CERTIFIED PUBLIC ACCOUNTANTS

Financial Statements and Supplementary Information

Boys & Girls Clubs of the Tennessee Valley

Years Ended June 30, 2023 and 2022

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

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Years Ended June 30, 2023 and 2022

SECTION I

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statement of the Boys & Girls Clubs of the Tennessee Valley (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on the 2022 Financial Statements

The financial statements for the Organization as of June 30, 2022, and for the year then ended, were audited by another auditor who expressed an unmodified opinion on those financial statements on December 7, 2022.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the schedule of expenditures of state and other financial assistance, and the list of principal officials, are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the supplementary 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 January 12, 2024, on our consideration of the Organization'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 Organization'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 the Organization's internal control over financial reporting and compliance.

PYA, P.C.

Knoxville, Tennessee
January 12, 2024

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Statements of Financial Position

	June 30, 2023	June 30, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 4,644,875**	$ 3,688,604
Investments	**922,672**	825,914
Accounts receivable:		
Grants receivable:		
Federal and state	**842,504**	451,275
Fee vouchers receivable	**41,531**	17,488
Interest and dividend receivable	**11,007**	3,389
Other	**436,069**	215,239
Promises to give, net of allowance for uncollectible amounts - current portion:		
Capital - restricted	**-**	479,440
Operating	**608,772**	305,716
Prepaid expenses	**80,514**	66,207
Prepaid insurance	**63,962**	10,747
TOTAL CURRENT ASSETS	**7,651,906**	6,064,019
RESTRICTED AND DESIGNATED CASH AND INVESTMENTS:		
Endowment funds:		
Restricted:		
Cash	**544**	1,242
Investments	**128,915**	120,479
Designated:		
Cash	**19,571**	24,454
Investments	**2,601,076**	2,379,630
TOTAL ENDOWMENT FUNDS	**2,750,106**	2,525,805
Other restricted assets:		
Cash	**255,781**	353,682
Investments	**7,401**	11,492
TOTAL RESTRICTED AND DESIGNATED CASH AND INVESTMENTS	**3,013,288**	2,890,979

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Statements of Financial Position - Continued

		June 30,		
		2023		***2022***
PROMISES TO GIVE, NET OF ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS - LONG-TERM PORTION:				
Capital - restricted		**-**		499,958
Operating		**508,341**		292,724
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION		**14,039,741**		14,241,069
OTHER ASSETS:				
Right of use asset, operating lease		**172,373**		-
Beneficial interest in assets held by others		**15,467**		14,489
Deposits		**500**		500
TOTAL ASSETS	**$**	**25,401,616**	$	24,003,738
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Current portion of operating lease liability	**$**	**30,273**	$	-
Accounts payable		**707,379**		546,489
Accounts payable - other Boys & Girls Clubs		**2,512**		2,482
Accrued liabilities		**381,086**		245,387
Deferred revenue		**2,653,413**		2,465,662
TOTAL CURRENT LIABILITIES		**3,774,663**		3,260,020
NONCURRENT LIABILITIES:				
Loans payable, less current portion		**-**		1,404,619
Operating lease liability, less current portion		**142,100**		-
TOTAL LIABILITIES		**3,916,763**		4,664,639
NET ASSETS:				
Without donor restrictions:				
Board designated - beneficial interest in assets held by others		**15,467**		14,489
Board designated endowment funds		**2,620,647**		2,404,084
Undesignated		**18,611,181**		15,534,158
With donor restrictions		**237,558**		1,386,368
TOTAL NET ASSETS		**21,484,853**		19,339,099
TOTAL LIABILITIES AND NET ASSETS	**$**	**25,401,616**	$	24,003,738

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Statements of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
REVENUE AND OTHER SUPPORT:			
Support from government agencies	$ 8,658,719	$ -	$ 8,658,719
Contributions	1,390,399	1,006,818	2,397,217
Contributions - in-kind	1,054,933	-	1,054,933
Special events, net of direct expenses of $395,310	1,052,758	-	1,052,758
Allocation - Knoxville Community Development Corporation	100,000	-	100,000
Allocation - United Way	785,711	-	785,711
Proceeds from vendor/voucher program	325,919	-	325,919
Day care fees	1,492,042	-	1,492,042
Other support and revenue	21,779	-	21,779
Investment return, net	588,398	8,115	596,513
Rental income	72,465	-	72,465
Gain on disposition of assets	2,349	-	2,349
Net assets released from restrictions:			
Restrictions satisfied by payments	2,163,743	(2,163,743)	-
TOTAL REVENUE AND OTHER SUPPORT	17,709,215	(1,148,810)	16,560,405
EXPENSES:			
Program services - child development	11,870,200	-	11,870,200
Management and general	1,938,725	-	1,938,725
Development and fundraising	605,726	-	605,726
TOTAL EXPENSES	14,414,651	-	14,414,651
INCREASE (DECREASE) IN NET ASSETS	3,294,564	(1,148,810)	2,145,754
NET ASSETS AT BEGINNING OF YEAR	17,952,731	1,386,368	19,339,099
NET ASSETS AT END OF YEAR	$ 21,247,295	$ 237,558	$ 21,484,853

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Statements of Activities - Continued

Year Ended June 30, 2022

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
REVENUE AND OTHER SUPPORT:			
Support from government agencies	$ 4,447,543	$ -	$ 4,447,543
Contributions	1,744,930	942,322	2,687,252
Contributions - in-kind	754,550	-	754,550
Special events, net of direct expenses of $277,905	1,679,656	-	1,679,656
Allocation - Knoxville Community Development Corporation	100,000	-	100,000
Allocation - United Way	814,369	-	814,369
Proceeds from vendor/voucher program	127,864	-	127,864
Activity fees and income	10,645	-	10,645
Day care fees	908,381	-	908,381
Other support and revenue	7,417	-	7,417
Investment return, net	(459,083)	(17,562)	(476,645)
Rental income	76,211	-	76,211
Net assets released from restrictions:			
Restrictions satisfied by payments	2,988,501	(2,988,501)	-
TOTAL REVENUE AND OTHER SUPPORT	13,200,984	(2,063,741)	11,137,243
EXPENSES:			
Program services - child development	9,685,168	-	9,685,168
Management and general	1,407,194	-	1,407,194
Development and fundraising	505,935	-	505,935
TOTAL EXPENSES	11,598,297	-	11,598,297
INCREASE (DECREASE) IN NET ASSETS	1,602,687	(2,063,741)	(461,054)
NET ASSETS AT BEGINNING OF YEAR	16,350,044	3,450,109	19,800,153
NET ASSETS AT END OF YEAR	$ 17,952,731	$ 1,386,368	$ 19,339,099

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Statements of Functional Expenses

Year Ended June 30, 2023

	Total Program Services	*Management and General*	*Development and Fund Raising*	*Total*
SALARIES AND RELATED EXPENSES:				
Salaries and wages	$ 5,336,760	$ 1,032,936	$ 265,470	$ 6,635,166
Employee benefits	278,771	52,800	22,472	354,043
Employee retirement	243,720	64,776	15,230	323,726
Workers compensation	23,436	4,403	1,130	28,969
Payroll taxes	398,748	95,173	18,178	512,099
Recruitment/hiring costs	-	38,877	-	38,877
TOTAL SALARIES AND RELATED EXPENSES	6,281,435	1,288,965	322,480	7,892,880
EXPENSES:				
Professional fees (including in-kind of $67,568)	265,449	395,015	140,300	800,764
Office supplies	5,054	5,055	4,231	14,340
Program supplies	1,411,211	-	-	1,411,211
Food costs	431,849	-	-	431,849
Telecommunications	187,731	658	2,154	190,543
Postage and shipping	140	9,897	1,507	11,544
Rent expense	19,508	-	-	19,508
Building and equipment repairs and maintenance (including in-kind of $836,306)	1,074,495	3,902	-	1,078,397
Utilities (including in-kind of $151,059)	375,539	13,746	23	389,308
Equipment and software lease/rentals	287,242	24,838	-	312,080
Printing, promotion, and publications	2,864	10,858	7,251	20,973
Fleet transportation	517,027	28	124	517,179
Travel expenses	6,302	31,601	9,832	47,735
Training and meetings	15,323	45,014	4,419	64,756
Dues	69,173	5,239	-	74,412
Interest expense	-	45,721	-	45,721
Insurance (non-health)	130,690	-	-	130,690
Program bad debts and uncollectible pledges	207,692	-	60,645	268,337
Miscellaneous	6,315	40,189	52,443	98,947
TOTAL BEFORE DEPRECIATION	11,295,039	1,920,726	605,409	13,821,174
Depreciation	575,161	17,999	317	593,477
	$ 11,870,200	$ 1,938,725	$ 605,726	$ 14,414,651

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Statements of Functional Expenses - Continued

Year Ended June 30, 2022

	Total Program Services	Management and General	Development and Fund Raising	Total
SALARIES AND RELATED EXPENSES:				
Salaries and wages	$ 3,995,721	$ 815,533	$ 223,739	$ 5,034,993
Employee benefits	254,050	46,341	20,591	320,982
Employee retirement	179,788	49,582	12,595	241,965
Workers compensation	16,016	3,926	842	20,784
Payroll taxes	287,453	83,775	15,213	386,441
Recruitment/hiring costs	85	12,324	-	12,409
TOTAL SALARIES AND RELATED EXPENSES	4,733,113	1,011,481	272,980	6,017,574
EXPENSES:				
Professional fees (including in-kind of $63,665)	222,989	125,773	134,603	483,365
Office supplies	5,128	7,720	4,226	17,074
Program supplies	1,361,632	6,750	-	1,368,382
Food costs	434,706	-	-	434,706
Telecommunications	146,605	290	568	147,463
Postage and shipping	130	7,774	974	8,878
Rent expense	18,875	-	-	18,875
Building and equipment repairs and maintenance (including in-kind of $576,124)	828,733	363	-	829,096
Utilities (including in-kind of $114,761)	334,230	32,794	472	367,496
Equipment and software lease/rentals	303,945	17,218	328	321,491
Printing, promotion, and publications	7,126	8,009	16,187	31,322
Fleet transportation	513,680	-	-	513,680
Travel expenses	4,480	11,130	6,803	22,413
Training and meetings	16,166	17,957	6,046	40,169
Dues	59,136	2,978	315	62,429
Interest expense	-	108,590	-	108,590
Insurance (non-health)	128,997	-	-	128,997
Program bad debts and uncollectible pledges	-	-	40,345	40,345
Miscellaneous	12,550	30,647	21,771	64,968
TOTAL BEFORE DEPRECIATION	9,132,221	1,389,474	505,618	11,027,313
Depreciation	552,947	17,720	317	570,984
	$ 9,685,168	$ 1,407,194	$ 505,935	$ 11,598,297

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Statements of Cash Flows

	Year Ended June 30, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	**$ 2,145,754**	$ (461,054)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	**593,477**	570,984
Investment return, net	**(247,830)**	534,313
Gain on disposition of assets	**(2,349)**	-
Increase (decrease) in cash due to changes in:		
Allowance for uncollectible promises to give	**(175,116)**	(225,743)
Present value discount of uncollectible promises to give	**(35,676)**	(197,469)
Promises to give	**671,517**	1,838,248
Grants receivable	**(391,229)**	903,675
Fee vouchers receivable	**(24,043)**	(15,638)
Interest, dividends, and other receivables	**(228,448)**	(138,657)
Prepaid expenses	**(14,307)**	(12,535)
Prepaid insurance	**(53,215)**	3,639
Accounts payable	**160,920**	(142,907)
Accrued expenses	**135,699**	(21,264)
Deferred revenue	**187,751**	1,862,625
NET CASH PROVIDED BY OPERATING ACTIVITIES	**2,722,905**	4,498,217
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	**(392,149)**	(335,734)
Proceeds from sale of property and equipment	**2,349**	-
Proceeds from sale/transfers of investments	**460,896**	1,245,761
Purchases of investments	**(535,615)**	(1,033,802)
Change in beneficial interest in assets held by others	**(978)**	2,145
NET CASH USED IN INVESTING ACTIVITIES	**(465,497)**	(121,630)

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Statements of Cash Flows - Continued

	Year Ended June 30, 2023		2022
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt issuance costs	**20,381**		8,153
Principal payments on loans payable	**(1,425,000)**		(3,070,000)
NET CASH USED IN FINANCING ACTIVITIES	**(1,404,619)**		(3,061,847)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**852,789**		1,314,740
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**4,067,982**		2,753,242
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 4,920,771**	$	4,067,982
RECONCILIATION OF CASH ON STATEMENT OF CASH FLOWS TO STATEMENT OF FINANCIAL POSITION:			
Cash and cash equivalents	**$ 4,644,875**	$	3,688,604
Restricted cash - endowment and other	**256,325**		354,924
Designated cash	**19,571**		24,454
	$ 4,920,771	$	4,067,982
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Lease liability and right-of-use asset added related to adoption of new accounting standard	**$ 174,785**	$	-
Cash paid during the year for interest	**$ 45,721**	$	108,590

NOTE A--NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

Investments: The Organization reports investments in equity securities with readily determinable fair values and investments in debt securities at their fair values in the statements of financial position. As such, unrealized gains and losses on these investment securities are included in the change in net assets as part of investment return within the accompanying statements of activities. The fair value of investments is based on quoted market prices. Investment return, net includes realized and unrealized gains and losses, interest and dividends and is reported net of related investment expenses.

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 Clubs 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 which include program fees from parents/guardians of members and other miscellaneous receivables. These receivables have been evaluated by the Organization's management for potential of collection and any estimated amounts allowed have been netted within the accounts receivable balance. For the year ended June 30, 2023, the amount estimated as potentially uncollectible totaled $203,000. There was not an amount estimated as uncollectible at June 30, 2022.

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 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 years ended June 30, 2023 and 2022.

- *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, 2023 and 2022, no allowance was considered necessary for uncollectible grant receivables.

- *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%.

- *In-kind Contributions:* The Organization receives varies types of in-kind support. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are typically offset by like amounts included in expenses or property and equipment. No amounts have been recognized in the statements 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 2023 and 2022.

Property, Equipment and Depreciation: It is the Organization's policy to capitalize property and equipment in excess of $2,500 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, 2023 and 2022 was $593,477 and $570,984, 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.

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, 2023 and 2022 of $146,342 and $115,855, respectively, are included in accrued liabilities.

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

Income Taxes: The Organization is exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3) and the Internal Revenue Service has determined that the Organization is not a private foundation under IRC Section 509(a).

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.

Recently Issued Accounting Principles: During the year ended June 30, 2023, the Organization adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-02, *Leases*, which requires balance sheet recognition of a liability and right-of-use asset for substantially all leases. At the time of adoption, the Organization elected certain practical expedients offered under this standard. The Organization does not apply the recognition requirements of this standard to short-term leases. The lease payments for leases with original terms of twelve months or less are recognized in the period in which they are incurred. The Organization applied the requirements of this standard to the beginning of the period of adoption. As such, information presented as of and for the year ended June 30, 2022, does not reflect the application of ASU 2016-02.

Reclassifications: Certain 2022 amounts have been reclassified in the financial statements to conform to the 2023 presentation primarily related to classification of cash balances.

NOTE B--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 statement of financial position date, comprise the following:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 4,644,875	$ 3,688,604
Investments	922,672	825,914
Accounts receivable - government grants	842,504	451,275
Accounts receivable - fee vouchers	41,531	17,488
Accounts receivable - other	447,076	218,628
Unconditional promises to give, current portion	608,772	785,156
	7,507,430	5,987,065
Donor imposed restrictions	-	(479,440)
Net financial assets after donor-imposed restrictions	$ 7,507,430	$ 5,507,625

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 were from donations related to the capital campaign to raise money for debt reduction, which as noted within Note E was paid off in 2023. 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, 2023, the Organization had approximately $256,000 of cash and cash equivalents and $136,000 of investments with donor-imposed restrictions along with approximately $2,620,000 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 N, the Organization also has access to a line of credit available for its general operations.

NOTE C--CONCENTRATION OF RISK

The Organization grants credit for various programs to youth of the local community and surrounding areas. In addition, the Organization receives a significant amount of revenues from various federal and state grants. A reduction in this funding could have a significant impact to the Organization.

The Organization's bank deposits consist of various checking and money market accounts. At June 30, 2023 and 2022, the bank deposits exceeded Federal Deposit Insurance Corporation insurance limits by $2,046,634 and $3,518,265, respectively.

NOTE D--FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements 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, 2023 and 2022, the Organization incurred no joint costs involving fundraising appeals.

NOTE E--NET ASSETS WITH DONOR RESTRICTIONS

Substantially all the restrictions on net assets at June 30, 2022 relate to funds raised through capital campaigns and the Organization's 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 these campaigns were restricted for campaign objectives until payments were made that would complete the capital objectives. Interest earned on the investment of such support is restricted. During 2023, the Organization's debt was paid in full thus completing the capital campaign objectives with funds left over above the capital campaign needs. Notification of the completion of the capital campaign, due to the payoff of all debt, was made to all donors with remaining pledges and that the Organization's management would like to have permission to move the remaining pledges to its operating campaign unless a donor had an objection. Since no objections were received the remaining pledge balances were reclassified to the operating promise to give amount at June 30, 2023 (see Note M). The restrictions remaining at June 30, 2023 relate to restricted local grants and endowment funds that have not been spent.

At June 30, 2023 and 2022, net assets with donor restrictions consisted of the following:

	2023	***2022***
Cash and cash equivalents	$ 108,643	$ 286,491
Investments	128,915	120,479
Capital unconditional promises to give:		
Vision 2020 Capital Campaign	-	979,398
2014-2018 Capital Campaign	-	573,630
Less:		
6% present value discount	-	(70,768)
Allowance for doubtful promises to give	-	(502,862)
	$ 237,558	$ 1,386,368

For 2023, the difference in the net assets with donor restrictions shown above of $237,558 and the restricted cash and investments shown on the statement of financial position totaling $392,641 are due to amounts in restricted cash and investments of $155,083 being offset in accounts payable. For 2022, the difference in the net assets with donor restrictions shown above of $1,386,368 and the restricted cash and investments and capital promises to give shown on the statement of financial position totaling $1,466,293 are due to amounts in restricted cash and investments of $79,925 being offset in accounts payable.

Net assets were released from donor restrictions by satisfaction of donor requirements during the years ended June 30, 2023 and 2022, and were used for the following purposes:

	2023	2022
Debt service:		
Principal and interest	$ 1,048,528	$ 1,835,880
Supplies and other expenses	447,667	489,026
Salaries and benefits	236,804	459,306
Operations and program expenses	384,344	163,987
Property or equipment	46,400	38,880
Field trips	-	1,422
	$ 2,163,743	$ 2,988,501

NOTE F--INVESTMENTS

The Organization's investments in debt and equity securities with readily determinable fair values are reported at fair value. 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.

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described 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 and significant to the fair value measurement.

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 2023 and 2022. There were not any changes in the valuation techniques during either fiscal year.

Investments in mutual funds measured at fair value on a recurring basis at June 30, 2023 and 2022, are as follows:

	Cost	Fair Value (Level 1)	Unrealized Gains (Losses)
June 30, 2023			
Equities	$ 1,049,840	$ 1,602,307	$ 552,467
International equities	690,900	720,850	29,950
Fixed income	1,238,060	1,171,413	(66,647)
Real asset	163,522	165,494	1,972
	$ 3,142,322	$ 3,660,064	$ 517,742
June 30, 2022			
Equities	$ 891,560	$ 1,209,104	$ 317,544
International equities	606,005	559,825	(46,180)
Fixed income	1,505,306	1,425,195	(80,111)
Real asset	135,156	143,391	8,235
	$ 3,138,027	$ 3,337,515	$ 199,488

The following summarizes the investment income and expenses for the years ended June 30, 2023 and 2022:

	2023	2022
Interest and dividends	$ 143,507	$ 75,360
Interest earned from federal government Employer Retention Tax Credits	226,849	-
Realized and unrealized gains (losses), net	245,237	(532,382)
Investment expenses - fees	19,080	19,623
	$ 596,513	$ (476,645)

NOTE G--RETIREMENT 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 ($22,500 for 2023 and $20,500 for 2022). 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 ($7,500 for 2023 and $6,500 for 2022). The amended plan does not require an employer contribution; however, the Boys & Girls Clubs of America require a matching contribution of up to 3%. 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. Retirement contributions made for each participant represent a percentage of the participant's annual compensation. Retirement expense for the years ended June 30, 2023 and 2022 was $323,726 and $241,965, respectively, which included a plan administration fee of $6,585 and $6,830, respectively.

NOTE H--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 2023 and 2022, the Organization purchased insurance totaling $143,400 and $126,169, respectively, from a company in which a director of the Organization was a risk advisor at that company. The Organization has bank accounts with a financial institution in which a director of the Organization is a Senior Vice President. There are two companies the Organization does business with regularly in which the company presidents are board members of the Organization.

At June 30, 2023 and 2022, campaign pledges due from various members of the Organization's Board of Directors were $200,123 and $252,511, respectively. The pledges are receivable through June 2028.

NOTE I--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 Organization's policy related to donated materials, supplies, and services is to utilize the assets given to carry out the mission of the Organization. If the asset provided does not allow the Organization to utilize it in its normal course of operation, the asset will be sold at its fair market value as determined by appraisal or specialist.

The following is a list of non-cash donations valued by the Organization that are included within in-kind contributions with significant donations specifically described:

Donor	Description	Estimated Fair Value 2023	2022
Knoxville Community Development Corporation	Facilities, utilities, and maintenance	$ 919,827	$ 652,947
Volunteer	Accounting services	40,632	41,045
City of Knoxville	Facility rental	37,938	37,938
Gravity Networks	IT services	19,200	19,200
Mark Robinson	Demolition of Lenoir City House	18,000	-
Brewsters Service Group LLC	Hauling Demolished Home	10,500	-
Other		8,836	3,420
		$ 1,054,933	$ 754,550

Donated material and supplies totaling $36,676 and $10,000 for the years ended June 30, 2023 and 2022, respectively, are included in special event revenue and expenses.

All gifts-in-kind received by the Organization for the years ended June 30, 2023 and 2022 were considered without donor restrictions and able to be used by the Organization as determined by the Board of Directors and management.

NOTE J--DEFERRED REVENUE

Deferred revenue activity for the years ended June 30, 2023 and 2022, are as follows:

	2023	2022
Hall of Fame	$ 279,657	$ 248,230
Childcare Stabilization Program	2,071,931	2,215,282
Gift of Hope	88,000	-
Phillip Fulmer Golf Classic	37,000	-
Local Grants	170,300	-
Other	6,525	2,150
	$ 2,653,413	$ 2,465,662

NOTE K--PROPERTY, EQUIPMENT, AND ACCUMULATED DEPRECIATION

At June 30, 2023 and 2022, property, equipment and accumulated depreciation consist of the following:

		2023		2022
Buildings	$	17,061,208	$	17,061,208
Building improvements		1,344,620		1,297,760
Leasehold improvements		131,844		125,844
Land		742,294		634,910
Land improvements		456,252		353,902
Vehicles		495,977		486,376
Machinery and equipment		535,465		532,275
Furniture and fixtures		380,450		332,723
Computer software		708,308		679,857
Computer hardware		796,786		789,297
Other - not yet in service		22,000		23,703
		22,675,204		22,317,855
Less: Accumulated depreciation		(8,635,463)		(8,076,786)
	$	14,039,741	$	14,241,069

NOTE L--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 lease expense has been included with in-kind contributions as shown in Note I.

The Organization leased it Fort Craig facilities in Blount County from the City of Maryville on a month-to-month basis for $500 per month. That lease was discontinued. Beginning in May of 2023, the Organization entered into an agreement with the First Baptist Church of Alcoa to lease its facilities (Family Life Center and Sanctuary) for the Organization’s main Blount County club. This agreement will be for twenty-seven months with an option to renew for twelve months. The only direct cost for the Organization to use this space is to pay for the monthly utilities for that location.

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. This contract expired during 2023. On May 31, 2023, the Organization entered into a new contract for the lease of eighteen copiers for 60 months at a rate of $3,614 a month. The weighted average discount rate used by the Organization was 8.25%.

Future minimum lease payments under this non-cancelable lease at June 30, 2023, are as follows:

Year Ending June 30,	***Operating Lease***
2024	$ 43,366
2025	43,366
2026	43,366
2027	43,366
2028	36,138
Total lease payments	209,602
Less: Interest portion	(37,229)
Present value of lease obligations	172,373
Less: Current portion	(30,273)
Long-term portion	$ 142,100

The lease payments for leases with original terms of twelve months or less are recognized in the period in which they are incurred. Prior to the adoption of ASU 2016-02, *Leases*, lease expense under the copier operating leases totaled $46,745 and $53,563 for the years ended June 30, 2023 and 2022, respectively. Lease expense derived from operating leases prior to adoption of ASU 2016-02 is included in equipment and software lease/rentals expense in the statement of functional expenses.

NOTE M--OPERATING PROMISES TO GIVE

During fiscal year 2023, the Organization continued its operating fundraising events. Also as noted in Note E, the Organization's debt was paid in full thus completing its capital campaign objectives with additional pledges remaining. Management made the necessary contacts with donors to obtain permission to move the remaining outstanding pledges from the capital campaign to their unconditional operating pledge accounts. Therefore, at year end, the remaining pledges previously shown as capital pledges of $634,696 have been included below in unconditional promises to give. The Organization had $1,547,767 in pledge receivables at June 30, 2023.

Future pledge payments at June 30, 2023, are as follows:

Year Ending December 31,		
2024	$	794,670
2025		376,400
2026		219,400
2027		141,636
2028		15,661
		1,547,767
Less: 6% present value discount		(71,413)
		1,476,354
Allowance for uncollectible pledges		(359,241)
Net unconditional promises to give	$	1,117,113
Amounts due in less than one year	$	608,772
Amounts due in one to four years		508,341
	$	1,117,113

NOTE N--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 and any unpaid principal was due in full on October 7, 2023. Interest was payable monthly at the bank's base rate, which was 8.25% at June 30, 2023. There was no drawdown from the line of credit during 2023 and 2022, therefore the Organization incurred no interest expense on the line in either year. This line was renewed by the Organization through October 7, 2024.

NOTE O--LOANS PAYABLE

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. These proceeds of $8,792,874 were used to pay off the Organization's outstanding construction loan balance as of that date. This loan had an interest rate of 3.25% and was to be paid monthly for 60 months until the loan matured on December 31, 2024. On January 3, 2023, the outstanding loan balance of $1,425,000 was paid in full.

With the payoff of this debt, the remaining unamortized amount of the original $41,755 of debt issue costs was recognized. Therefore, amortization at June 30, 2023 and 2022, relating to those debt issuance costs was $20,381 and $8,351, respectfully.

NOTE Q--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 on a monthly basis.

On September 19, 2010, the Organization entered into an agreement to lease a portion of its DeBusk Family Club facilities at a rate of $2,000 per month. This contract has not been renewed but is continuing to operate on a monthly basis.

Total rental income for these and other miscellaneous rental activity for 2023 and 2022 was $72,465 and $76,211, respectively.

NOTE R--SERVICE AGREEMENT

The Organization provides management services to the Tennessee Alliance of Boys & Girls Clubs and Boys & Girls Clubs in Tennessee, both non-profit organizations. The service agreement is renewed annually and adjusted as needed to cover specific costs. For the year ended June 30, 2023, the total contract charge was $126,000, with quarterly installments of $31,500 for all four quarters of 2023. The total charged and received under this agreement for the year ended June 30, 2022 totaled $150,160.

NOTE S--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 is not withdrawn it is carried forward to future years.

Changes in board designated endowment funds for the years ended June 30, 2023 and 2022, were as follows:

	2023	*2022*
Beginning of year	$ 2,404,084	$ 2,764,467
Contributions	-	43,962
Investment income	73,367	54,519
Net realized/unrealized gains (losses)	157,278	(393,269)
External trust fees	(14,082)	(14,189)
Withdrawals	-	(51,406)
End of year	$ 2,620,647	$ 2,404,084

Investment revenues are reported net of related external trust fees in the statements of activities and was included in summary table at Note F.

With Donor Restrictions: Endowment funds with donor restrictions totaled $129,459 and $121,721 at June 30, 2023 and 2022, respectively. The change in endowment funds with donor restrictions of $7,738 is due to investment income earned, netted against external trust fees of $503, and realized and unrealized losses as included in Note F.

NOTE T--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. No additional funds were transferred into the Fund in 2023 or 2022.

NOTE U--COMMITMENTS

On August 1, 2021, 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 $46,800 per month for 10 months each fiscal year.

On June 23, 2021, the Organization entered into a three-year agreement with a consulting firm for planned giving services at a cost of $1,375 a month. The agreement may be terminated by either party after one year from the effective date provided a 90-day written notice is given.

On August 1, 2022, 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, 2023.

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.

Effective July 1, 2022, an Executive Retention Agreement (a non-qualified employment agreement) was entered into between Bart McFadden, the Organization's Chief Executive Officer, and the Boys & Girls Clubs of the Tennessee Valley to set forth the terms of the Executive's continued services to the Organization through at least July 1, 2028. If the Executive remains employed by the Organization on the dates set forth in the table below, the Organization shall pay to the Executive a certain percentage of his base salary then in effect as a retention bonus as set forth in the table below.

Vesting Dates	*Percentage*
July 1, 2024	50%
July 1, 2026	75%
July 1, 2028	100%

At June 30, 2023, the Organization has recorded an estimated liability towards the vesting of the agreement of $47,500 that is included within accrued liabilities in the statement of financial position.

NOTE V--EMPLOYER RETENTION TAX CREDIT - FEDERAL GOVERNMENT

The Employer Retention Tax Credit (ERTC) was signed into law under the CARES Act of 2020 by the federal government in response to the economic impact of the COVID-19 pandemic. For eligible employers, the credit could be claimed against 50% of qualified wages up to $10,000 per employee annually for wages paid for a specific period of time starting as far back as March of 2020. During the fiscal year ended June 30, 2023, the Organization, with the assistance of an outside consultant, evaluated their operations to the specific requirements within that act and determined that they complied for the credit. The proper returns were filed to request the refund and the Company obtained a refund totaling approximately $2,540,000 which has been recorded in the statement of activities within the support from government agencies revenue account. In addition, as noted at Note F, the Organization also received interest from the federal government in addition to this tax refund.

NOTE W--SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 12, 2024, which is the date the financial statements were available to be issued. Based upon that evaluation the following events are noted:

- Subsequent to year end, the Organization has tentatively entered into a three-year lease and binding purchase commitment with Knoxville Preparatory School for the Regal Teen Center and the Haslam Family Club facility at 957 and 967 Irwin Street, Knoxville, Tennessee, at a purchase price of $14,000,000.

SECTION II

OTHER INFORMATION

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

List of Principle Officials

June 30, 2023

Board Members:

Wes Stowers, Jr.	Chair, Board of Directors
Peter "Doc" Claussen	Vice Chair of Development & Board Secretary
Tracy Thompson	Vice Chair of Administration
Brad Bower	Vice Chair of Operations
Robin Hunley	Advisory Board Chair (N. Anderson)
Scott Stuart	Advisory Board Chair (Blount)
Jimmy Rodefer	Advisory Board Chair (DeBusk Family Club)
Jason Couk	Advisory Board Chair (Loudon)
Rob Barger	Advisory Board Chair (Claiborne)

Angelique Adams	Tom Jensen
Jim Alexander	Mickey Johnson
Josh Birdwell	Donna Johnston
Terry Brown	David Jones
Jerry Burnette	Renee Kelly
Jim Caughorn, Jr.	Tracy Lyash
John Dempster	Chief Paul Noel
Drew Everett	Christy Phillips
Jeff Hagood	Heath Shuler
Michelle Hardin	Mac Stalcup
Terry Henley	Rick Stimac
Robert Hill	Henny Weissinger
Marcus Hilliard	Andy White
Reico Hopewell	Tammy Wilson
Tim Irwin	

Staff:

Bart McFadden	Chief Executive Officer
Melissa D. Birkholz	Chief Financial Officer
Debbie Stairs	Vice President Human Resources & Leadership Development
Markus Jackson	Chief Operating Officer

SECTION III

INTERNAL CONTROL AND COMPLIANCE SECTION

PYA
CERTIFIED PUBLIC ACCOUNTANTS

PYA, P.C.
One Cherokee Mills
2220 Sutherland Avenue
Knoxville, TN 37919
(865) 673-0844 | pyapc.com

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*

INDEPENDENT AUDITOR'S REPORT

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

We have audited, 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, the financial statements of the Boys & Girls Clubs of the Tennessee Valley (the Organization), which comprise the statement of financial position as of June 30, 2023, 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 January 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization'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 Organization'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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.

PYA, P.C.

Knoxville, Tennessee
January 12, 2024

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Grantor		Assistance Listing Number	Program Name	Grant Number	Pass-Through Grantor Agency	Total Expenditures
Federal Awards:						
U.S. Department of Education						
		84.287C	21st Century Grant	33109-00420	State of Tennessee Department of Education	$ 207,964
		84.287C	21st Century Grant	33109-00819	State of Tennessee Department of Education	490,900
		84.287C	21st Century Grant	33109-03118	State of Tennessee Department of Education	475,263
		84.287C	21st Century Grant	33109-05515	Boys & Girls Clubs in Tennessee through State of Tennessee Department of Education	117,304
		84.287C	21st Century Grant	33109-00919	Boys & Girls Clubs in Tennessee through State of Tennessee Department of Education	68,249
		84.425U	TN All Corps	10-21-21 GR	United Way of Greater Knoxville through State of Tennessee Department of Education	108,767
		84.044A	TRIO Talent Search	P044A210654-22	N/A	233,409
					Total U.S. Department of Education	**1,701,856**
U.S. Department of Health and Human Services						
	*	93.575	American Rescue Plan Act: Childcare Stabilization Funds	2101TNCSC6	State of Tennessee Department of Human Services	2,604,946
		93.235	Title V Sexual Risk Avoidance Education Grant Program	34347-58523	Boys & Girls Clubs in Tennessee through State of Tennessee Department of Health	14,273
		93.558	Families First Community Based Contracts - 2 Gen	34530-71323	State of Tennessee Department of Human Services	56,881

See notes to schedules of expenditures of federal awards and state and other financial assistance and independent auditor's report.

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2023

Grantor	*Assistance Listing Number*	*Program Name*	*Grant Number*	*Pass-Through Grantor Agency*	*Total Expenditures*
	93.558	Temporary Assistance for Needy Families (TANF)	76491	United Way of Greater Knoxville through State of Tennessee Department of Health	123,675
	93.391	The Tennessee COVID-19 Health Disparities Initiative	22-102-1-S9.1	Boys & Girls Clubs in Tennesssee through East Tennessee State University through State of Tennessee Department of Health	68,212
				U.S. Department of Health and Human Services	**2,867,987**
U.S. Department of Agriculture					
	10.558	Child and Adult Care Food Program (CACFP)	N/A	State of Tennessee Department of Human Services	402,913
				Total U.S. Department of Agriculture	**402,913**
U.S. Department of Justice					
	16.540	FFG Juvenile Delinquency Prevention	31601-C-DP22-06	Tennessee Commission on Children and Youth	25,863
	16.540	FFG Juvenile Delinquency Prevention	31601-CDP21-3	Tennessee Commission on Children and Youth	8,872
	16.726	Office of Justice Program	OJP-2021-50429	Boys & Girls Clubs of America	17,435
	16.726	Office of Justice Program	OJP-2021-50430	Boys & Girls Clubs of America	8,958
	16.726	Office of Justice Program	OJP-2021-50431	Boys & Girls Clubs of America	8,265

See notes to schedules of expenditures of federal awards and state and other financial assistance and independent auditor's report.

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2023

Grantor	*Assistance Listing Number*	*Program Name*	*Grant Number*	*Pass-Through Grantor Agency*	*Total Expenditures*
	16.726	Office of Justice Program	OJP-2021-50432	Boys & Girls Clubs of America	7,278
	16.726	Office of Justice Program	OJP-2021-50433	Boys & Girls Clubs of America	22,803
	16.726	Office of Justice Program	OJP-2021-50434	Boys & Girls Clubs of America	8,464
	16.726	Office of Justice Program	OJP-2021-50435	Boys & Girls Clubs of America	8,663
	16.726	Office of Justice Program	OJP-2020-48969	Boys & Girls Clubs of America	3,725
	16.726	Office of Justice Program	OJP-2020-48970	Boys & Girls Clubs of America	16
	16.726	Office of Justice Program	OJP-2020-48971	Boys & Girls Clubs of America	545
	16.726	Office of Justice Program	OJP-2020-48972	Boys & Girls Clubs of America	(12)
	16.726	Office of Justice Program	OJP-2020-48973	Boys & Girls Clubs of America	(12)
	16.726	Office of Justice Program	OJP-2020-48974	Boys & Girls Clubs of America	(9)
	16.726	STEM Mentoring Program	2021-SR-TV-040	Sea Research Foundation	48,506
	16.726	Cal Ripken, Sr. Foundation	2022-FED-OJJDP-B4B-TN-2	Cal Ripken, Sr. Foundation	7,862
	16.726	Cal Ripken, Sr. Foundation	2022-FED-OJJDP-B4B-TN-1	Cal Ripken, Sr. Foundation	14,699
	16.726	Cal Ripken, Sr. Foundation	2022-FED-OJJDP-IG-TN-1	Cal Ripken, Sr. Foundation	1,608
				Total U.S. Department of Justice	**193,529**

See notes to schedules of expenditures of federal awards and state and other financial assistance and independent auditor's report.

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2023

Grantor	*Assistance Listing Number*	*Program Name*	*Grant Number*	*Pass-Through Grantor Agency*	*Total Expenditures*
U.S. Department of Labor					
	17.261	Boys and Girls Clubs of America Workforce Pathways for Youth	MI-36498-21-60-A-13-06	Boys & Girls Clubs of America	123,446
				Total U.S. Department of Labor	**123,446**
				TOTAL FEDERAL AWARDS	**$ 5,289,731**

* DENOTES MAJOR PROGRAM

See notes to schedules of expenditures of federal awards and state and other financial assistance and independent auditor's report.

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Schedule of Expenditures of State and Other Financial Assistance

Year Ended June 30, 2023

Grantor	*Assistance Listing Number*	*Program Name*	*Grant Number*	*Pass-Through Grantor Agency*	*Total Expenditures*
State Awards:					
Tennessee Department of Mental Health and Substance Abuse Services					
	N/A	The Comprehensive Alcohol, Tobacco and Other Drug Prevention Services for Youth	02-18-21 GR	N/A	$ (91)
	N/A	The Comprehensive Alcohol, Tobacco and Other Drug Prevention Services for Youth	01-20-22 GR	N/A	82,620
Tennessee Department of Education					
	N/A	LEAP Grant	33109-04418	Boys & Girls Clubs in Tennessee	93,050
	N/A	Governor's Appr. Fund - MESH	33101-23102GRS01	Boys & Girls Clubs in Tennessee	7,471
	N/A	Governor's Appr. Fund - Education Enrichment	N/A	Tennessee Alliance	28,147
Tennessee Arts Commission					
	N/A	Arts Program Categorical Grants: Arts Project Support	31625-15554	N/A	8,220
	N/A	Arts Program Categorical Grants: Arts Education Community Learning	31625-15641	N/A	7,400
	N/A	YAI-TAC Arts Build Communities	2206-16502	Arts and Culture Alliance of Greater Knoxville	3,010
				TOTAL STATE AWARDS	**$ 229,827**

See notes to schedules of expenditures of federal awards and state and other financial assistance and independent auditor's report.

NOTE A--BASIS OF PRESENTATION

The schedules of expenditures of federal awards and state and other financial assistance 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. The information in the schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE B--SUBRECIPIENT

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

NOTE C--SIGNIFICANT ACCOUNTING POLICIES

De Minimis Indirect Cost Rate: The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance in respect to its federal grant programs.

The Organization currently uses a negotiated indirect cost rate.

NOTE D--CONTINGENCIES

The Organization's federal programs are subject to financial and compliance audits by grantor agencies which if instances of material noncompliance are found may result in disallowed expenditures and affect the Organization's continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

The auditor's report expressed an unmodified opinion on the financial statements of Boys & Girls Clubs of the Tennessee Valley.

Internal control over financial reporting:

Material weaknesses identified?	Yes [ ] No [X]
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	Yes [ ] No [X]

FEDERAL AWARDS

The auditor's report on compliance for the major federal award programs for Boys & Girls Clubs of the Tennessee Valley expressed an unmodified opinion on compliance for major federal programs.

Internal control over major federal programs:

Material weaknesses identified?	Yes [ ] No [X]
Significant deficiencies identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes [ ] No [X]

Identification of Major Programs:

Assistance Listing Number(s)	***Name of Federal Program or Cluster***
93.575	ARPA Child Care Stabilization Grant

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes [X] No [ ]

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.

BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

Schedule of Prior Audit Findings

Year Ended June 30, 2023

There were no prior audit findings.

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CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited Boys & Girls Clubs of the Tennessee Valley's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

PYA, P.C.

Knoxville, Tennessee
January 12, 2024