019
Beginning of year	\$ 1,361,701	1,289,220
Contributions	16,956	34,131
Investment income	37,217	38,439
Net realized/unrealized gains (losses)	(7,907)	41,389
External trust fees	(7,070)	(7,072)
Released for operations	(93,720)	(34,406)
End of year	<u>\$ 1,307,177</u>	<u>1,361,701</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 \$7,070 and \$7,072 for the years ended June 30, 2020 and 2019, respectively.

With Donor Restrictions

Endowment funds with donor restrictions totaled \$116,886 at June 30, 2020, and \$114,943, at June 30, 2019. The change in endowment funds with donor restrictions of \$1,943 is due to investment income earned, netted against external trust fees of \$618, and realized and unrealized gains and losses.

Boys & Girls Clubs of the Tennessee Valley
Notes to Financial Statements
June 30, 2020 and 2019

(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, 2020, \$5,240 was transferred into 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. Due to the COVID-19 pandemic the Organization was not required to pay for the last one-half of the month of March 2020 and the entire months of April and May of 2020.

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. This agreement was renewed on August 1, 2020.

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. This agreement shall go month to month after the initial 60-month term. A 30-day written notice is required to terminate services once the month to month begins.

(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, 2020 and 2019

(22) Subsequent Events

Subsequent events have been evaluated through February 11, 2021, which is the date the financial statements were available to be issued. Based upon that evaluation the following events are noted:

- On August 1, 2020, 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 has paid \$1,601,089 principal on the outstanding loan leaving an outstanding balance of \$6,095,000.
- Subsequent to year end, the Organization was selected to receive \$620,000 through the Tennessee Community CARES Program.
- On January 11, 2021, the Organization received confirmation from its bank that the PPP loan of \$806,000 and interest of \$5,587 has been forgiven and paid for by the SBA on December 30, 2020.
- On January 13, 2021 the Organization added \$1.1 million to its endowment bringing its total endowment funds balance to approximately \$2.5 million.

(23) Supplemental Disclosures of Cash Flow Information

Interest totaling \$379,654 and \$525,377 was paid in 2020 and 2019, respectively.

(24) Reclassifications

Certain items previously reported in the 2019 financial statements have been reclassified to facilitate the presentations in the 2020 financial statements.

ACCOMPANYING INFORMATION

Boys & Girls Clubs of the Tennessee Valley
Schedule of Principal Officials
June 30, 2020

BOARD MEMBERS

Christy Phillips - Chair
Jacqueline Holdbrooks - Vice Chair, Communications, Board Secretary
Josh Birdwell - Vice Chair, Operations
Tracy Thompson, Vice Chair, Administration/Finance
Jim Alexander
Steve Arnett
Jim Caughorn
Peter "Doc" Claussen
John Dempster
Joe Fielden, Jr.
Keith Goodwin
Jeff Hagood
Michelle Hardin
Tim Irwin
Tom Jensen
Michael Johnson
Donna Johnston
Debby Lutz
Justin Maierhofer
Dugan McLaughlin
Jim Mitchell
Terry Payne
Steve Pettit
Casey Pruitt
Mac Stalcup
Wes Stowers, Jr.
Eve Thomas
Henny Weissinger
Andy White
Melissa Charles, Advisor Board Chair (N. Anderson)
Mike Hearon, Advisory Board Chair (Blount)
Jerry Burnette, Advisory Board Chair (Halls/Powell)
Susan Fox, Advisory Board Chair (Loudon)

STAFF

Bart McFadden - Chief Executive Officer
Melissa D. Birkholz - Chief Financial Officer
Kelly Drummond - VP of Human Resources & Grant Administration
Markus Jackson - Chief Operating Officer

See independent auditors' report.

Boys & Girls Clubs of the Tennessee Valley
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2020

CFDA Number	Description	Balance July 1, 2019	Cash Receipts	Expenditures	Balance June 30, 2020
<u>Federal Awards:</u>					
<u>Major Programs:</u>					
Passed through Boys & Girls Clubs in Tennessee through State of Tennessee Department of Human Services from U.S. Department of Health and Human Services					
93.575	Child Care and Development Block Grant - Temporary/Emergency Child Care for Essential Workers (34549-61721)	\$ -	555,963	1,165,521	(609,558) 1)
	Total major programs	-	555,963	1,165,521	(609,558)
<u>Non-major Programs:</u>					
Passed through State of Tennessee Department of Education from U.S. Department of Education					
84.287	21st Century Grant (33109-00420)	-	176,192	207,825	(31,633) 1)
84.287	21st Century Grant (33109-00819)	(136,671)	596,510	488,524	(28,685) 1)
84.287	21st Century Grant (33109-05715)	(35,690)	35,690	-	-
84.287	21st Century Grant (33109-03118)	(92,188)	495,964	438,700	(34,924) 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)	(14,817)	120,217	142,567	(37,167) 1)
84.287	21st Century Grant (33109-00919)	(57,214)	143,665	94,429	(7,978) 1)
Direct Assistance from U.S. Department of Education					
84.044A	TRIO Talent Search (PO44A160667-18)	(18,796)	58,646	39,850	-
84.044A	TRIO Talent Search (PO44A160667-19A)	-	160,281	183,884	(23,603) 1)
Direct Assistance from U.S. Department of Health and Human Services					
93.137	National Workforce Diversity Pipeline (NWDPI) Program (CPIMP151114-04-00)	-	219,376	242,362	(22,986) 1)
93.137	National Workforce Diversity Pipeline (NWDPI) Program (CPIMP151114-02-00)	(33,568)	79,121	45,553	-
Passed through State of Tennessee Department of Human Services from U.S. Department of Agriculture					
10.558	Child and Adult Care Food Program (CACFP)	-	441,659	441,659	-
Passed through Boys & Girls Clubs in Tennessee through State of Tennessee Department of Health from U.S. Department of Health and Human Services					
93.235	Title V Sexual Risk Avoidance Education Grant Program (34347-58520)	-	3,043	3,864	(821) 1)
93.235	Title V Sexual Risk Avoidance Education Grant Program (34347-58519)	-	4,627	4,627	-
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)	(7,032)	7,032	-	-
16.540	Tennessee Commission on Children and Youth (31601-DP14-19)	-	23,634	30,709	(7,075) 1)
Passed through Boys and Girls Clubs of America from U.S. Department of Justice					
16.726	Office of Justice Program (OJP-2018-44407)	(3,161)	14,099	10,938	-
16.726	Office of Justice Program (OJP-2018-44408)	(5,849)	20,183	14,334	-
16.726	Office of Justice Program (OJP-2018-44409)	(5,855)	18,994	13,139	-
16.726	Office of Justice Program (OJP-2018-44410)	(4,720)	20,969	16,249	-
16.726	Office of Justice Program (OJP-2019-46374)	-	-	7,402	(7,402) 1)
16.726	Office of Justice Program (OJP-2019-46375)	-	-	2,889	(2,889) 1)
16.726	Office of Justice Program (OJP-2019-46376)	-	-	4,563	(4,563) 1)
16.726	Office of Justice Program (OJP-2019-46377)	-	-	4,023	(4,023) 1)
16.726	Office of Justice Program (OJP-2019-46378)	-	-	7,125	(7,125) 1)
16.726	Office of Justice Program (OJP-2019-46379)	-	-	3,256	(3,256) 1)
Passed through Cal Repkin, Sr. Foundation from U.S. Department of Justice					
16.726	Office of Juvenile Justice & Delinquency Prevention (2019-FED-OJJDP-B4B-TN-2)	-	15,000	15,000	-
Passed through Boys and Girls Clubs of America from U.S. Department of the Interior					
15.931	National Park Service (NPS-19-UJ-10320)	-	7,000	7,000	-
Passed through Sea Research Foundation from U.S. Department of Justice					
47.076	STEM Mentoring Program (2016-JU-FX-0014)	-	1,611	1,611	-
16.726	STEM Mentoring Program (2018-JU-FX-0025)	-	3,897	10,260	(6,363) 1)
16.726	STEM Mentoring Program (2017-JU-FX-0020)	(37,288)	50,784	13,496	-
	Total non-major programs	(452,849)	2,718,194	2,495,838	(230,493)
	Total federal awards	(452,849)	3,274,157	3,661,359	(840,051)

(continued)

Boys & Girls Clubs of the Tennessee Valley
Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2020

CFDA Number	Description	Balance July 1, 2019	Cash Receipts	Expenditures	Balance June 30, 2020
<u>State Awards:</u>					
N/A	Direct Assistance from Tennessee Department of Mental Health and Substance Abuse Services The Comprehensive Alcohol, Tobacco and Other Drug Prevention Services for Youth (33901)	\$ (21,343)	92,373	75,798	(4,768) 1)
N/A	Direct Assistance from Tennessee Department of Education LEAP Grant (33109-04418)	(24,497)	106,863	101,099	(18,733) 1)
N/A	Passed through Boys & Girls Clubs in Tennessee from Tennessee Department of Children's Services Child Abuse Prevention Grant (35910-02921)	(183)	1,201	1,378	(360) 1)
N/A	Direct Assistance from Tennessee Department of Human Services YouthForce Program (RFS# 34530-71319)	(71,999)	321,104	297,189	(48,084) 1)
N/A	Direct Assistance from Tennessee Department of Health Community-Based Organization and Faith-Based Organization Health Disparities Initiative (34352-43019)	(9,820)	9,820	-	-
	Total state awards	<u>(127,842)</u>	<u>531,361</u>	<u>475,464</u>	<u>(71,945)</u>
	Total federal and state awards	\$ <u><u>(580,691)</u></u>	<u><u>3,805,518</u></u>	<u><u>4,136,823</u></u>	<u><u>(911,996)</u></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 - Subrecipients

Federal and state assistance programs funds are not distributed to subrecipients.

Note C - 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, 2020, 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 11, 2021.

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) as a basis for designing 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 financial statements. 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 11, 2021



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, 2020. 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, 2020.

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

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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 11, 2021

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY**Schedule of Findings and Questioned Costs
Year Ended June 30, 2020****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 Child Care and Development Block Grant – Temporary/Emergency Child Care for Essential Workers (CFDA No. 93.575) was tested as a major program.
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.