



**BOYS & GIRLS CLUBS**  
**OF THE VIRGINIA PENINSULA**

FINANCIAL REPORT

JUNE 30, 2017



ASSURANCE, TAX & ADVISORY SERVICES

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Boys & Girls Clubs of the Virginia Peninsula, Inc.  
Newport News, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Boys & Girls Clubs of the Virginia Peninsula, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of the Virginia Peninsula, Inc., as of June 30, 2017 and 2016, 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.

### **Emphasis of Matter**

As discussed in Note 13 to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 on our consideration of Boys & Girls Clubs of the Virginia Peninsula, Inc.'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys & Girls Clubs of the Virginia Peninsula, Inc.'s internal control over financial reporting and compliance.

*PB Mares, LLP*

Norfolk, Virginia  
November 13, 2017

## **FINANCIAL STATEMENTS**

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Statements of Financial Position

June 30, 2017 and 2016

ASSETS	2017			As Restated 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 6,858	\$ 51,047	\$ 57,905	\$ 402	\$ 2,502	\$ 2,904
Pledges, current portion, net	-	680,043	680,043	-	516,352	516,352
Grants receivable	227,876	284,000	511,876	195,112	284,000	479,112
Gifts In-kind receivable	-	140,689	140,689	-	-	-
Inventory	55,057	-	55,057	75,531	-	75,531
Prepaid expenses and other assets	48,661	-	48,661	12,997	-	12,997
Interfund borrowing	(115,930)	115,930	-	(122,900)	122,900	-
Total current assets	<u>222,522</u>	<u>1,271,709</u>	<u>1,494,231</u>	<u>161,142</u>	<u>925,754</u>	<u>1,086,896</u>
<b>PROPERTY AND EQUIPMENT</b>						
Land	714,260	-	714,260	714,260	-	714,260
Land and facility use rights	-	699,887	699,887	-	847,501	847,501
Buildings and improvements	6,477,900	-	6,477,900	6,464,206	-	6,464,206
Leasehold improvements	1,481,168	3,943,262	5,424,430	1,481,168	3,943,262	5,424,430
Vehicles	170,783	-	170,783	184,874	-	184,874
Equipment	191,538	-	191,538	198,738	-	198,738
Furniture and fixtures	206,628	-	206,628	216,989	-	216,989
Construction in progress	-	-	-	380	-	380
	<u>9,242,277</u>	<u>4,643,149</u>	<u>13,885,426</u>	<u>9,260,615</u>	<u>4,790,763</u>	<u>14,051,378</u>
Less accumulated depreciation and amortization	<u>4,173,549</u>	<u>929,123</u>	<u>5,102,672</u>	<u>3,805,666</u>	<u>836,004</u>	<u>4,641,670</u>
Total property and equipment	<u>5,068,728</u>	<u>3,714,026</u>	<u>8,782,754</u>	<u>5,454,949</u>	<u>3,954,759</u>	<u>9,409,708</u>
<b>OTHER ASSETS</b>						
Investment	93,049	-	93,049	94,000	-	94,000
Land held for sale	173,597	-	173,597	173,597	-	173,597
Cash surrender value of life insurance	-	-	-	1,147	-	1,147
Loan costs, net	4,720	-	4,720	5,626	-	5,626
Pledges, long-term portion, net	-	1,404,471	1,404,471	-	1,450,003	1,450,003
Total other assets	<u>271,366</u>	<u>1,404,471</u>	<u>1,675,837</u>	<u>274,370</u>	<u>1,450,003</u>	<u>1,724,373</u>
Total assets	<u>\$ 5,562,616</u>	<u>\$ 6,390,206</u>	<u>\$ 11,952,822</u>	<u>\$ 5,890,461</u>	<u>\$ 6,330,516</u>	<u>\$ 12,220,977</u>

**BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

<b>LIABILITIES AND NET ASSETS</b>	<b>2017</b>			As Restated <b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	Unrestricted	Temporarily Restricted	Total
<b>CURRENT LIABILITIES</b>						
Lines of credit	\$ 585,000	\$ -	\$ 585,000	\$ 520,000	\$ -	\$ 520,000
Current maturities of long-term debt	180,691	-	180,691	267,267	-	267,267
Current maturities of long-term capital lease	1,432	-	1,432	1,358	-	1,358
Accounts payable	107,352	-	107,352	101,884	-	101,884
Deferred revenue	139,853	-	139,853	183,777	-	183,777
Accrued expenses	<u>27,597</u>	<u>-</u>	<u>27,597</u>	<u>21,312</u>	<u>-</u>	<u>21,312</u>
Total current liabilities	<u>1,041,925</u>	<u>-</u>	<u>1,041,925</u>	<u>1,095,598</u>	<u>-</u>	<u>1,095,598</u>
<b>LONG-TERM LIABILITIES</b>						
Long-term debt, less current maturities	1,965,969	-	1,965,969	2,153,101	-	2,153,101
Long-term capital lease, less current maturities	<u>3,789</u>	<u>-</u>	<u>3,789</u>	<u>5,220</u>	<u>-</u>	<u>5,220</u>
Total long-term liabilities	<u>1,969,758</u>	<u>-</u>	<u>1,969,758</u>	<u>2,158,321</u>	<u>-</u>	<u>2,158,321</u>
Total liabilities	<u>3,011,683</u>	<u>-</u>	<u>3,011,683</u>	<u>3,253,919</u>	<u>-</u>	<u>3,253,919</u>
<b>NET ASSETS</b>	<u>2,550,933</u>	<u>6,390,206</u>	<u>8,941,139</u>	<u>2,636,542</u>	<u>6,330,516</u>	<u>8,967,058</u>
Total liabilities and net assets	<u>\$ 5,562,616</u>	<u>\$ 6,390,206</u>	<u>\$ 11,952,822</u>	<u>\$ 5,890,461</u>	<u>\$ 6,330,516</u>	<u>\$ 12,220,977</u>

See accompanying notes.

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Statements of Activities For the Years Ended June 30, 2017 and 2016

	2017			As Restated 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT</b>						
Grants	\$ 1,659,405	\$ -	\$ 1,659,405	\$ 1,790,878	\$ -	\$ 1,790,878
Contributions	950,208	518,950	1,469,158	923,676	64,500	988,176
United Way allocations	38,360	284,000	322,360	37,943	284,000	321,943
In-kind contributions	696,573	-	696,573	864,776	-	864,776
Special events (net of related expenses of \$51,841 in 2017 and \$96,255 in 2016)	<u>262,872</u>	<u>-</u>	<u>262,872</u>	<u>243,522</u>	<u>-</u>	<u>243,522</u>
Total public support	<u>3,607,418</u>	<u>802,950</u>	<u>4,410,368</u>	<u>3,860,795</u>	<u>348,500</u>	<u>4,209,295</u>
<b>OTHER REVENUE</b>						
Program services	540,707	-	540,707	483,592	-	483,592
Contract income	-	-	-	72,500	-	72,500
Membership dues	29,794	-	29,794	15,986	-	15,986
Commission income	14,118	-	14,118	14,664	-	14,664
Investment income (loss)	4,617	-	4,617	6	-	6
Gain (loss) on disposal of assets	<u>5,217</u>	<u>-</u>	<u>5,217</u>	<u>(4,781)</u>	<u>-</u>	<u>(4,781)</u>
Total other revenue	<u>594,453</u>	<u>-</u>	<u>594,453</u>	<u>581,967</u>	<u>-</u>	<u>581,967</u>
Net assets released from restrictions	<u>743,260</u>	<u>(743,260)</u>	<u>-</u>	<u>674,703</u>	<u>(674,703)</u>	<u>-</u>
Total public support and other revenue	<u>4,945,131</u>	<u>59,690</u>	<u>5,004,821</u>	<u>5,117,465</u>	<u>(326,203)</u>	<u>4,791,262</u>
<b>FUNCTIONAL EXPENSES</b>						
Program services						
Educational, social and cultural development	2,503,679	-	2,503,679	2,440,603	-	2,440,603
Health and physical development	1,928,528	-	1,928,528	1,930,814	-	1,930,814
Supporting services						
Management and general	455,336	-	455,336	455,983	-	455,983
Fundraising	<u>143,197</u>	<u>-</u>	<u>143,197</u>	<u>144,136</u>	<u>-</u>	<u>144,136</u>
Total functional expenses	<u>5,030,740</u>	<u>-</u>	<u>5,030,740</u>	<u>4,971,536</u>	<u>-</u>	<u>4,971,536</u>
Change in net assets	<u>(85,609)</u>	<u>59,690</u>	<u>(25,919)</u>	<u>145,929</u>	<u>(326,203)</u>	<u>(180,274)</u>
<b>NET ASSETS</b>						
Beginning of year, as previously reported for 2016	2,636,542	6,330,516	8,967,058	2,419,613	6,372,719	8,792,332
Adjustment to record United Way contribution in year awarded	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,000</u>	<u>284,000</u>	<u>355,000</u>
Beginning of year, as restated for 2016	<u>2,636,542</u>	<u>6,330,516</u>	<u>8,967,058</u>	<u>2,490,613</u>	<u>6,656,719</u>	<u>9,147,332</u>
End of year	<u>\$ 2,550,933</u>	<u>\$ 6,390,206</u>	<u>\$ 8,941,139</u>	<u>\$ 2,636,542</u>	<u>\$ 6,330,516</u>	<u>\$ 8,967,058</u>

See accompanying notes.



# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Statements of Functional Expenses For the Years Ended June 30, 2017 and 2016

	2017					2016				
	Educational, Social and Cultural Development	Health and Physical Development	Management and General	Fundraising	Total	Educational, Social and Cultural Development	Health and Physical Development	Management and General	Fundraising	Total
<b>SALARIES AND RELATED EXPENSES</b>										
Salaries and wages	\$ 860,946	\$ 649,856	\$ 162,464	\$ 97,478	\$ 1,770,744	\$ 869,582	\$ 664,185	\$ 166,046	\$ 99,628	\$ 1,799,441
Employee benefits	57,190	53,301	12,691	7,614	130,796	49,369	47,587	11,330	6,798	115,084
Payroll taxes	63,747	52,359	12,466	7,480	136,052	67,535	56,903	13,549	8,129	146,116
Pension expense	25,258	24,092	5,736	3,442	58,528	28,232	27,014	6,432	3,859	65,537
Total salaries and related expenses	<u>1,007,141</u>	<u>779,608</u>	<u>193,357</u>	<u>116,014</u>	<u>2,096,120</u>	<u>1,014,718</u>	<u>795,689</u>	<u>197,357</u>	<u>118,414</u>	<u>2,126,178</u>
<b>OTHER EXPENSES</b>										
Advertising	9,054	8,313	1,847	-	19,214	4,060	4,060	903	-	9,023
Depreciation and amortization	241,678	238,055	19,838	-	499,571	239,595	234,362	19,530	-	493,487
Insurance	58,368	51,649	11,478	-	121,495	56,784	51,826	11,517	-	120,127
Interest	-	-	122,573	-	122,573	-	-	129,017	-	129,017
Occupancy	111,852	99,750	8,312	-	219,914	104,078	89,048	7,420	-	200,546
Postage	3,046	3,046	3,046	3,047	12,185	1,732	1,731	1,732	1,731	6,926
Printing and publications	2,154	2,154	239	239	4,786	2,173	2,173	242	241	4,829
Professional fees	35,265	-	66,766	-	102,031	25,500	-	60,133	-	85,633
Program expenses	608,990	464,095	-	-	1,073,085	580,392	471,916	-	-	1,052,308
Rent expense	252,718	149,803	19,925	21,844	444,290	259,928	157,013	19,523	21,443	457,907
Repairs and maintenance	102,725	70,831	5,902	-	179,458	93,764	75,641	6,303	-	175,708
Supplies	12,287	8,637	960	960	22,844	13,908	8,709	968	968	24,553
Telephone	11,324	9,836	1,093	1,093	23,346	13,421	12,046	1,338	1,339	28,144
Training and conferences	12,513	12,513	-	-	25,026	8,840	8,840	-	-	17,680
Transportation	34,564	30,238	-	-	64,802	21,710	17,760	-	-	39,470
Total other expenses	<u>1,496,538</u>	<u>1,148,920</u>	<u>261,979</u>	<u>27,183</u>	<u>2,934,620</u>	<u>1,425,885</u>	<u>1,135,125</u>	<u>258,626</u>	<u>25,722</u>	<u>2,845,358</u>
Total expenses	<u>\$ 2,503,679</u>	<u>\$ 1,928,528</u>	<u>\$ 455,336</u>	<u>\$ 143,197</u>	<u>\$ 5,030,740</u>	<u>\$ 2,440,603</u>	<u>\$ 1,930,814</u>	<u>\$ 455,983</u>	<u>\$ 144,136</u>	<u>\$ 4,971,536</u>

See accompanying notes.

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	2017	As Restated 2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (25,919)	\$ (180,274)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	499,571	493,487
Donated property and equipment, investment and land held for sale	(2,000)	(320,362)
In-kind land and facility use rights	147,614	145,214
(Gain) loss on disposal of assets	(5,217)	4,781
Net realized (gain) loss on investments	951	-
Provision for bad debt	2,500	17,472
Contributions restricted for long-term purposes	(610,000)	(50,000)
Changes in assets and liabilities:		
Pledges receivable	250,391	(96,750)
Grants receivable	(32,764)	36,376
Gifts In-kind receivable	(140,689)	-
Inventory	20,474	(32,543)
Due from affiliated organization	-	122,685
Prepaid expenses and other assets	(35,664)	1,875
Accounts payable	5,468	44,314
Deferred revenue	(43,923)	(22,282)
Accrued expenses	6,285	(17,324)
Net cash used in operating activities	37,078	146,669
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Decrease in cash surrender value of life insurance	1,147	-
Purchase of property and equipment	(25,863)	(82,500)
Proceeds from sales of property and equipment	13,756	-
Net cash used in investing activities	(10,960)	(82,500)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Collection of contributions restricted for long-term purposes	238,950	397,696
Net (repayments) borrowings on lines of credit	65,000	(128,000)
Payments on capital leases	(1,358)	(868)
Payments on notes and bonds payable	(273,709)	(334,405)
Net cash provided by financing activities	28,883	(65,577)
Net increase (decrease) in cash and cash equivalents	55,001	(1,408)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,904	4,312
End of year	\$ 57,905	\$ 2,904
Cash paid for interest:		
Expensed	\$ 122,573	\$ 129,610
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES</b>		
In-kind donations	\$ 696,573	\$ 864,776
Property and equipment acquired through capital lease	\$ -	\$ 7,339

See accompanying notes.

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### **NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### *Nature of Organization*

Boys & Girls Clubs of the Virginia Peninsula, Inc., (the Organization), is a charitable non-profit organization formed on December 15, 1944 as a Virginia non-stock corporation. The Organization's purpose is to promote the health and well-being of the boys and girls in the cities of Newport News, Hampton and Williamsburg and the counties of York, Gloucester, Mathews, and surrounding areas. The mission of the Organization is to inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible, and caring citizens.

The Organization provides year round youth development programs for over 6,000 youth at 11 club facilities and the Workforce Development Center spanning the Peninsula and surrounding communities. In an effort to diversify their revenue and provide Workforce Development training for youth, the Organization operates two Thrift Stores currently in Newport News and Hampton. Management of the Organization continues to focus on providing hope and opportunity for youth and strives to strategically manage its assets and resources to ensure the preservation of all of its youth development programs. The Board, Executive and Strategic Finance Committees are focused on a strategic direction to lead the organization through this challenging environment. The Organization is in the silent phase of a comprehensive campaign which will focus on operating revenue, capital improvements, debt reduction and endowment.

The Organization constructed and operates a Youth Development Park in the City of Newport News that benefits youth and families in the community. The Youth Development Park's goals are to provide an opportunity to build new enthusiasm for youth prevention programs while deterring juvenile crime and violence and build understanding, acceptance, and appreciation of the Boys & Girls Club program throughout the Virginia Peninsula.

#### *Financial Statement Presentation*

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Organizations, Presentation of Financial Statements*, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(Continued)

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### **NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Unrestricted net assets include expendable funds available for support of the Organization's operations. Temporarily restricted net assets include expendable funds available for the support of the Organization's operations as directed by donors or grant agents and administrators, long-term pledges of cash payments and in-kind use of land and facilities designated for future years. The Organization does not have any permanently restricted net assets.

#### *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 the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

For purposes of reporting the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

#### *Investments*

Investments are reported at fair value in the statements of financial position. Unrealized gains or losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

#### *Pledges Receivable*

In accordance with ASC 958-605 *Not-for-Profit Organizations, Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, and permanently restricted support depending on the existence or nature of any donor restrictions.

(Continued)

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions are recognized when the donor makes a pledge to the Organization that is, in substance, unconditional. Unconditional contributions that are expected to be collected in more than one year are reported at fair value initially and at net realizable value thereafter. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, or is otherwise satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization's policy is to write-off pledges when deemed uncollectible.

#### *Grants Receivable*

Grants receivable consist of qualified expenditures incurred and/or services provided which have not yet been reimbursed. Based on past collection experience and management's analysis of grants receivable, no allowance has been made for uncollectible grants receivable in the accompanying financial statements for the years ending June 30, 2017 and 2016. The Organization's policy is to write-off grants receivable when deemed uncollectible.

#### *Property and Equipment*

It is the Organization's policy to capitalize property and equipment expenditures over \$800 with a useful life of more than one year. Lesser amounts are expensed. Property and equipment is recorded at cost if purchased. Depreciation and amortization is provided on the straight-line method over the estimated useful lives of the related assets. Donated assets are recognized in the accompanying financial statements at their estimated fair values on the date they are received.

#### *Property and Equipment (Concluded)*

During 2017 and 2016 the Organization received \$2,000 and \$52,765 respectively, of donated property and equipment. The estimated useful lives of property and equipment are as follows:

	<u>Years</u>
Building and improvements	15 – 40
Leasehold improvements	19 – 27.5
Land and facility use rights	5 – 27.5
Vehicles	5
Equipment	3 – 7
Furniture and fixtures	7

Construction in progress of \$0 and \$380 as of June 30, 2017 and 2016, was for a concession facility at the Youth Development Park, located in Newport News, Virginia.

(Continued)

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### **NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Land Held for Sale***

Land held for sale consists of land donated to the Organization and is recorded at fair value upon receipt and net realizable value thereafter. Gains or losses recognized upon sale are included in the statements of activities.

#### ***Impairment of Long-Lived Assets***

Long-lived assets, including land held for sale, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is measured by comparing the carrying value of an asset versus the fair value of the asset. If the carrying value is more than the fair value of an asset, an impairment loss is recognized. The Organization's estimate of fair values is based on the best information available and requires the use of estimates, judgment and projections as considered necessary. The actual results may vary significantly. As of June 30, 2017 and 2016, respectively, no impairment loss has been recognized.

#### ***Loan Costs***

The Organization capitalizes loan costs and amortizes the balance over the life of the related loan using the straight-line method. Amortization expense for the years ended June 30, 2017 and 2016 was \$907 and \$907, respectively. Accumulated amortization at June 30, 2017 and 2016 was \$6,546 and \$5,640, respectively.

#### ***Land and Facility Use Rights***

Land and facility use rights are temporarily restricted assets that consist of long-term in-kind lease agreements for the lease of land and facilities. These agreements are for initial terms of five years or more. The land and facility use rights are capitalized and valued at the present value of the in-kind contribution over the life of the related leases. In subsequent years the rights are released from restriction by the in-kind expense relating to the use of the asset for the year. The in-kind contribution for the land and facility use rights is recognized in the year the lease agreement is entered into and in subsequent years for changes in present value reported in the statements of activities.

(Continued)

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### **NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Income Taxes***

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accounting Standards Codification 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization's management has evaluated the impact of the standard to its financial statements. Management is not aware of any material uncertain tax positions, and has not accrued the effect of any uncertain tax positions as of June 30, 2017. The Organization's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed. With few exceptions, the Organization is no longer subject to income tax examinations by federal, state or local tax authorities for years before 2013. The Organization recognizes interest and penalties incurred, if any, related to income tax positions as other interest expense and penalties expense, respectively.

#### ***Deferred Revenue***

Deferred revenue consists of unearned membership dues and unearned program services fees paid in advance for the upcoming year and for grant services which have not yet been provided.

#### ***Revenue Recognition***

Membership dues, program service fees, and sales to public are recorded as services are performed and revenues are earned. Grant revenue is recognized as qualified expenditures are incurred and/or services are provided.

#### ***Advertising***

Advertising costs are expensed as incurred by the Organization and totaled \$19,214 and \$9,023 for the years ended June 30, 2017 and 2016, respectively.

#### ***Donated Materials, Services and Facilities***

Donated materials are recorded at their fair market value on the date of gift as determined by independent appraisal for significant items. The Organization conducts its administration and many of its Club programs in donated facilities. The value of these donations has been included in the accompanying financial statements as both an in-kind contribution and rent expense. During 2017 and 2016, the Organization received \$471,213 and \$302,529 of donated materials and services, and \$2,000 and \$320,362 of donated land and facilities use, respectively. The Organization's thrift stores receive considerable non-cash contributions of furniture, household items, and

(Continued)

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

other materials used for re-sale. The total value of items donated and sold for the years ended June 30, 2017 and 2016 was \$217,687 and \$243,177, respectively. Donated value of Thrift Stores' goods are estimated based on expected sales price. The year-end value of thrift store items donated in inventory as of June 30, 2017 and 2016 was \$55,057 and \$75,531, respectively. These donations have been included in the accompanying financial statements as an in-kind donation and an inventory asset.

No amounts have been reflected in the financial statements for donated volunteer services in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and special events.

#### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities 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 benefited.

#### *Reclassifications*

Certain reclassifications have been made to the 2016 balances to conform to the 2017 presentation. These reclassifications had no effect on the previously reported change in net assets.

#### *Recent Pronouncements*

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. In ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. This ASU requires a modified retrospective transition approach, which includes a number of optional practical expedients, described in ASU 2016-02, which may be applied. The ASU is effective for fiscal years beginning after December 15, 2019. The impact of the new standard has not been determined, however it is expected that there will be an increase in the Organization's assets and liabilities.

(Continued)



# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Concluded)

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, intended to improve financial reporting for a not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statement of activities. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, and functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early application is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While this ASU will change the presentation of the Organization's financial statements it is not expected to alter the Organization's reported financial position or activities.

### NOTE 2. INVESTMENT

The Organization received an ownership interest in a limited liability company that is recorded at an estimated fair value of \$93,049 as of June 30, 2017 and \$94,000 as of June 30, 2016. This investment is carried at fair value determined at the date of the statements of financial position. Income from investments, including unrealized gains and losses, is accounted for as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets, depending upon the nature of related donor restrictions, if any.

Investments consist of:

	<u>2017</u>	<u>2016</u>
Minority interest in		
Governors Green Associates, L. L. C.	<u>\$ 93,049</u>	<u>\$ 94,000</u>
	<u>\$ 93,049</u>	<u>\$ 94,000</u>

The Organization implemented ASC 820-10, *Fair Value Measurements and Disclosures*. Pursuant to ASC 820-10, the three levels of valuation hierarchy are as follows:

**Level 1** - Valuation is based on quoted prices in active markets for identical assets and liabilities.

**Level 2** - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

(Continued)

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### NOTE 2. INVESTMENT (Concluded)

**Level 3** - Valuation is based on unobservable inputs that are significant to the fair value measurement.

As of June 30, 2017 and June 30, 2016, the Organization's only investment was valued using level 3 inputs.

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 94,000	\$ -
Addition	-	94,000
Distributions	-	-
Gain (loss)	<u>(951)</u>	<u>-</u>
Ending balance	<u>\$ 93,049</u>	<u>\$ 94,000</u>

### NOTE 3. PLEDGES RECEIVABLE

The Organization has fundraising campaigns to fund construction of new clubs, the Youth Development Park and on-going operations.

Long-term pledges receivable are initially recorded by the Organization at fair value using level 3 inputs and at net realizable value thereafter. The present value technique is the primary input for this valuation and other inputs include an analysis of the donor's payment history, relationship with the donor, the donor's creditworthiness and other factors. There were no changes in valuation techniques used in valuing long-term pledges during the years ended June 30, 2017 and 2016. A discount rate of 2.0% was used in calculating the present value of long-term pledges as of June 30, 2017 and 2016.

The table below presents information about the changes in pledges to give for the years ended June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 2,066,477	\$ 2,380,333
New promises received	690,000	260,000
Collections	(582,434)	(556,384)
Pledges written off	<u>(2,500)</u>	<u>(17,472)</u>
Ending balance	<u>\$ 2,171,543</u>	<u>\$ 2,066,477</u>

(Continued)

**BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.**

## Notes to Financial Statements

June 30, 2017 and 2016

**NOTE 3. PLEDGES RECEIVABLE (Continued)**

All recorded pledges receivable are unconditional. At June 30, 2017 and 2016, pledges receivable are as follows:

	<b>2017</b>		
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
Receivable in less than one year	\$ -	\$ 680,043	\$ 680,043
Receivable in one to five years	-	931,500	931,500
Receivable in more than five years	-	<u>560,000</u>	<u>560,000</u>
Total unconditional pledges	-	2,171,543	2,171,543
Less allowance for uncollectible pledges	-	(10,528)	(10,528)
Less discount to net present value	-	<u>(76,501)</u>	<u>(76,501)</u>
Net unconditional pledges receivable	<u>\$ -</u>	<u>\$ 2,084,514</u>	<u>\$ 2,084,514</u>
	<b>2016</b>		
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
Receivable in less than one year	\$ -	\$ 516,352	\$ 516,352
Receivable in one to five years	-	1,227,125	1,227,125
Receivable in more than five years	-	<u>323,000</u>	<u>323,000</u>
Total unconditional pledges	-	2,066,477	2,066,477
Less allowance for uncollectible pledges	-	(13,028)	(13,028)
Less discount to net present value	-	<u>(87,094)</u>	<u>(87,094)</u>
Net unconditional pledges receivable	<u>\$ -</u>	<u>\$ 1,966,355</u>	<u>\$ 1,966,355</u>

(Continued)

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### NOTE 3. PLEDGES RECEIVABLE (Concluded)

During the years ending June 30, 2017 and 2016, \$2,500 and \$17,472, respectively, of pledges receivable were deemed uncollectible and written off against the allowance. Allowances of \$10,528 and \$13,028 have been recorded for uncollectible pledges as of June 30, 2017 and 2016, respectively.

### NOTE 4. LINES OF CREDIT

The Organization has a \$450,000 unsecured line of credit with Towne Bank with monthly interest payable at the Wall Street Journal Prime Rate (4.25% at June 30, 2017 and 3.50% at June 30, 2016, respectively), carrying a minimum interest rate of 5.00%. The outstanding balance of this line of credit as of June 30, 2017 and 2016 was \$135,000 and \$30,000, respectively. The line matured on March 22, 2017 and was extended until March 22, 2018.

The Organization has a \$500,000 unsecured line of credit with Sonabank (formerly Eastern Virginia Bank) with monthly interest payable at a variable rate equal to the Wall Street Journal Prime Rate (4.25% at June 30, 2017 and 3.50% at June 30, 2016). The outstanding balance of this line of credit as of June 30, 2017 and 2016 was \$450,000 and \$490,000, respectively. The line matured on May 9, 2016 and was extended until October 1, 2018.

### NOTE 5. LONG-TERM LIABILITIES

Long-term debt and related current maturities at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Mortgage payable to Towne Bank, monthly payments of \$2,880, including principal and interest at 5%, collateralized by a first deed of trust on 12749 Nettles Drive, Newport News, Virginia, due February 28, 2031.	\$ 340,164	\$ 357,010
Mortgage payable to Towne Bank, monthly payments of \$2,996, including principal and interest at 5%, collateralized by a first deed of trust on 429 Thorncliff Drive, Newport News, Virginia, due April 28, 2032.	372,265	388,878

(Continued)

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### NOTE 5. LONG-TERM LIABILITIES (Continued)

	<u>2017</u>	<u>2016</u>
Loan payable to Towne Bank, \$50,000 principal curtailments due semiannually beginning December 31, 2015 plus interest at 3.25%, collateralized by an assignment of comprehensive campaign pledges and accounts, due June 15, 2019.	<u>\$ 552,980</u>	<u>\$ 686,980</u>
	<u>1,265,409</u>	1,432,868
Less current maturities	<u>135,691</u>	<u>167,954</u>
	<u>\$ 1,129,718</u>	<u>\$ 1,264,914</u>

In April 2009, the Organization entered into agreements with the County School Board of York County, Virginia (the Board) where the Organization agreed to provide development and construction related services in connection with the construction of a new facility attached to Yorktown Middle School. The Organization agreed to fund the cost of construction, with a portion of the costs to be paid by the Board as outlined in the agreements (\$1,172,000, which was received in August 2010). Upon completion of the project, ownership of the facility was transferred to the Board and is now operated as a joint use facility by the Board and the Organization. Pursuant to the agreements, the Organization is granted use of the newly constructed facilities at no charge through the maturity date of the related bond financing discussed below. The estimated fair market value of the in-kind rent approximated the cost of constructing the new facility and is included in leasehold improvements in the accompanying statements of financial position as temporarily restricted. On an annual basis, net assets are released from restriction equal to the depreciation of this asset which approximates the fair market value of the in-kind rent and totaled \$143,570 and \$143,570 for the years ended June 30, 2017 and 2016, respectively.

In July 2009, the Organization entered into an agreement with the Economic Development Authority of York County, Virginia, under which the authority issued a \$3 million variable rate bank-qualified tax-exempt bond. During 2009 and 2010, the proceeds were used to finance the construction of the 23,900 square foot facility in York County noted above. At June 30, 2017 and 2016, the balance outstanding on the bond was \$881,250 and \$987,500, respectively. Principal payments of \$12,500, plus interest were due monthly until January, 2017. Principal payments of \$3,750, plus interest are due monthly until the principal is paid. The initial interest rate on the bond issue is 4.40% and will adjust every five years. Ninety months from the origination of the bond, the remaining \$750,000 principal balance will be amortized over a 20 year period. The bond is secured by a first deed of trust on several parcels

(Continued)

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### NOTE 5. LONG-TERM LIABILITIES (Concluded)

of real estate, property and improvements, all furniture, fixtures, and equipment and all pledges receivable. The bond payable agreement contains certain financial covenants pertaining to debt service coverage and minimum net assets. As of June 30, 2017, the debt service coverage requirement was waived by the lender.

The Organization is subject to certain covenants associated with the loan payable to Towne Bank.

Aggregate maturities of notes and bond payable at June 30, 2017 are as follows:

2018	\$	180,691
2019		535,497
2020		84,436
2021		86,454
2022		88,575
Thereafter		<u>1,171,007</u>
	\$	<u>2,146,660</u>

In November 2015, the Organization acquired a Sharp copier under the provision of a long-term capital lease. This lease requires monthly payments of \$139 consisting of principal and interest at a rate of 5.28%, and is included in the accompanying financial statements as a component of property and equipment.

Future minimum lease payments under this capital lease obligation as of June 30, 2017 are as follows:

2018	\$	1,673
2019		1,673
2020		1,673
2021		<u>697</u>
		5,716
Less amount attributable to interest		<u>495</u>
Present value of lease payments		5,221
Less current portion		<u>1,432</u>
Long-term capital lease obligation	\$	<u>3,789</u>

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### NOTE 6. LAND AND FACILITY USE RIGHT LEASES

In conjunction with the Cal Ripken, Sr. Foundation, the Organization constructed a Youth Development Park in Newport News, Virginia. The cost of the park is included in leasehold improvements in the accompanying statements of financial position as an unrestricted asset. The Organization leases land from the Newport News School Board under a 20 year lease agreement dated June 17, 2014 for the Youth Development Park for \$1 for the entire lease term. The in-kind lease of the land over 20 years is included in the accompanying statements of financial position as land and facility use rights and is temporarily restricted.

In addition, the Organization entered into three long term leases that provide for future in-kind rent of facilities. The present value of future in-kind rents is included in the accompanying statements of financial position as land and facility use rights and is temporarily restricted. The Organization also receives in-kind rent for a facility attached to Yorktown Middle School as more fully described in Note 6.

Temporarily restricted net assets related to long term in-kind use of land and facilities are released from restriction as the land and facilities are used pursuant to the related leases and totaled \$147,614 and \$145,107 for the years ended June 30, 2017 and 2016, respectively.

The Organization rents the Youth Development Park pursuant to rental agreements. The Organization rents the Youth Development Park under hourly or weekly rental rates. The Youth Development Park is only rented for youth activities consistent with the mission of Boys & Girls Clubs of the Virginia Peninsula and the Cal Ripken, Sr. Foundation to help build character and teach critical life lessons to disadvantaged young people through sports programs and related activities. Rental income received during the years ended June 30, 2017 and 2016 was \$14,850 and \$10,439, respectively.

Future in-kind lease rent expenses are as follows:

2018	\$	311,047
2019		296,167
2020		196,556
2021		174,900
2022		174,900
Thereafter		<u>2,469,250</u>
	\$	<u>3,622,820</u>

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### NOTE 7. PENSION PLAN

The Organization sponsors a 403(b) Thrift Plan for eligible employees. The plan requires employees to be at least 21 years old, work 30 hours or more a week, and complete one year of service to be eligible to participate. Total pension expense for the years ended June 30, 2017 and 2016 was \$58,528 and \$65,537, respectively.

### NOTE 8. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2017 and 2016, members of the Board of Directors contributed \$249,274 and \$315,494 respectively to the Organization. At June 30, 2017 and 2016, pledges totaling \$328,753 and \$399,977, respectively were outstanding from members of the Board of Directors. In addition, members of the Board donated \$85,895 and \$144,518 in materials and \$27,768 and \$27,768 of facility use for the years ended June 30, 2017 and 2016, respectively, to the Organization.

The Boys & Girls Clubs of the Virginia Peninsula Foundation, Inc. (the Foundation) is a non-profit organization formed to manage and develop financial resources in support of programs that are similar to that of the Organization. During the years ended June 30, 2017 and 2016, the Organization received from the Foundation \$432,353 and \$444,964, respectively, from the proceeds of various contributions and fundraising events to support the core education programs of the 11 clubs. At June 30, 2017 and 2016, no amount was due from the Foundation.

In addition, the Foundation has a policy whereby the Foundation may grant to the Organization semi-annually, 4.5% of the average asset value of non-donor designated funds for the preceding 12 quarters or the number of quarters the fund has been in existence if less than 12. This policy became effective in April 2008. The Foundation paid \$110,044 and \$104,282, respectively, to the Organization during the fiscal years ended June 30, 2017 and 2016.

During the years ended June 30, 2017 and 2016, the Organization paid \$15,924 and \$15,067, respectively to a related party for internet and related services. At June 30, 2017 and 2016, \$152 and \$0, respectively, was due to this related party. Also, during the years ended June 30, 2017 and 2016, the Organization paid \$13,151 and \$84,918, respectively to a related party for maintenance services. At June 30, 2017 and 2016, \$832 and \$7,745, respectively was due to this related party. A related party leased a facility to the Organization beginning December 1, 2012. The Organization during the fiscal years ended June 30, 2017 and 2016, paid \$22,915 and \$22,915, respectively, for the leased property.

(Continued)



# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### NOTE 8. RELATED PARTY TRANSACTIONS (Concluded)

On May 1, 2015, the Organization entered into a Management Agreement with the Boys & Girls Clubs of Southeast Virginia, Inc. for a term of two years, to provide executive leadership and operational support to the Boys & Girls Clubs of Southeast Virginia, Inc. The annual management fee is \$60,000, payable in monthly installments of \$5,000. The agreement was terminated effective June 30, 2016.

### NOTE 9. RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Pledges restricted for future use	\$ 1,120,190	\$ 1,018,865
Pledges restricted for various purposes	964,324	947,490
Contribution restricted for future use	284,000	284,000
Gifts in-kind, restricted for purpose and time	140,689	-
Property and equipment restricted for various purposes and future use	3,714,026	3,954,759
Cash restricted for debt payments	51,047	2,502
Funds restricted for future use advanced for current operations	<u>115,930</u>	<u>122,900</u>
Ending balance	<u>\$ 6,390,206</u>	<u>\$ 6,330,516</u>

### NOTE 10. CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash balances and overnight investments. The Organization maintains operating accounts that at various times may be in excess of the current \$250,000 limit of federal insurance with one financial institution.

In 2017 and 2016, 26% and 23%, respectively, of the Organization's public support was derived from the federal government. Receivables from this source are \$166,472 and \$109,146 at June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, 70% of the Organization's pledges receivable were due from four donors, respectively. Pledge receivables from these donors were \$1,510,000 and \$1,455,000 at June 30, 2017 and 2016, respectively. In addition, the Organization's revenue sources are concentrated in the Virginia Peninsula region.

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Notes to Financial Statements

June 30, 2017 and 2016

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### NOTE 11. COMMITMENTS

The Organization leases a facility located in Newport News where the Organization operates a Thrift shop. The lease agreement is non-cancelable and requires minimum annual rentals. Future minimum lease payments are as follows:

2018	\$	52,920
2019		55,566
2020		<u>58,344</u>
	\$	<u>166,830</u>

### NOTE 12. RESTATEMENT

The 2016 financial statements have been restated to correct the recognition of United Way allocations support as contributions rather than exchange transactions. This correction effects the timing of the revenue recognized. As a result, the following amounts have been restated for 2016:

	<u>Previously Reported</u>	<u>As Restated</u>
United Way allocations support	\$ 392,943	\$ 321,943
Change in net assets	\$ (109,274)	\$ (180,274)
Net assets, beginning of year	\$ 8,792,332	\$ 9,147,332
Net assets, end of year	\$ 8,683,058	\$ 8,967,058

### NOTE 13. SUBSEQUENT EVENTS

The Organization has evaluated all events subsequent to June 30, 2017 through November 13, 2017, which is the date these financial statements were available to be issued. The Organization has determined that except as noted below, there are no subsequent events that require disclosure pursuant to the FASB Accounting Standards Codification.

Subsequent to year end, the Organization's board of directors voted to cease all thrift store operations effective November 1, 2017. The thrift store located in Hampton will be repurposed into a Boys and Girls club.

In addition, the line of credit with Sonabank included in Note 4 was extended to October 1, 2018.

## **SUPPLEMENTAL INFORMATION**

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Justice</b>			
The Office of Justice Programs			
Passed through Boys & Girls Clubs of America			
OJP MENTORING AT-RISK-41593	16.726	OJP-2014-35586	\$ 5,745
OJP MENTORING AT-RISK-41594 BGCA	16.726	OJP-2014-35587	4,943
OJP MENTORING AT-RISK-41595 BGCA	16.726	OJP-2014-35588	6,361
OJP MENTORING AT-RISK-41596 BGCA	16.726	OJP-2014-35589	4,941
OJP MENTORING AT-RISK-41597 BGCA	16.726	OJP-2014-35590	6,301
OJP MENTORING AT-RISK-41598 BGCA	16.726	OJP-2014-35591	8,624
OJP MENTORING AT-RISK-41599 BGCA	16.726	OJP-2014-35592	11,084
OJP MENTORING AT-RISK-41600 BGCA	16.726	OJP-2014-35593	10,585
OJP MENTORING AT-RISK-41601 BGCA	16.726	OJP-2014-35594	11,879
OJP MENTORING AT-RISK-41602 BGCA	16.726	OJP-2014-35595	10,716
OJP MILITARY YOUTH-41603 BGCA	16.726	OJP-2014-35596	3,845
OJP MILITARY YOUTH-41604 BGCA	16.726	OJP-2014-35597	3,546
OJP MILITARY YOUTH-41605 BGCA	16.726	OJP-2014-35598	3,056
OJP MILITARY YOUTH-41606 BGCA	16.726	OJP-2014-35599	2,867
OJP GANG PREVENTION-40230 BGCA	16.726	OJP-2014-35601	14,677
OJP MENTORING AT-RISK-37118 BGCA	16.726	OJP-2014-35602	4,000
OJP MENTORING AT-RISK-37119 BGCA	16.726	OJP-2014-35603	5,000
OJP MENTORING AT-RISK-37120 BGCA	16.726	OJP-2014-35604	6,000
OJP MENTORING AT-RISK-37121 BGCA	16.726	OJP-2014-35606	6,000
OJP MENTORING AT-RISK-37122 BGCA	16.726	OJP-2014-35746	6,000
OJP MENTORING AT-RISK-37123 BGCA	16.726	OJP-2014-35747	8,000
OJP MENTORING AT-RISK-37124 BGCA	16.726	OJP-2014-35607	8,000
OJP MENTORING AT-RISK-37125 BGCA	16.726	OJP-2014-35608	8,000
OJP MENTORING AT-RISK-37126 BGCA	16.726	OJP-2014-35609	10,000
OJP MENTORING AT-RISK-37127 BGCA	16.726	OJP-2014-35610	10,000
OJP MENTORING AT-RISK-37128 BGCA	16.726	OJP-2014-37128	10,000
Passed through Sea Research Foundation			
Creature Craze Program	16.726	2015-OJJDP-STEM-17	3,300
Stem Mentoring Program	16.726	2016-OJJDP-STEM-40	9,137
			202,607
<b>U.S. Department of Health and Human Services</b>			
Passed through the Mathews County Department of Social Services			
The Virginia Initiative for Employment not Welfare	93.575	QI	8,250
Passed through the Boys & Girls Clubs Virginia Alliance			
Temporary Assistance for Needy Families (TANF)	93.558	BEN-17-013	185,020
			193,270

See Notes to Schedule of Expenditures of Federal Awards.

**BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

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<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Newport News Redevelopment & Housing Authority			
The Community Development Block Grant Program	<b>14.218</b>	CDBG	\$ <u>76,000</u>
<b>U.S. Department of Agriculture</b>			
Pass-through from Virginia Department of Health			
Summer Food Service Program	<b>10.559</b>	SFSP	214,974
Pass-through from Virginia Department of Health			
Child and Adult Care Food Program	<b>10.558</b>	CACFP	<u>452,383</u>
			<u>667,357</u>
<b>Corporation for National and Community Service</b>			
Volunteers in Service to America Program-Americorps	<b>94.013</b>	13VSSVA002	5,000
Volunteers in Service to America Program-Americorps - Members In-Kind	<b>94.013</b>	13VSSVA002	<u>22,704</u>
			<u>27,704</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>1,166,938</u></b>

See Notes to Schedule of Expenditures of Federal Awards.

# **BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.**

## **Notes to Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2017**

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### **NOTE A. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Boys & Girls Clubs of the Virginia Peninsula, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

### **NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

During the year ended June 30, 2017, the Organization did not pass through any federal awards to subrecipients.

Included in the Schedule is non-cash federal assistance in the form of in-kind compensation. A federal agency pays for two program staff as part of the Volunteers in Service to America/Americorps program. The amount included in the Schedule is provided by the federal agency.



**INDEPENDENT AUDITOR’S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Boys & Girls Clubs of the Virginia Peninsula, Inc.  
Newport News, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boys & Girls Clubs of the Virginia Peninsula, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 November 13, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (Finding 2017-001).

### **Compliance and Other Matters**

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

### **Boys & Girls Clubs of the Virginia Peninsula, Inc.'s Response to the Finding**

Boys & Girls Clubs of the Virginia Peninsula, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Boys & Girls Clubs of the Virginia Peninsula, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PB Mares, LLP*

Norfolk, Virginia  
November 13, 2017





**INDEPENDENT AUDITOR’S REPORT ON  
COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Boys & Girls Clubs of the Virginia Peninsula, Inc.  
Newport News, Virginia

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

We have audited Boys & Girls Clubs of the Virginia Peninsula, Inc.’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Boys & Girls Clubs of the Virginia Peninsula, Inc.’s major federal programs for the year ended June 30, 2017. Boys & Girls Clubs of the Virginia’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Boys & Girls Clubs of the Virginia Peninsula, Inc.’s compliance.

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

In our opinion, Boys & Girls Clubs of the Virginia Peninsula, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

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

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

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

### **Purpose of this Report**

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.

*PB Mares, LLP*

Norfolk, Virginia  
November 13, 2017

**BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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**Section I-Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses?   X   Yes        No

Noncompliance material to financial statements noted?        Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiencies identified that are not considered to be material weakness(es)?        Yes   X   No

Type of auditor's report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?        Yes   X   No

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.559	USDA Summer Food Service Program
10.558	USDA Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: \$   750,000  

Auditee qualified as low-risk auditee?        Yes   X   No

# BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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### Section II-Financial Statement Findings

#### **Finding 2017-001: Revenue recorded in incorrect period – Significant Deficiency**

**Criteria:** Contribution revenue should be reported in the period in which Boys and Girls Clubs of the Virginia Peninsula, Inc. is notified of the unconditional promise to give.

**Condition:** United Way allocation revenue treated as an exchange transaction rather than as an unconditional promise to give, resulting in a timing difference of when the revenue was recognized.

**Context:** We noted during our testing of grant awards that notification of funding from United Way is typically received in May each year. Upon review of the agreement with management, it was determined this funding should be treated as a contribution rather than an exchange transaction.

**Effect:** The 2016 change in net assets was understated by \$71,000 and the 2016 net assets were understated \$284,000 for financial statement reporting.

**Cause:** Lack of understanding and controls related to identifying revenue properly as contributions rather than exchange transactions leading to the donation being recorded later than at the time of the notification of award. This has been the subject of inconsistencies in not-for-profit financial reporting overall and the Financial Accounting Standards Board has recently released an exposure draft of new guidance to address this matter.

**Recommendation:** We recommend that management implement procedures and controls to ensure that all revenue is reported in the proper period and evaluate each source of funding for treatment as a contribution or an exchange transaction.

**Management's**

**Response:** Management concurs with the finding. See management's corrective action plan.

### Section III-Federal Award Finding and Questioned Costs

No findings noted.

**BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.**  
Management's Corrective Action Plan  
June 30, 2017

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**Finding 2017-001: Revenue recorded in incorrect period – Significant Deficiency**

United Way allocation revenue treated as an exchange transaction rather than as an unconditional promise to give, resulting in a timing difference of when the revenue was recognized.

Action to be Taken: Management will implement procedures and controls to ensure that all revenues are reported in the proper period. Specifically, all revenues will be evaluated to identify them properly as a contribution or an exchange transaction.

Contact Person: Hal Smith, President & CEO

Anticipated  
Completion Date: October 2017

**BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.**

Summary Schedule of Prior Year Findings

Year Ended June 30, 2017

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**Section II-Financial Statement Findings**

**Finding 2016-001: Revenue and expenses recorded in incorrect period – Significant Deficiency**

Expenses incurred in June 2015 for the USDA grants and the related revenue were recorded in July 2015.

Management's

Response: Management concurred with the finding. Management implemented procedures and controls to ensure that all expenses and revenues are accrued on a monthly basis as necessary. Specifically, supporting invoices and program reports received in subsequent months are reviewed and accruals made as necessary to reflect the expenses and revenues in the correct reporting period.

Status: Management's corrective action plan was implemented during the current year.

**Section III-Federal Award Finding and Questioned Costs**

No prior year findings noted.