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# Financial Statements and Supplementary Information

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***Boys & Girls Clubs of the Tennessee Valley***

*Years Ended June 30, 2025 and 2024*

**BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY**

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*Years Ended June 30, 2025 and 2024*

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**SECTION I**  
**FINANCIAL SECTION**

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 statements of the Boys & Girls Clubs of the Tennessee Valley (the Organization), which comprise the statements of financial position as of June 30, 2025 and 2024; the related statements of activities, functional expenses, and cash flows for the years 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, 2025 and 2024, 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.

***Basis for Opinion***

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

***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 United 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 auditor's 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* and the schedule of expenditures of state and other financial assistance are presented for purposes of additional analysis and are 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 schedule of expenditures of federal awards and the schedule of expenditures of state and other financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Information***

Management is responsible for the other information. The other information, as listed in the table of contents, does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2026, 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 14, 2026

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### *Statements of Financial Position*

	<i>June 30,</i>	
	<i>2025</i>	<i>2024</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 6,916,242	\$ 4,325,244
Investments	2,021,331	1,839,089
Accounts receivable:		
Grants receivable:		
Federal and state	1,038,562	1,605,545
Other	404,582	239,827
Fee vouchers receivable	69,636	26,180
Interest and dividend receivable	5,691	4,864
Promises to give, net of allowance for uncollectible amounts – current portion:		
Operating	403,683	545,734
Prepaid expenses	74,208	37,535
Prepaid insurance	11,274	19,697
<b>TOTAL CURRENT ASSETS</b>	<b>10,945,209</b>	<b>8,643,715</b>
<b>RESTRICTED AND DESIGNATED CASH AND INVESTMENTS:</b>		
Endowment funds:		
Restricted:		
Cash	876	725
Investments	155,559	141,486
Designated:		
Cash	18,227	15,083
Investments	3,239,999	2,946,370
<b>TOTAL ENDOWMENT FUNDS</b>	<b>3,414,661</b>	<b>3,103,664</b>
Other restricted assets:		
Cash	336,890	366,909
Investments	12,970	9,230
<b>TOTAL RESTRICTED AND DESIGNATED CASH AND INVESTMENTS</b>	<b>3,764,521</b>	<b>3,479,803</b>
<b>PROMISES TO GIVE, NET OF ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS – LONG-TERM PORTION:</b>		
Operating	252,132	423,977

**BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY**

*Statements of Financial Position – Continued*

	<i>June 30,</i>	
	<i>2025</i>	<i>2024</i>
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	<b>13,117,082</b>	13,555,566
OTHER ASSETS:		
Right of use asset, operating lease	<b>109,233</b>	142,100
Beneficial interest in assets held by others	<b>18,582</b>	16,969
Deposits	<b>12,615</b>	4,615
TOTAL ASSETS	<b>\$ 28,219,374</b>	<b>\$ 26,266,745</b>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of operating lease liability	<b>\$ 32,867</b>	\$ 32,867
Accounts payable	<b>823,266</b>	803,698
Accounts payable – other Boys & Girls Clubs	<b>180,650</b>	-
Deferred revenue	<b>697,681</b>	423,297
Accrued liabilities	<b>592,338</b>	603,956
TOTAL CURRENT LIABILITIES	<b>2,326,802</b>	1,863,818
NONCURRENT LIABILITIES:		
Operating lease liability, less current portion	<b>76,366</b>	109,233
TOTAL LIABILITIES	<b>2,403,168</b>	1,973,051
NET ASSETS:		
Without donor restrictions:		
Board designated – beneficial interest in assets held by others	<b>18,582</b>	16,969
Board designated endowment funds	<b>3,258,226</b>	2,961,453
Undesignated	<b>22,197,021</b>	20,995,082
With donor restrictions	<b>342,377</b>	320,190
TOTAL NET ASSETS	<b>25,816,206</b>	24,293,694
TOTAL LIABILITIES AND NET ASSETS	<b>\$ 28,219,374</b>	<b>\$ 26,266,745</b>

**BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY**

*Statements of Activities*

*Year Ended June 30, 2025*

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<b>REVENUE AND OTHER SUPPORT:</b>			
Support from government agencies	\$ 8,353,315	\$ -	\$ 8,353,315
Contributions	2,207,574	537,466	2,745,040
Contributions – in-kind	1,004,221	-	1,004,221
Special events, net of direct expenses of \$372,937	758,520	-	758,520
Allocation – Knoxville Community Development Corporation	100,000	-	100,000
Allocation – United Way	384,342	-	384,342
Proceeds from vendor/voucher program	456,043	-	456,043
Day care and activity fees	1,969,578	-	1,969,578
Other support and revenue	90,887	-	90,887
Investment return, net	743,095	14,227	757,322
Rental income	317,118	-	317,118
Loss on disposition of capital assets	(38,881)	-	(38,881)
Net assets released from restrictions:			
Restrictions satisfied by payments	529,506	(529,506)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>16,875,318</b>	<b>22,187</b>	<b>16,897,505</b>
<b>EXPENSES:</b>			
Program services – child development	12,507,344	-	12,507,344
Management and general	2,076,627	-	2,076,627
Development and fundraising	791,022	-	791,022
<b>TOTAL EXPENSES</b>	<b>15,374,993</b>	<b>-</b>	<b>15,374,993</b>
<b>INCREASE IN NET ASSETS</b>	<b>1,500,325</b>	<b>22,187</b>	<b>1,522,512</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>23,973,504</b>	<b>320,190</b>	<b>24,293,694</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 25,473,829</b>	<b>\$ 342,377</b>	<b>\$ 25,816,206</b>

**BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY**

*Statements of Activities – Continued*

*Year Ended June 30, 2024*

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<b>REVENUE AND OTHER SUPPORT:</b>			
Support from government agencies	\$ 9,339,534	\$ -	\$ 9,339,534
Contributions	3,212,272	750,927	3,963,199
Contributions – in-kind	1,028,696	-	1,028,696
Special events, net of direct expenses of \$356,729	530,238	-	530,238
Allocation – Knoxville Community Development Corporation	100,000	-	100,000
Allocation – United Way	734,758	-	734,758
Proceeds from vendor/voucher program	311,500	-	311,500
Day care and activity fees	1,505,182	-	1,505,182
Other support and revenue	14,919	-	14,919
Investment return, net	689,935	12,752	702,687
Rental income	139,360	-	139,360
Net assets released from restrictions:			
Restrictions satisfied by payments	681,047	(681,047)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>18,287,441</b>	<b>82,632</b>	<b>18,370,073</b>
<b>EXPENSES:</b>			
Program services – child development	12,839,778	-	12,839,778
Management and general	1,990,993	-	1,990,993
Development and fundraising	730,461	-	730,461
<b>TOTAL EXPENSES</b>	<b>15,561,232</b>	<b>-</b>	<b>15,561,232</b>
<b>INCREASE IN NET ASSETS</b>	<b>2,726,209</b>	<b>82,632</b>	<b>2,808,841</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>21,247,295</b>	<b>237,558</b>	<b>21,484,853</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 23,973,504</b>	<b>\$ 320,190</b>	<b>\$ 24,293,694</b>

# BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

## Statements of Functional Expenses

Year Ended June 30, 2025

	<i>Program Services</i>	<i>Management and General</i>	<i>Development and Fund Raising</i>	<i>Total</i>
SALARIES AND RELATED EXPENSES:				
Salaries and wages	\$ 5,633,705	\$ 1,058,480	\$ 362,654	\$ 7,054,839
Employee benefits	347,460	53,650	44,755	445,865
Employee retirement	238,997	68,512	21,235	328,744
Workers compensation	42,170	6,453	1,769	50,392
Payroll taxes	422,508	107,784	26,405	556,697
Recruitment/hiring costs	-	14,730	-	14,730
TOTAL SALARIES AND RELATED EXPENSES	<b>6,684,840</b>	<b>1,309,609</b>	<b>456,818</b>	<b>8,451,267</b>
EXPENSES:				
Professional fees (including in-kind of \$41,684)	398,383	434,601	104,202	937,186
Office supplies	4,035	6,777	3,685	14,497
Program supplies	1,552,045	-	-	1,552,045
Food costs	416,839	-	-	416,839
Telecommunications	219,666	1,312	1,646	222,624
Postage and shipping	154	6,184	2,446	8,784
Rent expense	64,433	54,854	-	119,287
Building and equipment repairs and maintenance (including in-kind of \$869,598)	1,159,779	12,278	-	1,172,057
Utilities (including in-kind of \$76,272)	304,146	44,832	-	348,978
Equipment and software lease/rentals	122,771	33,200	34,246	190,217
Printing, promotion, and publications	558	12,084	17,732	30,374
Fleet transportation	458,903	-	223	459,126
Travel expenses	15,403	45,401	9,077	69,881
Training and meetings	16,230	26,782	4,558	47,570
Dues	70,152	3,920	1,930	76,002
Insurance (non-health)	148,254	-	-	148,254
Program bad debts and uncollectible pledges	245,401	-	34,513	279,914
Miscellaneous (including in-kind of \$16,667)	24,840	64,138	119,867	208,845
TOTAL BEFORE DEPRECIATION	<b>11,906,832</b>	<b>2,055,972</b>	<b>790,943</b>	<b>14,753,747</b>
Depreciation	600,512	20,655	79	621,246
	<b>\$ 12,507,344</b>	<b>\$ 2,076,627</b>	<b>\$ 791,022</b>	<b>\$ 15,374,993</b>

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### *Statements of Functional Expenses – Continued*

***Year Ended June 30, 2024***

	<i>Program Services</i>	<i>Management and General</i>	<i>Development and Fund Raising</i>	<i>Total</i>
<b>SALARIES AND RELATED EXPENSES:</b>				
Salaries and wages	\$ 6,166,407	\$ 1,178,629	\$ 399,529	\$ 7,744,565
Employee benefits	317,866	67,300	29,451	414,617
Employee retirement	225,721	89,200	23,900	338,821
Workers compensation	29,207	4,803	1,164	35,174
Payroll taxes	463,170	118,378	29,157	610,705
Recruitment/hiring costs	-	21,183	-	21,183
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>7,202,371</b>	<b>1,479,493</b>	<b>483,201</b>	<b>9,165,065</b>
<b>EXPENSES:</b>				
Professional fees (including in-kind of \$59,048)	274,379	244,659	88,805	607,843
Office supplies	4,030	9,884	2,908	16,822
Program supplies	1,514,427	-	-	1,514,427
Food costs	336,042	-	-	336,042
Telecommunications	198,668	570	1,813	201,051
Postage and shipping	152	8,300	2,822	11,274
Rent expense	19,422	17,437	-	36,859
Building and equipment repairs and maintenance (including in-kind of \$866,751)	1,177,960	9,842	-	1,187,802
Utilities (including in-kind of \$70,987)	290,001	40,269	-	330,270
Equipment and software lease/rentals	189,610	29,078	2,951	221,639
Printing, promotion, and publications	839	15,307	16,861	33,007
Fleet transportation	521,151	-	345	521,496
Travel expenses	20,237	27,546	6,129	53,912
Training and meetings	18,325	24,615	11,575	54,515
Dues	91,138	4,164	2,410	97,712
Insurance (non-health)	159,463	-	-	159,463
Program bad debts and uncollectible pledges	188,008	-	60,017	248,025
Miscellaneous (including in-kind of \$13,910)	23,272	58,646	50,307	132,225
<b>TOTAL BEFORE DEPRECIATION</b>	<b>12,229,495</b>	<b>1,969,810</b>	<b>730,144</b>	<b>14,929,449</b>
Depreciation	610,283	21,183	317	631,783
	<b>\$ 12,839,778</b>	<b>\$ 1,990,993</b>	<b>\$ 730,461</b>	<b>\$ 15,561,232</b>

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### *Statements of Cash Flows*

	<i>Year Ended June 30,</i>	
	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 1,522,512	\$ 2,808,841
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	621,246	631,783
Investment return, net	(289,107)	(431,394)
Loss on disposition of capital assets	38,881	-
Increase (decrease) in cash due to changes in:		
Allowance for uncollectible promises to give	(166,521)	(158,204)
Present value discount of uncollectible promises to give	(14,487)	(27,400)
Promises to give	494,904	333,006
Grants receivable	566,983	(763,041)
Fee vouchers receivable	(43,456)	15,351
Interest, dividends, and other receivables	(165,582)	202,385
Prepaid expenses	(36,673)	42,979
Prepaid insurance	8,423	44,265
Deposits	(8,000)	(4,115)
Accounts payable	200,218	93,807
Accrued expenses	(11,618)	222,870
Deferred revenue	274,384	(2,230,116)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<b>2,992,107</b>	<b>781,017</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(223,643)	(147,608)
Proceeds from sale of property and equipment	2,000	-
Proceeds from sale/transfers of investments	996,669	558,708
Purchases of investments	(1,201,246)	(1,403,425)
Change in beneficial interest in assets held by others	(1,613)	(1,502)
NET CASH USED IN INVESTING ACTIVITIES	<b>(427,833)</b>	<b>(993,827)</b>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>2,564,274</b>	<b>(212,810)</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<b>4,707,961</b>	<b>4,920,771</b>
CASH AND CASH EQUIVALENTS, END OF YEAR	<b>\$ 7,272,235</b>	<b>\$ 4,707,961</b>

**BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY**

*Statements of Cash Flows – Continued*

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	<i>Year Ended June 30,</i>	
	<i>2025</i>	<i>2024</i>
RECONCILIATION OF CASH ON STATEMENT OF CASH FLOWS TO STATEMENT OF FINANCIAL POSITION:		
Cash and cash equivalents	\$ 6,916,242	\$ 4,325,244
Restricted cash – endowment and other	337,766	367,634
Designated cash	18,227	15,083
	<hr/>	<hr/>
	\$ 7,272,235	\$ 4,707,961
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## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### *Notes to Financial Statements*

#### *Years Ended June 30, 2025 and 2024*

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#### 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 or designated to be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. When an expense is incurred for a purpose for which both unrestricted and donor-restricted resources are available, it is the Organization's policy to utilize the donor-restricted funds first.

*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 investment 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

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### *Notes to Financial Statements – Continued*

#### *Years Ended June 30, 2025 and 2024*

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within the accounts receivable balance. There were no significant credit losses identified for the year ended June 30, 2025. For the year ended June 30, 2024, the amount estimated for potential credit losses totaled \$21,078.

#### *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 for 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. The Organization's 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 the Organization's 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 no contract estimates for the years ended June 30, 2025 and 2024.
- *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, 2025 and 2024, no allowance was considered necessary for uncollectible grant receivables.

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### *Notes to Financial Statements – Continued*

#### *Years Ended June 30, 2025 and 2024*

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- *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 various 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. With the exception of accounting services donated in 2025 and 2024, no amounts have been recognized in the statements of activities for donated services because the criteria for recognition under accounting principles generally accepted in the United States of America (U.S. GAAP) have not been satisfied.

*Property, Equipment and Depreciation:* It is the Organization's policy to capitalize property and equipment with a useful life greater than one year in excess of \$2,500 at cost. All expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are also 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, 2025 and 2024, was \$621,246 and \$631,783, 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, 2025 and 2024, of \$135,185 and \$130,641, 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).

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### Notes to Financial Statements – Continued

#### Years Ended June 30, 2025 and 2024

*Use of Estimates:* The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### 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. 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 at June 30:

	<u>2025</u>	<u>2024</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 6,916,242	\$ 4,325,244
Investments	2,021,331	1,839,089
Accounts receivable – government grants	1,038,562	1,605,545
Accounts receivable – fee vouchers	69,636	26,180
Accounts receivable – interest, dividends and other	410,273	244,691
Unconditional promises to give, current portion	403,683	545,734
	<u>\$ 10,859,727</u>	<u>\$ 8,586,483</u>
Net financial assets		

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 has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

As of June 30, 2025, the Organization had approximately \$338,000 of cash and cash equivalents and \$169,000 of investments with donor-imposed restrictions that make them unavailable for general operations within one year of the statement of financial position date. The Organization has approximately \$3,258,000 of cash and investments in board designated funds that are available for general expenditures upon approval by the Board to be released as needed by the Organization. As described in Note N, the Organization also has access to a line of credit available for 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.

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### *Notes to Financial Statements – Continued*

#### *Years Ended June 30, 2025 and 2024*

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The Organization’s bank deposits consist of various checking and money market accounts. At June 30, 2025 and 2024, the bank deposits exceeded Federal Deposit Insurance Corporation insurance limits by \$3,490,355 and \$1,577,474, respectively. The Organization believes the credit risk associated with these deposits is not significant.

#### 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, fundraising, 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, 2025 and 2024, 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, 2025 and 2024, relate to funds raised through local grants and the Organization’s endowment campaign. The restrictions remaining at June 30, 2025 and 2024, relate to restricted local grants and endowment funds that have not been spent.

At June 30, 2025 and 2024, net assets with donor restrictions consisted of the following:

	<i>2025</i>	<i>2024</i>
Cash and cash equivalents	\$ 186,818	\$ 178,704
Investments	155,559	141,486
	<u>\$ 342,377</u>	<u>\$ 320,190</u>

For 2025, the difference in the net assets with donor restrictions shown above of \$342,377 and the restricted cash and investments shown on the statement of financial position totaling \$506,295 are due to amounts in restricted cash and investments of \$163,918 being offset in accounts payable.

For 2024, the difference in the net assets with donor restrictions shown above of \$320,190 and the restricted cash and investments shown on the statement of financial position totaling \$518,350 are due to amounts in restricted cash and investments of \$198,160 being offset in accounts payable.

Net assets were released from donor restrictions by satisfaction of donor requirements during the years ended June 30, 2025 and 2024, and were used for the following purposes:

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### Notes to Financial Statements – Continued

#### Years Ended June 30, 2025 and 2024

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	<u>2025</u>	<u>2024</u>
Supplies and other expenses	\$ 315,886	\$ 467,008
Salaries and benefits	160,774	174,777
Operations and program expenses	9,049	39,262
Property or equipment	43,797	-
	<u>\$ 529,506</u>	<u>\$ 681,047</u>

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#### 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.

U.S. GAAP establishes 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 2025 and 2024. There were no changes in the valuation techniques during either fiscal year.

Investments in mutual funds measured at fair value on a recurring basis at June 30, 2025 and 2024, are as follows:

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### Notes to Financial Statements – Continued

#### Years Ended June 30, 2025 and 2024

	<i>Cost</i>	<i>Fair Value (Level 1)</i>	<i>Unrealized Gains (Losses)</i>
<b>June 30, 2025</b>			
Equities	\$ 1,462,174	\$ 2,489,965	\$ 1,027,791
International equities	843,548	1,048,566	205,018
Fixed income	1,788,686	1,780,532	(8,154)
Real asset	96,282	110,796	14,514
	<u>\$ 4,190,690</u>	<u>\$ 5,429,859</u>	<u>\$ 1,239,169</u>
<b>June 30, 2024</b>			
Equities	\$ 1,447,816	\$ 2,313,865	\$ 866,049
International equities	823,059	943,948	120,889
Fixed income	1,602,589	1,555,968	(46,621)
Real asset	113,305	122,394	9,089
	<u>\$ 3,986,769</u>	<u>\$ 4,936,175</u>	<u>\$ 949,406</u>

The following summarizes the investment income and expenses for the years ended June 30, 2025 and 2024:

	<i>2025</i>	<i>2024</i>
Interest and dividends	\$ 304,068	\$ 221,750
Interest earned from federal government Employer		
Retention Tax Credits	83,517	75,319
Realized and unrealized gains (losses), net	404,492	440,673
Less: investment expenses – fees	34,755	35,055
	<u>\$ 757,322</u>	<u>\$ 702,687</u>

#### 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 (\$23,500 for 2025 and \$23,000 for 2024). 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 2025 and 2024). 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 expenses

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### *Notes to Financial Statements – Continued*

#### ***Years Ended June 30, 2025 and 2024***

for the years ended June 30, 2025 and 2024, were \$328,744 and \$338,821, respectively, which included a plan administration fee of \$11,705 and \$8,370, 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 2025 and 2024, the Organization purchased insurance totaling \$170,610 and \$203,927, respectively, from a company in which a director of the Organization was a risk advisor at that company. The Organization has bank accounts with financial institutions of which two directors of the Organization are Senior Vice Presidents, and another director of the Organization is an Executive Vice President.

At June 30, 2025 and 2024, campaign pledges due from various members of the Organization's Board of Directors were \$70,387 and \$136,612, respectively. The pledges are receivable through June 2029.

#### 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 for the years ended June 30:

<i>Donor</i>	<i>Description</i>	<i>Estimated Fair Value</i>	
		<i>2025</i>	<i>2024</i>
Knoxville Community Development Corporation	Facilities, utilities, and maintenance	\$ 907,932	\$ 890,475
Volunteer	Accounting services	41,684	41,448
City of Knoxville	Facility rental	37,938	37,938
Gravity Networks	IT services	-	17,600
Other		16,667	41,235
		<u>\$ 1,004,221</u>	<u>\$ 1,028,696</u>

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### Notes to Financial Statements – Continued

#### Years Ended June 30, 2025 and 2024

Donated material and supplies totaling \$26,763 and \$46,669 for the years ended June 30, 2025 and 2024, respectively, are included in special event revenue and expenses.

All gifts-in-kind received by the Organization for the years ended June 30, 2025 and 2024, 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 as of June 30, 2025 and 2024 consists of the following:

	<u>2025</u>	<u>2024</u>
Hall of Fame	\$ 187,373	\$ 157,800
Knoxville Preparatory School	76,667	-
Gift of Hope	45,500	55,500
Local Grants	388,141	198,997
Other	-	11,000
	<u>\$ 697,681</u>	<u>\$ 423,297</u>

#### NOTE K--PROPERTY, EQUIPMENT, AND ACCUMULATED DEPRECIATION

At June 30, 2025 and 2024, property, equipment, and accumulated depreciation consist of the following:

	<u>2025</u>	<u>2024</u>
Buildings	\$ 17,061,208	\$ 17,061,208
Building improvements	1,399,393	1,475,072
Leasehold improvements	150,849	102,350
Land	742,293	742,293
Land improvements	484,252	521,547
Vehicles	329,748	495,977
Machinery and equipment	524,464	524,464
Furniture and fixtures	391,412	391,597
Computer software	308,465	308,465
Computer hardware	620,781	667,618
Other – not yet in service	60,329	-
	<u>22,073,194</u>	<u>22,290,591</u>
Less: Accumulated depreciation	<u>(8,956,112)</u>	<u>(8,735,025)</u>
	<u>\$ 13,117,082</u>	<u>\$ 13,555,566</u>

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### *Notes to Financial Statements – Continued*

#### *Years Ended June 30, 2025 and 2024*

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#### 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.

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. This agreement has been renewed thru November 2026 without any significant changes.

On August 1, 2024, the Organization entered into a one-year agreement with a local church for use of church property. The Organization will pay \$2,500 per month toward the use of the church facilities. In addition, a \$10,000 yearly maintenance fee will be paid by the Organization at the start of the lease.

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 per month. The weighted average discount rate used by the Organization was 8.25%. The interest paid on this copier lease of \$10,499 has been included within the total for equipment and software lease/rentals expense in the statement of functional expenses.

Future minimum lease payments under this non-cancelable lease at June 30, 2025, is as follows:

<u><i>Year Ending June 30,</i></u>	<u><i>Operating Lease</i></u>
2026	\$ 43,366
2027	43,366
2028	36,138
Total lease payments	122,870
Less: Interest portion	(13,637)
Present value of lease obligations	109,233
Less: Current portion	(32,867)
Long-term portion	<u>\$ 76,366</u>

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### *Notes to Financial Statements – Continued*

#### *Years Ended June 30, 2025 and 2024*

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The rental and lease payments with original terms of twelve months or less are recognized in the period in which they are incurred. Rental and lease expense for all space, equipment and software costs totaled \$309,504 and \$258,498 for the years ended June 30, 2025 and 2024, respectively.

#### NOTE M--OPERATING PROMISES TO GIVE

During fiscal year 2025, the Organization continued its operating fundraising events. The Organization had \$719,857 in pledge receivables at June 30, 2025.

Future pledge payments at June 30, 2025, are as follows:

<u>Year Ending June 30,</u>	
2026	\$ 424,930
2027	133,717
2028	92,492
2029	52,718
2030	<u>16,000</u>
	719,857
Less: 6% present value discount	<u>(29,524)</u>
	690,333
Allowance for uncollectible pledges	<u>(34,518)</u>
Net unconditional promises to give	<u>\$ 655,815</u>
Amounts due in less than one year	\$ 403,683
Amounts due in one to four years	<u>252,132</u>
	<u>\$ 655,815</u>

#### 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. Principal is due in full on October 7, 2032. Interest is payable monthly at the bank's base rate, which was 8.5% at June 30, 2025. There was no amount drawn on from the line of credit during 2025 and 2024, therefore the Organization incurred no interest expense.

#### NOTE O--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

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### *Notes to Financial Statements – Continued*

#### ***Years Ended June 30, 2025 and 2024***

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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. In February 2024, the Organization amended its rent agreement effective March 1, 2024 to June 30, 2024, to a reduction of \$1,000 per month with the lessee paying utilities for the facility usage. Effective July 1, 2024, the lessee reverted back to paying the monthly rent of \$2,050 while continuing to pay for utility usage. This agreement ended in February 2025, with the lessee vacating the property. This building was sold by the Organization subsequent to year end as described in Note U.

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.

The Organization has entered into an agreement with Knoxville Preparatory School for the possible sale of the Regal Teen Center and the Haslam Family Club. Prior to the potential exercise of that agreement, the Organization has entered into a three-year lease agreement for the use of those facilities beginning in May of 2024. The lease agreement calls for quarterly payments ranging from \$75,000–\$112,500.

Total rental income for these and other miscellaneous rental activity for 2025 and 2024 was \$317,118 and \$139,360, respectively.

#### NOTE P--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, 2025, the contract called for quarterly installments of \$50,000 for the first two quarters. Beginning January 1, 2025, the Organization was to be reimbursed for the total employee costs incurred, totaling \$79,750, and consultancy and general human resources services of \$46,925, for a total reimbursement of \$226,675. Effective July 1, 2025, a fixed monthly fee of \$13,671 will be charged based on current employee cost with a full reconciliation of actual costs prepared and adjusted at December 31, 2025. Also, effective July 1, 2025, executive consultancy and general human resources services will be provided for a fee of \$9,000 a month through December 31, 2025. The total charged and received under this agreement for the year ended June 30, 2024, totaled \$163,000.

#### NOTE Q--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.

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### Notes to Financial Statements – Continued

#### Years Ended June 30, 2025 and 2024

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, 2025 and 2024, were as follows:

	<u>2025</u>	<u>2024</u>
Beginning of year	\$ 2,961,453	\$ 2,620,647
Contributions	11,176	-
Investment income	78,284	96,706
Net realized/unrealized gains and losses	231,054	275,348
External trust fees	(13,039)	(16,248)
Withdrawals	(10,702)	(15,000)
End of year	<u>\$ 3,258,226</u>	<u>\$ 2,961,453</u>

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

*With Donor Restrictions:* Endowment funds with donor restrictions totaled \$156,435 and \$142,211 at June 30, 2025 and 2024, respectively. The change in endowment funds with donor restrictions of \$14,224 is due to investment income earned, netted against external trust fees of \$625, and realized and unrealized losses as included in Note F.

#### NOTE R--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 Organization, 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. An Annual Distribution Amount will be granted to the Organization 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.

## BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY

### *Notes to Financial Statements – Continued*

#### *Years Ended June 30, 2025 and 2024*

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Amounts transferred to the Foundation are reported as beneficial interest in assets held by others. No additional funds were transferred into the Fund in 2025 or 2024.

#### NOTE S--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. A new contract was entered into as of August 1, 2025, in the amount of \$40,500 a month for 10 months. Beginning December 1, 2025, the number of vehicles will increase by one, increasing the monthly payment to \$44,500. On each subsequent contract anniversary date, a 4.0% rate increase will be added.

On July 15, 2024, the Organization entered into a three-year agreement with a consulting firm for major and planned giving services at an annual total cost of \$24,000. The agreement may be terminated by either party after one year from the effective date provided a 30-day written notice is given.

On August 1, 2023, 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, 2025.

On April 4, 2025, the Organization entered into a thirty-six-month agreement with an IT service provider with an initial setup fee of \$7,500 and a monthly cost of \$13,490. This agreement automatically renews for one-year terms, at one-year term rates, unless either party gives written notice of its intent not to renew at least 60 days prior to the end of the then-current term. The IT service provider reserves the right to increase fees no more often than once annually, and by no more than 10%.

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.

<i>Vesting Dates</i>	<i>Percentage</i>
July 1, 2024	50%
July 1, 2026	75%
July 1, 2028	100%

## **BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY**

### *Notes to Financial Statements – Continued*

#### *Years Ended June 30, 2025 and 2024*

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At June 30, 2025 and 2024, the Organization has recorded an estimated liability towards the vesting of the agreement of \$73,875 and \$95,000, respectively, that is included within accrued liabilities in the statements of financial position.

#### NOTE T--CONTINGENCY

The Organization had a former employee file a charge of discrimination with the Equal Employment Opportunity Commission (EEOC) on February 11, 2025, alleging termination based on their disability in violation of the Americans with Disabilities Act. The Organization filed its position statement with the EEOC in March of 2025. The charge remains pending with the EEOC.

#### NOTE U--SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 14, 2026, which is the date the financial statements were available to be issued. Based upon that evaluation, events disclosed in Notes P and S, as well as the following events are noted:

- After the close of its June 30, 2025, fiscal year the Organization completed and closed on the sale of property located at 201 N. B Street, Loudon County, TN 37771, in the amount of \$355,000.
- On August 1, 2025, the Organization entered into a two-year agreement with a local church for use of church property. The Organization will pay \$2,500 per month toward the use of the church facilities for year one. For year two, the Organization will pay \$3,000 per month. In addition, a \$10,000 yearly maintenance fee will be collected from the Organization at the beginning of each lease year.

## **SECTION II**

### **SUPPLEMENTARY INFORMATION**

## **BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY**

### ***List of Principal Officials***

***June 30, 2025***

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#### **BOARD MEMBERS**

Jerry Burnette	Chair, Board of Directors
Brad Bower	Vice Chair of Operations
Peter “Doc” Claussen	Vice Chair of Development & Board Secretary
Tracy Thompson	Vice Chair of Administration
Robin Hunley	Advisory Board Chair (N. Anderson)
Phillip Tipton	Advisory Board Chair (Blount)
Jimmy Rodefer	Advisory Board Chair (Halls/Powell)
Jeremiah Wampler	Advisory Board Chair (Loudon)
Rob Barger	Advisory Board Chair (Claiborne)

Angelique Adams  
Jim Alexander  
Robin Banks  
Kimberly Black  
Lauren Bowman  
Nathan Copeland  
John Dempster  
Paul Duncan  
Drew Everett  
Deric Frost  
Dr. Jody Goins  
Jeff Hagood  
Michelle Hardin  
Terry Henley  
Robert Hill  
Marcus Hilliard  
Dave Holladay  
Reico Hopewell  
Tim Irwin  
Tom Jensen  
Mickey Johnson  
David Jones  
Renee Kelly  
Tracy Lyash  
Chief Paul Noel  
Katie Penny  
Christy Phillips  
Heath Shuler  
Mac Stalcup  
Rick Stimac  
Wes Stowers, Jr.  
Tammy Wilson

#### **STAFF**

Bart McFadden – Chief Executive Officer  
Melissa D. Birkholz – Chief Financial Officer  
Markus Jackson – Chief Operating Officer  
Joy Wilson – Chief Human Resources Officer

## **SECTION III**

### **INTERNAL CONTROL AND COMPLIANCE SECTION**

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, 2025; 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 14, 2026.

***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 14, 2026

**BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY**

*Schedule of Expenditures of Federal Awards*

*Year Ended June 30, 2025*

<i>Grantor</i>	<i>Assistance Listing Number</i>	<i>Program Name</i>	<i>Grant Number</i>	<i>Pass-Through Grantor Agency</i>	<i>Total Expenditures</i>
<b>Federal Awards:</b>					
U.S. Department of Education	84.287C*	21st Century Grant	33109-00420	State of Tennessee Department of Education	\$ 181,879
	84.287C*	21st Century Grant	33109-23109	State of Tennessee Department of Education	312,400
	84.287C*	21st Century Grant	33109-03118	State of Tennessee Department of Education	476,085
	84.287C*	21st Century Grant	33109-05515	Boys & Girls Clubs in Tennessee through State of Tennessee Department of Education	38,792
	84.287C*	21st Century Grant	33109-00919	Boys & Girls Clubs in Tennessee through State of Tennessee Department of Education	72,321
				<b>Total 21st Century Grant</b>	<u>1,081,477</u>
<i>Trio Cluster</i>	84.044A	TRIO Talent Search	P044A210654-24	N/A	244,019
				<b>Total U.S. Department of Education</b>	<u><b>1,325,496</b></u>

*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, 2025*

<i>Grantor</i>	<i>Assistance Listing Number</i>	<i>Program Name</i>	<i>Grant Number</i>	<i>Pass-Through Grantor Agency</i>	<i>Total Expenditures</i>
U.S. Department of Health and Human Services					
	93.235	Title V Sexual Risk Avoidance Education Grant Program	34347-58522	Boys & Girls Clubs in Tennessee through State of Tennessee Department of Health	49,718
	93.558	Families First Community Based Contracts - 2 Gen	34530-71323	State of Tennessee Department of Human Services	114,214
<b>Total U.S. Department of Health and Human Services</b>					<b>163,932</b>
U.S. Department of Agriculture					
	10.558	Child and Adult Care Food Program (CACFP)	N/A	State of Tennessee Department of Human Services	352,649
	10.446	Rural Housing Service's Rural Community Development Initiative	N/A	Knoxville Leadership Foundation	1,695
<b>Total U.S. Department of Agriculture</b>					<b>354,344</b>
U.S. Department of Justice					
	16.726	Office of Justice Program	OJP-2023-53293	Boys & Girls Clubs of America	23,841
	16.726	Office of Justice Program	OJP-2023-53294	Boys & Girls Clubs of America	12,000
	16.726	Office of Justice Program	OJP-2023-53295	Boys & Girls Clubs of America	12,000
	16.726	Office of Justice Program	OJP-2023-53296	Boys & Girls Clubs of America	27,000
	16.726	Office of Justice Program	OJP-2023-53297	Boys & Girls Clubs of America	12,000

*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, 2025*

<i>Grantor</i>	<i>Assistance Listing Number</i>	<i>Program Name</i>	<i>Grant Number</i>	<i>Pass-Through Grantor Agency</i>	<i>Total Expenditures</i>
	16.726	Office of Justice Program	OJP-2023-53298	Boys & Girls Clubs of America	10,000
	16.726	Office of Justice Program	OJP-2023-53299	Boys & Girls Clubs of America	12,000
	16.726	Officer of Juvenile Justice and Delinquency Prevention	15PJDP-23-GG-01307-MENT	N/A	255,672
	16.726	STEM Mentoring Program	2021-SR-TV-010	Sea Research Foundation	1,152
	16.726	STEM Mentoring Program	2023-SR-TV-030	Sea Research Foundation	52,116
	16.726	Cal Ripken, Sr. Foundation	2024-FED-OJJDP-B4B-TN-1	Cal Ripken, Sr. Foundation	5,865
	16.726	Cal Ripken, Sr. Foundation	2025-FED-OJJDP-B4B-TN-1	Cal Ripken, Sr. Foundation	10,138
				<b>Total U.S. Department of Justice</b>	<b>433,784</b>
U.S. Department of Transportation					
	21.027	Coronavirus State and Local Fiscal Recovery Funds	34549-66204	Boys & Girls Clubs in Tennessee through State of Tennessee Department of Human Services	119,800
				<b>Total U.S. Department of Transportation</b>	<b>119,800</b>
National Endowment for the Humanities					
	45.024	National Endowment for the Arts	1927833-51-24	N/A	19,952
				<b>Total National Endowment for the Humanities</b>	<b>19,952</b>
				<b>TOTAL FEDERAL AWARDS</b>	<b>\$ 2,417,308</b>

\* 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, 2025*

<i>Grantor/Pass-Through Grantor Agency</i>	<i>Program Name</i>	<i>Grant Number</i>	<i>Expenditures</i>
<b>State Awards:</b>			
Tennessee Department of Mental Health and Substance Abuse Services	The Comprehensive Alcohol, Tobacco and Other Drug Prevention Services for Youth	82389_2024-2025_021	\$ 105,945
Tennessee Department of Education	LEAP Grant	33109-04417	132,782
	TN ALL Corps	N/A	140,848
State of Tennessee Arts Commission	Arts Program Categorical Grants: Arts Project Support	G-2401-21843	10,350
	Arts Program Categorical Grants: Arts Education Community Learning	G-2401-21846	6,500
	Arts Program Categorical Grants: Arts Builds Communities	ABDG-2406-22727	3,900
	Arts Program Categorical Grants: Arts Pathways For Youth Success	G-2401-21847	6,600
Tennessee Opioid Abatement Council	Knoxville Area Mentoring Initiative	N/A	131,868
	Opioid Prevention	N/A	85,143
	Opioid Settlement Funds Program	N/A	148,176
<b>TOTAL STATE AND OTHER FINANCIAL ASSISTANCE</b>			<b>\$ 772,112</b>

*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**

### ***Notes to Schedules of Expenditures of Federal Awards and State and Other Financial Assistance***

***Year Ended June 30, 2025***

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#### **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 these schedules 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) and the State of Tennessee Comptroller of the Treasury, respectively. Therefore, some amounts presented in the schedules may differ from amounts presented in or used in the preparation of the 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 15-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.

**BOYS & GIRLS CLUBS OF THE TENNESSEE VALLEY**

*Schedule of Findings and Questioned Costs*

*Year Ended June 30, 2025*

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**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 Federal Program:**

<i>Assistance</i>	
<u>Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.287C	21 <sup>st</sup> Century 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, 2025*

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There were no prior audit findings.

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

***Report on Compliance for Each Major Federal Program***

***Opinion on Each Major Federal Program***

We have audited the 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, 2025. 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, 2025.

***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 14, 2026