BOYS & GIRLS CLUBS
OF THE VIRGINIA PENINSULA

Financial Statements and Supplementary Information

Years Ended June 30, 2019 and 2018

DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

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

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, 2019 and 2018, and the related statement of activities and the statement of functional expenses for the year ended June 30, 2019, and the statements of cash flows for the year ended June 30, 2019 and 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 2019 and 2018, and the change in its net assets for the year ended and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Organization adopted FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities* in 2019. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) 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 schedule of expenditures of federal awards 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 May 28, 2020, on our consideration of Boys & Girls Clubs of 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 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 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 Virginia Peninsula Inc.'s internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Norfolk, Virginia
May 28, 2020

Boys & Girls Clubs of the Virginia Peninsula, Inc.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,122	$ 10,573
Promises to give, current portion, net	762,230	588,699
Grants receivable	484,370	832,767
Gifts in-kind receivable	-	252,000
Unbilled receivables	5,860	-
Prepaid expenses and other assets	28,662	43,963
Total current assets	1,282,244	1,728,002
Promises to give, long-term portion, net	1,144,470	1,347,313
Investment	89,182	90,272
Property and equipment, net	7,974,921	8,288,936
Land held for sale	173,597	173,597
Total assets	$ 10,664,414	$ 11,628,120
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 219,180	$ 191,132
Deferred revenue	76,363	86,604
Accrued expenses	138,570	55,625
Line of credit	500,000	775,000
Current portion of long-term debt	98,954	132,879
Current portion of long-term capital lease	292	1,432
Total current liabilities	1,033,359	1,242,672
Long-term liabilities:		
Long-term debt, net of unamortized debt issuance costs, less current portion	2,180,191	1,829,768
Long-term capital lease, less current maturities	1,986	2,357
Total long-term liabilities	2,182,177	1,832,125
Total liabilities	3,215,536	3,074,797
Net assets:		
Withour donor restrictions	1,841,834	2,253,992
With donor restrictions	5,607,044	6,299,331
Total net assets	7,448,878	8,553,323
	$ 10,664,414	$ 11,628,120

Boys & Girls Clubs of the Virginia Peninsula, Inc.
Statement of Activities
Year Ended June 30, 2019 with Comparative Totals for 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Public support:				
Grants	$ 416,925	$ 878,000	**$ 1,294,925**	$ 1,815,297
Contributions	1,153,258	-	**1,153,258**	1,402,942
United Way allocations	88,630	648,000	**736,630**	331,096
In-kind contributions	334,441	-	**334,441**	709,667
Special events (net of related expenses of $117,992 and $79,112 in 2019 and 2018, respectively)	267,490	-	**267,490**	315,806
Total public support	2,260,744	1,526,000	**3,786,744**	4,574,808
Other revenue:				
Program services	265,181	-	**265,181**	435,920
Membership dues	24,777	-	**24,777**	25,314
Commission income	14,625	-	**14,625**	12,685
Gains on disposal of assets	2,279	-	**2,279**	-
Investment and other income	3,504	-	**3,504**	3,071
Total other revenue	310,366	-	**310,366**	476,990
Net assets released from restrictions	2,218,287	(2,218,287)	**-**	-
Total public support and other revenue	4,789,397	(692,287)	**4,097,110**	5,051,798
Functional expenses:				
Program services				
Educational, social and cultural development	2,434,349	-	**2,434,349**	2,515,503
Health and physical development	1,856,706	-	**1,856,706**	2,230,214
Supporting services				
Management and general	624,324	-	**624,324**	469,866
Fundraising	258,299	-	**258,299**	198,855
Unallocated payments to affiliated organizations	27,877	-	**27,877**	25,176
Total functional expenses	5,201,555	-	**5,201,555**	5,439,614
Change in net assets	(412,158)	(692,287)	**(1,104,445)**	(387,816)
Net assets, beginning of year	2,253,992	6,299,331	**8,553,323**	8,941,139
Net assets, end of year	$ 1,841,834	$ 5,607,044	**$ 7,448,878**	$ 8,553,323

Boys & Girls Clubs of the Virginia Peninsula, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019 with Comparative Totals for 2018

	Educational Social & Cultural Development	Health & Physical Development	Management & General Services	Fundraising	2019 Total	2018 Total
Salaries and related expenses:						
Salaries and wages	$ 875,086	$ 676,203	$ 238,660	$ 198,883	**$ 1,988,832**	$ 1,953,795
Payroll taxes	68,444	52,889	18,667	15,556	**155,556**	149,381
Employee benefits	59,551	46,017	16,241	13,534	**135,343**	147,179
Pension expense	23,117	17,864	6,305	5,254	**52,540**	50,828
Total salaries and related expenses	1,026,198	792,973	279,873	233,227	**2,332,271**	2,301,183
Other expenses:						
Program expenses	596,688	450,133	-	-	**1,046,821**	1,189,222
Depreciation	266,591	199,535	19,467	-	**485,593**	489,911
Rent expense	149,464	114,296	14,653	14,653	**293,066**	441,113
Occupancy	133,801	99,743	9,731	-	**243,275**	244,496
Repairs and maintenance	108,951	83,809	16,762	-	**209,522**	223,729
Interest	-	-	149,870	-	**149,870**	127,025
Professional fees	-	-	112,997	-	**112,997**	65,710
Insurance	55,883	42,733	10,957	-	**109,573**	126,720
Transportation	41,418	31,245	-	-	**72,663**	72,722
Supplies	17,705	13,682	4,829	4,024	**40,240**	30,428
Telephone	18,137	13,869	1,778	1,778	**35,562**	39,842
Training and conferences	6,532	4,828	1,420	1,420	**14,200**	33,254
Advertising	6,173	4,721	-	1,210	**12,104**	18,067
Printing and publications	5,081	3,889	499	499	**9,968**	1,972
Postage	1,727	1,250	1,488	1,488	**5,953**	9,044
Total other expenses	1,408,151	1,063,733	344,451	25,072	**2,841,407**	3,113,255
Unallocated payments to affiliated organizations	-	-	-	-	**27,877**	25,176
Total expenses	$ 2,434,349	$ 1,856,706	$ 624,324	$ 258,299	**$ 5,201,555**	$ 5,439,614

Boy & Girls Clubs of the Virginia Peninsula, Inc.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (1,104,445)	$ (387,816)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	485,593	489,911
Amortization - deferred loan costs	1,077	901
In-kind donations of equipment	(5,300)	(25,358)
In-kind land and facility use rights	(12,189)	150,143
Net loss on investments	1,090	2,777
Net gain on sale of property and equipment	(2,279)	-
Change in:		
Promises to give	29,312	148,502
Grants receivable	348,397	(320,891)
Gifts in-kind receivable	252,000	(111,311)
Unbilled receivables	(5,860)	-
Inventory	-	55,057
Prepaid expenses and other assets	15,301	4,698
Accounts payable	28,048	83,780
Deferred revenue	(10,241)	(53,250)
Accrued expenses	82,945	28,028
Net cash provided by operating activities	103,449	65,171
Cash flows from investing activities:		
Proceeds from sale of property and equipment	3,500	-
Purchase of property and equipment	(155,310)	(120,878)
Net cash used by investing activities	(151,810)	(120,878)
Cash flows from financing activities:		
Net borrowings (payments) on lines of credit	50,000	190,000
Payments on capital leases	(1,511)	(1,432)
Deferred loan costs	(9,579)	-
Payments on notes and bonds payable	-	(180,193)
Net cash provided by financing activities	38,910	8,375
Net change in cash and cash equivalents	(9,451)	(47,332)
Cash and cash equivalents, beginning of year	10,573	57,905
Cash and cash equivalents, end of year	$ 1,122	$ 10,573
Supplemental disclosure of cash flow information:		
Interest paid	$ 146,529	$ 126,124
Supplemental disclosure of non-cash activities		
Modification of line of credit to consolidate with long-term debt	350,000	-
In-kind donations	414,583	735,025

Notes to Financial Statements

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 13 club facilities and the Workforce Development Center spanning the Peninsula and surrounding communities. 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.

Recent accounting pronouncements

During 2019, the Club adopted ASU 2016-14, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. The 2018 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosures around liquidity and availability of resources and analysis of expense by functional and natural categories. These disclosures have been presented for 2019 as allowed by ASU No. 2016-14. The retrospective application resulted in temporarily restricted net assets of $6,299,331 being reported as net assets with donor restrictions, and unrestricted net assets of $2,253,992 being reported as net assets without donor restrictions, as of June 30, 2018.

In February 2016, the Financial Accounting Standards Board (“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, 2020. The impact of the new standard has not been determined.

In May 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaces most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU is effective for fiscal years beginning after December 15, 2019. The impact of the new standard has not been determined.

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 two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net assets without donor restrictions include expendable funds available for support of the Organization's operations. Net assets with donor restrictions include expendable funds available for the support of the Organization's operations as directed by donors or grant agents and administrators, long-term promises to give of cash payments and in-kind use of land and facilities designated for future years. The Organization does not have any endowments.

Comparative totals

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

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 and assumptions.

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 statement 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.

Contributions and promises to give

In accordance with ASC 958-605 *Not-for-Profit Organizations, Revenue Recognition,* contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give 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 net assets without donor restrictions 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 net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, or is otherwise satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Organization establishes an allowance for uncollectible promises to give based on prior experience and management's analysis of specific balances.

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 year ending June 30, 2019 and 2018. The Organization establishes an allowance for uncollectible grants receivable based on prior experience and management's analysis of specific receivable balances.

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.

During 2019 and 2018, the Organization received $5,300 and $25,358, respectively, of donated property and equipment. The estimated useful lives of property and equipment are as follows:

Building and improvements	15 – 40 years
Leasehold improvements	19 – 27.5 years
Land and facility use rights	5 – 27.5 years
Vehicles	5 years
Equipment	3 – 7 years
Furniture and fixtures	7 years

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 will be included in the statement 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, 2019 and 2018, no impairment loss has been recognized.

Debt issuance costs

The Organization capitalizes debt issuance costs and amortizes the balance over the life of the related loan using the straight-line method.

Land and facility use rights

Land and facility use rights are assets with donor restrictions 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 were recognized in the year the lease agreement was entered into and in subsequent years for changes in present value reported in the statement of activities.

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the Statues of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

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 as incurred and/or when services are provided.

Advertising

Advertising costs are expensed as incurred by the Organization and totaled $12,104 and $18,067 for 2019 and 2018, 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 2019 and 2018, the Organization received $138,943 and $463,801 of donated materials and services, and $270,340 and $245,866 of donated land and facilities use. The Organization's thrift stores receive non-cash contributions of furniture, household items, and other materials used for re-sale. The total value of items donated and sold for the year ended June 30, 2018 was $70,484. Donated value of Thrift Stores' goods are estimated based on the expected sales price. On October 31, 2017, both thrift store locations were permanently closed for business.

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 statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated are salaries and related expenses, supplies, and training and conferences which are allocated based on management estimates of time and use; and depreciation, insurance, occupancy, program expenses, rent, telephone, and transportation which are allocated on the basis of square footage used by each program.

2. Liquidity

As a part of the Organization's management plan, cash in excess of monthly expenditures is held available for future expenditures, specifically as a reserve for net assets without donor restrictions. The Organization also has a line of credit which it can draw on to act as a liquidity reserve. The Organization has the following known liquidity problems: the Organization has no cash in the reserve for net assets without donor restrictions as of June 30, 2019; the Organization has fully drawn the line of credit established as a liquidity reserve as of June 30, 2019; and, subsequent to the financial statement date, in January 2020, the Organization closed a line of credit with a $500,000 borrowing limit and established a new line of credit with a new bank with a lower $250,000 borrowing limit. The Organization is also engaged in a Strategic Plan set to begin June 1, 2020. Besides enhanced fundraising efforts, the plan encompasses operational changes that include the transition of Club programming to buildings owned by other entities and the sale of buildings. The resulting reduction in operating expenses from reduced occupancy costs and cash received from the sale of buildings will fund cash reserves for the Organization.

The Organization's financial assets due within one year of the financial position date for general expenditures are as follows:

Cash and cash equivalents, without restrictions	$ 996
Prepaid expenses and other assets	28,662
Contributions receivable	154,730
Grants receivable	484,370
Unbilled receivables	5,860
Promises to give restricted by donors for various purposes, available for general expenditure within one year	287,500
	$ 962,118

The Organization has promises to give restricted by donors for various purposes which are both collectible and available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above.

3. Investment

The Organization received an ownership interest in a limited liability company that is recorded at cost less tax losses of $89,182 and $90,272 as of June 30, 2019 and 2018, respectively. Income from this investment, including unrealized gains and losses, is accounted for as an increase or decrease in unrestricted, net assets.

Investment consists of:

	2019	2018
Minority interest in Governors Green Associates, L.L.C.	**$ 89,182**	$ 90,272

4. Promises to Give

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

Long-term promises to give 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 promises to give during 2019. A discount rate of 2.0% was used in calculating the present value of long-term promises to give as of June 30, 2019 and 2018.

All recorded promises to give are unconditional. At June 30, 2019 and 2018, promises to give are as follows

	2019	2018
Receivable in less than one year	**$ 762,230**	$ 588,699
Receivable in one to five years	**1,125,500**	1,330,500
Receivable in more than five years	**95,000**	95,000
Total unconditional promises to give	**1,982,730**	2,014,199
Less allowance for uncollectible promises to give	**(10,528)**	(10,528)
Less discount to net present value	**(65,502)**	(67,659)
Net unconditional promises to give	**$ 1,906,700**	$ 1,936,012

During the year ended June 30, 2019 and 2018, no amounts of promises to give were deemed uncollectible and written off against the allowance. An allowance of $10,528 has been recorded for uncollectible promises to give as of June 30, 2019 and 2018.

5. Property and Equipment

Property and equipment at June 30, 2019 and 2018 consists of the following:

	2019	2018
Land	**$ 714,260**	$ 714,260
Land and facility use rights, net of discount of $103,117 and $97,180	**832,546**	1,191,124
Buildings and improvements	**6,705,288**	6,564,600
Leasehold improvements	**5,411,406**	5,424,430
Vehicles	**192,050**	197,525
Equipment	**213,151**	196,783
Furniture and fixtures	**214,357**	234,176
	14,283,058	14,522,898
Accumulated depreciation	**(6,037,523)**	(5,584,405)
Accumulated amortization of land and facility use rights	**(270,614)**	(649,557)
	$ 7,974,921	$ 8,288,936

Depreciation expense was $485,593 and $489,911 for 2019 and 2018, respectively.

6. Lines of Credit

The Organization has a $450,000 line of credit with TowneBank with monthly interest payable at the Wall Street Journal Prime Rate (5.0% at June 30, 2018), carrying a minimum interest rate of 5.00%. The line of credit is secured by substantially all accounts receivable and equipment inventory. The outstanding balance of this line of credit as of June 30, 2018 was $325,000. In April 2019, the Organization used the proceeds from a new promissory note with TowneBank to pay the balance in its entirety and close this line of credit, as detailed in Note 7. Subsequent to the financial position date, on January 30, 2020, the Organization opened a new $250,000 line of credit with TowneBank.

The Organization has a $500,000 unsecured line of credit with Sonabank with monthly interest payable at a variable rate equal to the Wall Street Journal Prime Rate (5.5% and 5.0% at June 30, 2019 and 2018, respectively). The outstanding balance of this line of credit as of June 30, 2019 and 2018 was $500,000 and $450,000, respectively. The line matured on October 1, 2019 and was subsequently closed and paid in full in January 2020.

7. Long-Term Debt

	2019	2018
Mortgage payable to TowneBank, monthly payments of $2,880, including principal and interest at 5% collateralized by a first deed of trust on 12749 Nettles Drive, Newport News, Virginia, due February 28, 2031.	**$ 303,807**	$ 322,445
Mortgage payable to TowneBank, 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. Paid in full on April 25, 2019.	-	354,790
Loan payable to TowneBank, $50,000 principal payments due semiannually beginning December 31, 2015 plus variable interest at prime (5% at June 30, 2018), collateralized by an assignment of comprehensive campaign promises to give, equipment, fixtures, and leasehold improvements at 746 Adams Drive, Newport News, Virginia. Paid in full on April 25, 2019.	**-**	452,980
Loan payable to TowneBank, monthly payments of $8,498, including principal and interest at 5.75%, collateralized by a first deed of trust on 429 Thorncliff Drive, Newport News, Virginia with balloon payment of $779,680 due April 25, 2029.	**1,196,723**	-
Bonds payable agreement, as described below	**791,250**	836,251
	2,291,780	1,966,466
Unamortized debt issuance costs	**(12,635)**	(3,819)
	2,279,145	1,962,647
Less, current portion	**(98,954)**	(132,879)
	$ 2,180,191	$ 1,829,768

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 statement 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 for the years ended June 30, 2019 and 2018.

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, 2019 and 2018, the balance outstanding on the bond was $791,250 and $836,251, respectively. Principal payments of $3,750, plus interest are due monthly until the principal is paid. The interest rate on the bond issue is 5.35% and 4.40% as of June 30, 2019 and 2018, respectively. The interest rate will adjust every five years and is next scheduled to adjust in 2024. Ninety months from the origination of the bond, the remaining $750,000 principal balance was amortized over a 20 year period. The bond is secured by a first deed of trust on several parcels of real estate, property and improvements, all furniture, fixtures, and equipment and all promises to give. The bond payable agreement contains certain financial covenants pertaining to debt service coverage and minimum net assets. As of June 30, 2019 and 2018, the debt service coverage requirement was waived by the lender.

In April 2019, the Organization closed a TowneBank line of credit, and consolidated the mortgage payable collateralized by 429 Thorncliff Drive and the loan payable collateralized by 746 Adams Drive into a new promissory note with TowneBank. As a result of the refinancing, the maturity of the TowneBank loan payable collateralized by 746 Adams Drive, less current maturities of $34,062, are classified as long-term debt on the Organization's statement of financial position as of June 30, 2019 and 2018.

Aggregate maturities of notes and bond payable at June 30, 2019, accounting for the subsequent loan consolidation, are as follows:

2020	$ 98,954
2021	101,983
2022	105,182
2023	108,562
2024	112,133
Thereafter	1,764,966
	$ 2,291,780

Deferred debt issuance costs are summarized as follows:

	2019	2018
Deferred debt issuance costs	**$ 21,159**	$ 11,266
Accumulated amortization	**(8,524)**	(7,447)
	$ 12,635	$ 3,819

Amortization expenses was $1,077 and $901 for 2019 and 2018, respectively. Amortization expense, including amortization for the new debt issuance costs, is expected to be $1,154 a year over the next five years.

8. 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 statement of financial position as an asset without donor restrictions. 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 statement of financial position as property and equipment and is an asset with donor restrictions.

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 statement of financial position as property and equipment and is with donor restrictions. The Organization also receives in-kind rent for a facility attached to Yorktown Middle School as more fully described in Note 6.

Net assets with donor restrictions 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 $152,767 and $150,144 for the year ended June 30, 2019 and 2018, 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, 2019 and 2018 was $19,020 and $13,580, respectively.

Future in-kind rent expenses relating to land and facility use rights are as follows:

2020	$ 137,754
2021	117,795
2022	31,500
2023	31,500
2024	31,500
Thereafter	315,000
	$ 665,049

The Organization also has a non-cancelable operating lease for a Club location expiring in October 2020. Rental expense for operating leases during the years ended June 30, 2019 and 2018 was $34,915 and $71,056, respectively.

Future minimum rental payments for this lease are as follows:

2020	$ 24,068
2021	8,100
	$ 32,168

9. 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 defined contribution pension expense for the years ended June 30, 2019 and 2018 was $52,540 and $50,828, respectively.

10. Related Party Transactions

During the years ended June 30, 2019 and 2018, members of the Board of Directors contributed $402,109 and $274,441, respectively, to the Organization. At June 30, 2019 and 2018, promises to give totaling $787,990 and $214,949, respectively, were outstanding from members of the Board of Directors and their related parties. In addition, members of the Board donated $0 and $4,854 in materials and $13,884 and $27,768 of facility use for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, the Organization received from the Foundation $187,757 and $368,643, respectively, from the proceeds of various contributions and fundraising events to support the core education programs of the 13 clubs. At June 30, 2019, $35,773 was due from the Foundation. No amount was due from the Foundation at June 30, 2018.

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 $147,890 and $114,033, respectively, to the Organization during the fiscal years ended June 30, 2019 and 2018.

During the fiscal years ended June 30, 2019 and 2018, the Organization paid $22,345 and $31,062, respectively, to a related party for internet and related services. At June 30, 2019 and 2018, $557 and $2,634, respectively, was due to this related party, respectively. During the fiscal years ended June 30, 2019 and 2018, the Organization paid $17,694 and $23,185, respectively, to two related parties for maintenance services. At June 30, 2019 and 2018, $10,033 and $5,759, respectively, was due to these related parties. A related party leased a facility to the Organization beginning December 1, 2012. During the fiscal years ended June 30, 2019 and 2018, the Organization paid $22,915, in lease expense to the related party. During the fiscal years ended June 30, 2019 and 2018, the Organization paid $27,251 and $25,176, respectively, to affiliated organizations for membership dues. At June 30, 2019 and 2018, $15,077 and $15,895, respectively, was due to these related parties.

11. Net Assets

Net assets at June 30, 2019 and 2018 consist of the following:

	2019	2018
Without donor restrictions:		
Invested in capital assets	**$ 2,990,802**	$ 3,810,520
Undesignated (deficit)	**(1,168,968)**	(1,556,528)
	1,821,834	2,253,992
With donor restrictions:		
Property and equipment restricted for various purposes, future use	**3,483,589**	3,348,201
Promises to give restricted for future use	**831,970**	1,131,271
Promises to give restricted for various purposes	**427,500**	734,015
Grants restricted for future use	**250,000**	525,767
United Way contributions restricted for future use	**628,000**	307,000
Gifts in-kind, restricted for purpose and time	**-**	252,000
Unbilled receivables, restricted for future use	**5,860**	-
Cash restricted for debt payments	**125**	1,077
	5,627,044	6,299,331
Total net assets	**$ 7,448,878**	$ 8,553,323

12. 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 2019 and 2018, 44% and 69% of the Organization's public support, respectively, was derived from various federal government departments, the largest being the U.S. Department of Agriculture. Receivables from this source were $106,245 and $251,279 at June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, 81% and 70% of the Organization's promises to give were due from five donors and four donors, respectively. Promises to give from these donors were $1,598,000 and $1,425,000 at June 30, 2019 and 2018, respectively. In addition, the Organization's revenue sources are concentrated in the Virginia Peninsula region.

13. Subsequent Events

On January 31, 2020, the Organization opened a new $250,000 line of credit with TowneBank for the purpose of acting as a liquidity reserve. Interest is stated at a variable rate of prime plus 0.75%, with a floor of 4.500%. The line is collateralized by real property at 12749 Nettles Drive and 629 Hampton Avenue in Newport News, Virginia. The Organization closed the $500,000 Sonabank line of credit on the same day.

Subsequent to the financial position date, the outbreak and spread of the COVID-19 virus was classified as a pandemic by the World Health Organization. The spread of the virus may disrupt the Organization's activities along with the activities of the Organization's vendors, donors, grantors, and clients. These disruptions could adversely affect the Organization's ability to obtain and deliver certain services the clients expect. Specifically, the temporary closure of the Organization's programs could potentially affect the collectability of grants receivable, dependent on the willingness of the grantors to amend the conditions of their grants. The full economic impact of this pandemic has not been determined. The economic uncertainty has not been fully determined but could have a significant impact on the Organization's financial condition, results of operations, and cash flows. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

On April 17, 2020, the Organization received a SBA 7(a) Paycheck Protection Program ("PPP") loan pursuant to Sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act') administered by the U.S. Small Business Administration ("SBA") ("SBA PPP loan"). The SBA PPP loan provides for a $422,100 unsecured promissory note.

Pursuant to the terms of the CARES Act and PPP Regulations all or a portion of the SBA PPP loan may be forgiven. The actual amount of loan forgiveness will depend, in part, on the total amount of payroll costs, payments of interest on mortgage obligations incurred before February 15, 2020, rent payments on leases dated before February 15, 2020, and utility payments under service agreements dated before February 15, 2020, paid by the Organization during the eight week period following the date of the SBA PPP loan ("Forgiveness Period"), provided, however, not more than twenty-five percent (25%) of the loan forgiveness amount may be attributable to non-Payroll Costs. In the event the Organization fails to satisfy the loan forgiveness provisions of the CARES Act and PPP Regulations and some or all of the loan is not forgiven, the unforgiven portion of the loan is an obligation of the Organization that must be paid back in 18 monthly payments of $23,759 including interest at 1% beginning November 17, 2020.

The Organization has evaluated all events subsequent through May 28, 2020 which is the date these financial statements were available to be issued.

Supplementary Information

Boys & Girls Clubs of the Virginia Peninsula, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number		Expenditures
Federal Awards				
U.S. Department of Justice				
The Office of Justice Programs				
Passed through Boys & Girls Clubs of America				
OJP MENTORING AT-RISK-42197 BGCA	16.726	OJP-2017-42197	$	10,589
OJP MENTORING AT-RISK-42198 BGCA	16.726	OJP-2017-42198		9,553
OJP MENTORING AT-RISK-42199 BGCA	16.726	OJP-2017-42199		10,386
OJP MENTORING AT-RISK-42196 BGCA	16.726	OJP-2017-42196		8,479
OJP MENTORING AT-RISK-42195 BGCA	16.726	OJP-2017-42195		8,006
OJP MENTORING AT-RISK-42194 BGCA	16.726	OJP-2017-42194		6,276
OJP MENTORING AT-RISK-42193 BGCA	16.726	OJP-2017-42193		4,867
OJP MENTORING AT-RISK-42192 BGCA	16.726	OJP-2017-42192		5,226
OJP MENTORING AT-RISK-42191 BGCA	16.726	OJP-2017-42191		3,911
OJP MILITARY YOUTH-42200 BGCA	16.726	OJP-2017-42200		3,135
OJP MILITARY YOUTH-42203 BGCA	16.726	OJP-2017-42203		2,603
OJP MILITARY YOUTH-42202 BGCA	16.726	OJP-2017-42202		2,000
OJP MILITARY YOUTH-42201 BGCA	16.726	OJP-2017-42201		5,856
OJP GANG PREVENTION-42190 BGCA	16.726	OJP-2017-42190		15,931
OJP MENTORING AT-RISK-44552 BGCA	16.726	OJP-2018-44552		8,457
OJP MENTORING AT-RISK-44553 BGCA	16.726	OJP-2018-44553		9,062
OJP MENTORING AT-RISK-44554 BGCA	16.726	OJP-2018-44554		8,578
OJP MENTORING AT-RISK-44555 BGCA	16.726	OJP-2018-44555		6,882
OJP MENTORING AT-RISK-44556 BGCA	16.726	OJP-2018-44556		5,034
OJP MENTORING AT-RISK-44557 BGCA	16.726	OJP-2018-44557		4,570
OJP MENTORING AT-RISK-44558 BGCA	16.726	OJP-2018-44558		4,533
OJP MENTORING AT-RISK-44559 BGCA	16.726	OJP-2018-44559		6,336
OJP MENTORING AT-RISK-44560 BGCA	16.726	OJP-2016-44560		7,450
OJP MENTORING AT-RISK-44561 BGCA	16.726	OJP-2016-44561		5,328
				163,048
Passed through Sea Research Foundation				
STEM Mentoring Program	16.726	2016-OJJDP-STEM-40		15,925
Total U.S. Department of Justice				178,973
U.S. Department of Health and Human Services				
Temporary Assistance for Needy Families Cluster (TANF)				
Passed through the Boys & Girls Clubs Virginia Alliance				
Temporary Assistance for Needy Families	93.558	BEN-17-013		250,668
Total TANF Cluster and U.S. Department of Health and Human Services				250,668

Boys & Girls Clubs of the Virginia Peninsula, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grants - Entitlement Grants Cluster (CDBG)			
Passed through the Newport News Redevelopment & Housing Authority			
The Community Development Block Grant Program	14.218	CDBG	$ 72,350
Total CDBG Cluster and U.S. Department of Housing and Urban Development			72,350
U.S. Department of Agriculture			
Child Nutrition Cluster			
Pass-through from Virginia Department of Health			
Summer Food Service Program	10.559	SFSP	248,057
Total Child Nutrition Cluster			248,057
Pass-through from Virginia Department of Health			
Child and Adult Care Food Program	10.558	CACFP	513,483
Total U.S. Department of Agriculture			761,540
Total expenditures of federal awards			$ 1,263,531

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Boys & Girls of the Virginia Peninsula, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2019. 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, 2019, the Organization did not pass through any federal awards to subrecipients.

Note C. Subsequent events

Subsequent to June 30, 2019, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak may disrupt the Organization’s ability to raise funds to support its mission. The extent of the impact of the outbreak on the Organization’s performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization’s funding sources, grantor agencies, employees and vendors, and governmental, regulatory and private sector responses. The Schedule does not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

On March 19, 2020, the Office of Management and Budget (“OMB”) issued memorandum M-20-17, Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly impacted by the Novel Coronavirus (“COVID-19”). The memorandum provides temporary relief for federal award recipients and subrecipients impacted by the COVID-19 pandemic. The memorandum summarizes 13 areas of administrative relief including an extension of time to submit financial reporting packages to the Federal Audit Clearinghouse in accordance with the Uniform Guidance. Due to the workflow interruption caused by the COVID-19 pandemic, the Organization will be submitting its reporting package under this extension of time.

1. Summary of Auditors' Results

A. The auditors' report expresses an unmodified opinion on the financial statements of the Organization.

B. There was one significant deficiency in internal control over financial reporting disclosed by the audit of the financial statements. No material weaknesses are identified.

C. No instances of noncompliance material to the financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed in the audit.

D. There were no significant deficiencies or material weaknesses in internal control over major federal award programs disclosed by the audit.

E. The auditors' report on compliance for the major federal award programs for the Organization expresses an unmodified opinion on all major federal programs.

F. The audit disclosed no compliance findings required to be reported.

G. The program tested as major was:

USDA Child and Adult Care Food Program (10.558)

H. The threshold used to distinguish between Type A and Type B programs was $750,000.

I. The Organization did not qualify as a low-risk auditee.

2. Findings - Financial Statement Audit

Finding 2019-001 – Audit adjustments – Significant deficiency

Criteria: The Organization's internal controls should prevent or detect and correct misstatements of the financial statements.

Condition: Management had not adjusted all account balances, specifically accrual-type entries, to reflect appropriate year-end balances which is a necessary step to ensure the financial statements are fairly stated.

Effect: Several audit adjustments were subsequently recorded by management.

Cause: Management implemented corrective action for finding 2018-001 in 2019 by engaging an outside accounting firm to perform weekly Chief Financial Officer duties. During the implementation, the Organization experienced a server crash. The effort to recover data after the server crash resulted in the Organization delaying full implementation of the controls recommended by the outside accounting firm. The crash occurred near year-end, giving management and the outside accounting firm a compressed timeline to prepare financial statements which resulted in the missed accruals and deferrals.

Recommendation: We recommend that management assess its internal control system and implement additional financial reporting controls to ensure that year-end balances are appropriately stated.

View of Responsible Official and Planned Corrective Action:	Management concurs with the finding. See management's corrective action plan.

3. Findings and Questioned Costs - Major Federal Award Programs Audit

No findings noted.

4. Status of Prior Year Findings

See Client's Summary Schedule of Prior Audit Findings (Unaudited)

Boys & Girls Clubs of the Virginia Peninsula, Inc.
Client's Corrective Action Plan (Unaudited)
Year Ended June 30, 2019

BOYS & GIRLS CLUBS
OF THE VIRGINIA PENINSULA

May 28, 2020

Findings 2019-001 – Audit Adjustments – Significant Deficiency

Planned Corrective Action: Boys & Girls Clubs of the Virginia Peninsula has continued to work with its outside accounting firm to become current on month-end closes, since the replacement of the damaged server. The daily/weekly/monthly transactions are now being recorded in real-time, which has allowed for a more timely and accurate close process.

Anticipated Completion Date: The corrective action was implemented October 1, 2018.

Responsible Contact Person: Hal Smith, President and Chief Executive Officer

Respectfully submitted,

Harold "Hal" B. Smith

President & Chief Executive Officer

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BOYS & GIRLS CLUBS
OF THE VIRGINIA PENINSULA

Financial Statement Audit Findings for the Year Ended June 30, 2018

Findings 2018-001 – Material Adjustments – Material Weakness

Status: This finding was corrected in 2018.

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Boys & Girls Clubs of Virginia Peninsula, Inc.

Compliance Reports

June 30, 2019

DIXON HUGHES GOODMAN LLP

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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 Virginia Peninsula, Inc. (the "Organization") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated May 28, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

DIXON HUGHES GOODMAN LLP

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization'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*.

We noted certain matters that we reported to the Board of Directors and management of the Organization in a separate letter dated May 28, 2020.

Organization's Response to Findings
The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization'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 on 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.

Dixon Hughes Goodman LLP

Norfolk, Virginia
May 28, 2020

DIXON HUGHES GOODMAN LLP

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the OMB Uniform Guidance

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 (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the compliance for each of the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 this major federal program. However, our audit does not provide a legal determination on the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

DIXON HUGHES GOODMAN LLP

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Norfolk, Virginia
May 28, 2020