BOYS & GIRLS CLUBS
OF THE VIRGINIA PENINSULA

Financial Statements and Supplementary Information

Year Ended June 30, 2020 with Comparative Totals 2019

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Boys & Girls Clubs of the Virginia Peninsula, Inc. which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 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 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, 2020, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information
We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 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 February 8, 2021, on our consideration of Boys & Girls Clubs of the Virginia Peninsula's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boys & Girls Clubs of the Virginia Peninsula's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Boys & Girls Clubs of the Virginia Peninsula's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Norfolk, Virginia
February 8, 2021

Boys & Girls Clubs of the Virginia Peninsula, Inc.
Statements of Financial Position
June 30, 2020 with Comparative Totals for 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 270,526	$ 1,122
Promises to give, current portion	893,482	762,230
Grants receivable	422,383	484,370
Prepaid expenses and other assets	19,822	34,522
Total current assets	1,606,213	1,282,244
Promises to give, long-term portion, net	438,003	1,144,470
Investment	88,713	89,182
Property and equipment, net	7,659,197	7,974,921
Land held for sale	173,597	173,597
Total assets	$ 9,965,723	$ 10,664,414
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 199,277	$ 357,750
Contract liabilities	-	76,363
Line of credit	-	500,000
Refundable advance on conditional grant	422,100	-
Current portion of long-term debt	101,983	98,954
Current portion of long-term capital lease	550	292
Total current liabilities	723,910	1,033,359
Long-term liabilities:		
Long-term debt, net of unamortized debt issuance costs, less current portion	2,600,655	2,180,191
Long-term capital lease, less current maturities	-	1,986
Total long-term liabilities	2,600,655	2,182,177
Total liabilities	3,324,565	3,215,536
Net assets:		
Without donor restrictions	2,355,100	1,841,834
With donor restrictions	4,286,058	5,607,044
Total net assets	6,641,158	7,448,878
	$ 9,965,723	$ 10,664,414

See accompanying notes.

Boys & Girls Clubs of the Virginia Peninsula, Inc.
Statement of Activities
Year Ended June 30, 2020 with Comparative Totals for 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Public support:				
Grants	$ 1,179,566	$ -	$ 1,179,566	$ 1,294,925
Contributions	1,086,442	576,677	1,663,119	1,153,258
United Way allocations	18,128	-	18,128	736,630
In-kind contributions	942,593	-	942,593	334,441
Special events (net of related expenses of $146,394 and $117,992 in 2020 and 2019, respectively)	266,885	-	266,885	267,490
Total public support	3,493,614	576,677	4,070,291	3,786,744
Other revenue, gains (losses):				
Program services	176,533	-	176,533	265,181
Membership dues	31,773	-	31,773	24,777
Commission income	11,737	-	11,737	14,625
Gains (losses) on disposal of assets	(800)	-	(800)	2,279
Loss on early disposal of in-kind land use rights	(171,189)	-	(171,189)	-
Investment and other income	4,823	-	4,823	3,504
Total other revenue, gains (losses)	52,877	-	52,877	310,366
Net assets released from restrictions	1,897,663	(1,897,663)	-	-
Total public support and other revenue	5,444,154	(1,320,986)	4,123,168	4,097,110
Functional expenses:				
Program services				
Educational, social and cultural development	2,193,504	-	2,193,504	2,434,349
Health and physical development	1,607,926	-	1,607,926	1,856,706
Supporting services				
Management and general	966,933	-	966,933	624,324
Fundraising	133,469	-	133,469	258,299
Unallocated payments to affiliated organizations	29,056	-	29,056	27,877
Total functional expenses	4,930,888	-	4,930,888	5,201,555
Change in net assets	513,266	(1,320,986)	(807,720)	(1,104,445)
Net assets, beginning of year	1,841,834	5,607,044	7,448,878	8,553,323
Net assets, end of year	$ 2,355,100	$ 4,286,058	$ 6,641,158	$ 7,448,878

Boys & Girls Clubs of the Virginia Peninsula, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020 with Comparative Totals for 2019

	Educational Social & Cultural Development	Health & Physical Development	Management & General Services	Fundraising	2020 Total	2019 Total
Salaries and related expenses:						
Salaries and wages	$ 691,226	$ 491,881	$ 471,010	$ 93,907	$ 1,748,024	$ 1,988,832
Payroll taxes	58,155	41,382	39,626	7,900	147,063	155,556
Employee benefits	52,728	37,521	35,929	7,163	133,341	135,343
Pension expense	23,465	16,698	15,990	3,188	59,341	52,540
Payroll processing	4,865	3,463	3,316	661	12,305	14,147
Total salaries and related expenses	830,439	590,945	565,871	112,819	2,100,074	2,346,418
Other expenses:						
Program expenses	607,793	458,511	-	-	1,066,304	1,046,821
Depreciation	257,806	192,183	18,750	-	468,739	485,593
Rent expense	118,927	90,944	11,660	11,660	233,191	293,066
Occupancy	118,923	88,652	8,649	-	216,224	243,275
Repairs and maintenance	108,452	83,425	16,685	-	208,562	209,522
Interest	-	-	167,317	-	167,317	149,870
Professional fees	-	-	130,204	-	130,204	112,997
Insurance	54,368	41,576	10,660	-	106,604	109,573
Telephone	23,431	17,918	2,297	2,297	45,943	35,562
Transportation	25,616	19,324	-	-	44,940	72,663
Advertising	17,928	13,709	-	3,515	35,152	12,104
Bad debt expense	15,000	-	27,472	-	42,472	-
Supplies	7,679	5,465	5,233	1,043	19,420	26,093
Training and conferences	5,801	4,287	1,261	1,261	12,610	14,200
Postage	971	704	838	838	3,351	5,953
Printing and publications	370	283	36	36	725	9,968
Total other expenses	1,363,065	1,016,981	401,062	20,650	2,801,758	2,827,260
Unallocated payments to affiliated organizations	-	-	-	-	29,056	27,877
Total expenses	$ 2,193,504	$ 1,607,926	$ 966,933	$ 133,469	$ 4,930,888	$ 5,201,555

See accompanying notes.

Boy & Girls Clubs of the Virginia Peninsula, Inc.
Statements of Cash Flows
Years Ended June 30, 2020 with Comparative Totals for 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ (807,720)**	$ (1,104,445)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	**42,472**	-
Change in discount on long-term pledges	**(56,542)**	-
Depreciation	**468,739**	485,593
Amortization - deferred loan costs	**6,769**	1,077
In-kind donations of equipment	**(10,000)**	(5,300)
In-kind land and facility use rights expense	**89,970**	158,704
Net loss on investments	**469**	1,090
Net loss (gain) on sale of disposal of assets	**800**	(2,279)
In-kind donations of new land and facility use rights	**(371,103)**	(170,893)
Loss on early disposal of in-kind land use rights	**171,189**	-
Change in:		
Promises to give	**589,285**	29,312
Grants receivable	**61,987**	348,397
Gifts in-kind receivable	**-**	252,000
Prepaid expenses and other assets	**14,700**	9,441
Accounts payable and accrued expenses	**(158,473)**	110,993
Contract liabilities	**(76,363)**	(10,241)
Refundable advance on conditional grant	**422,100**	-
Net cash provided by operating activities	**388,279**	103,449
Cash flows from investing activities:		
Proceeds from sale of property and equipment	**454**	3,500
Purchase of property and equipment	**(34,325)**	(155,310)
Net cash used by investing activities	**(33,871)**	(151,810)
Cash flows from financing activities:		
Net borrowings on lines of credit	**-**	50,000
Payments on capital leases	**(1,728)**	(1,511)
Deferred loan costs	**(10,795)**	(9,579)
Payments on long-term debt	**(72,481)**	-
Net cash (used) provided by financing activities	**(85,004)**	38,910
Net change in cash and cash equivalents	**269,404**	(9,451)
Cash and cash equivalents, beginning of year	**1,122**	10,573
Cash and cash equivalents, end of year	**$ 270,526**	$ 1,122
Supplemental disclosure of cash flow information:		
Interest paid	**$ 160,548**	$ 146,529

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 and Executive Committee 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.

Adoption of new accounting standards

During 2020, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance as described below and (2) determining whether a contribution is conditional. The Organization adopted this new standard effective July 1, 2019, the first day of the Organization's year using the modified prospective approach.

In May 2014, the FASB issued ASU No. 2014-09: *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP, excluding nonreciprocal contribution transactions described above and some other specific exclusions such as Leases (Topic 840) and Investments (Topic 320). The ASU No. 2014-09 also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted this new standard effective July 1, 2019, the first day of the Organization's year using the modified retrospective approach.

As part of the adoption of the ASU No. 2014-09, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption of these standards did not result in a material difference from the previous policy and therefore, the Organization's beginning net assets has not been adjusted to reflect any adjustments.

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, 2019, from which the summarized information was derived.

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 net assets without restrictions 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.

Revenue recognition

<u>Grants</u>

Grant revenue is recognized as qualified expenditures are incurred and/or when services are provided.

<u>Contributions</u>

Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions at a point in time.

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.

In-kind contributions

Donated materials are recorded at their fair market value on the date of gift as determined by independent appraisal for significant items. Donated services are recorded at fair market value for similar priced services. During 2020 and 2019, the Organization received $516,160 and $138,943 of donated materials and services.

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 2020 and 2019, the Organization received $497,655 and $270,340 of donated land and facilities use.

	2020	2019
Donated materials and services	**$ 516,160**	$ 138,943
Donated property and equipment	**10,000**	5,300
Donated facilities	**497,655**	270,340
	1,230,815	414,583
Less, In-kind amounts included in special events	**(81,222)**	(80,142)
In-kind contributions	**$ 942,593**	$ 334,441

No amounts have been reflected in the financial statements for donated volunteer services 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.

Special events

Revenue from special events consists of sponsorships and ticket sales. A portion of special event income is considered to be non-exchange contribution revenue. The remainder is exchange revenue and is recognized at a point in time when the obligation to host the event is fulfilled.

Program services and membership dues

Revenue from program services and membership dues are recognized over time. Program service fees are paid by members to receive transportation during the school year or to attend a ten-week summer camp. Membership dues are paid annually in December and allow the member access to the Organization’s facilities for the entire calendar year.

Disaggregation of revenue from contracts with customers

	2020	2019
Performance obligations satisfied at a point in time	**$ 257,585**	$ 233,090
Performance obligations satisfied over time	**332,846**	397,981
Revenue outside the scope of ASC 606	**3,532,737**	3,466,039
	$ 4,123,168	$ 4,097,110

Contract liabilities

Contract liabilities 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.

Grant receivables

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, 2020 and 2019. The Organization establishes an allowance for uncollectible grants receivable based on prior experience and management's analysis of specific receivable balances.

Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2020 and 2019, the allowance was $10,000 and $10,528 respectively

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 2020 and 2019, the Organization received $10,000 and $5,300, 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, 2020 and 2019, 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.

Advertising

Advertising costs are expensed as incurred by the Organization and totaled $35,152 and $12,104 for 2020 and 2019, respectively.

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.

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.

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation. The reclassification had no effect on change in net assets or net assets at June 30, 2019.

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 is also engaged in a Strategic Plan which began 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:

	2020	2019
Cash and cash equivalents, without restrictions	**$ 270,526**	$ 1,122
Prepaid expenses and other assets	**19,822**	34,522
Promises to give receivable – without restrictions	**780,482**	154,730
Grants receivable	**422,383**	484,370
Promises to give restricted by donors for various purposes, available for general expenditure within one year	**113,000**	287,500
	$ 1,606,213	$ 962,244

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 $88,713 and $89,182 as of June 30, 2020 and 2019, respectively. Income from this investment, including unrealized gains and losses, is accounted for as an increase or decrease in net assets without restrictions.

Investment consists of:

	2020	2019
Minority interest in Governors Green Associates, L.L.C.	**$ 88,713**	$ 89,182

4. Promises to Give

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

Unconditional promises to give are estimated to be collected as follows at June 30, 2020 and 2019:

	2020	2019
Within one year	$ 893,482	$ 762,230
In one to five years	452,470	1,125,500
Over five years	4,493	95,000
	1,350,445	1,982,730
Less allowance for uncollectible promises to give	(10,000)	(10,528)
Less discount to net present value at rates ranging from 2% to 5%	(8,960)	(65,502)
Net promises to give	$ 1,331,485	$ 1,906,700

Promises to give appear as follows in the statements of financial position:

	2020	2019
Promises to give, current portion	$ 893,482	$ 762,230
Promises to give, long-term portion, net	438,003	1,144,470
Net promises to give	$ 1,331,485	$ 1,906,700

5. Property and Equipment

Property and equipment at June 30, 2020 and 2019 consists of the following:

	2020	2019
Land	$ 714,260	$ 714,260
Land and facility use rights, net of discount of $99,883 and $103,117	901,220	832,546
Buildings and improvements	6,717,882	6,705,288
Leasehold improvements	5,411,406	5,411,406
Vehicles	197,550	192,050
Equipment	229,894	213,151
Furniture and fixtures	216,656	214,357
	14,388,868	14,283,058
Accumulated depreciation	(6,503,561)	(6,037,523)
Accumulated amortization of land and facility use rights	(226,110)	(270,614)
	$ 7,659,197	$ 7,974,921

Depreciation expense was $468,739 and $485,593 for 2020 and 2019, respectively.

6. Refundable Advance on Conditional Grant

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the CARES Act is the establishment of the Paycheck Protection Program (PPP) under the Small Business Administration's 7(a) program. The PPP provides for loans to be made to small businesses effected by the COVID-19 pandemic. If certain criteria are met, small businesses receiving PPP loans may have all or a portion of the loans forgiven, effectively converting the outstanding balance and accrued interest to a grant. Any portion of PPP loans not forgiven have a term of five years and bear interest at 1%.

In April 2020, the Organization received a PPP loan of $422,100. The Organization anticipates filing for forgiveness and therefore the PPP funding is treated as a conditional grant, recorded as a refundable advance on the statements of financial position.

7. Lines of Credit

On January 30, 2020, the Organization opened a $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 4.5% (4.5% at June 30, 2020). There was no outstanding balance on this line of credit as of June 30, 2020. The line is collateralized by real property at 12749 Nettles Drive and 629 Hampton Avenue in Newport News, Virginia. The line renews on January 30, 2021.

Until October 1, 2019, the Organization had 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% at June 30, 2019). The outstanding balance of this line of credit as of June 30, 2019 was $500,000. The line matured on October 1, 2019 and was subsequently closed and paid in full.

8. Long-Term Debt

	2020	2019
Mortgage payable to TowneBank, monthly payments of $2,880, including principal and interest at 5% collateralized by a first deed of trust on 12749 Nettles Drive, Newport News, Virginia, due February 28, 2031.	**$ 289,212**	$ 303,807
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.	**1,172,587**	1,196,723
Bonds payable agreement, as described below	**757,500**	791,250
Loan payable to TowneBank, collateralized by a deed of trust on 12749 Nettles Drive and 629 Hampton Ave, Newport News, Virginia with a balloon payment of principal and interest at prime plus .75% with a 4.5% floor (4.5% at June 30, 2020), due January 31, 2022.	**500,000**	-
	2,719,299	2,291,780
Unamortized debt issuance costs	**(16,661)**	(12,635)
	2,702,638	2,279,145
Less, current portion	**(101,983)**	(98,954)
	$ 2,600,655	$ 2,180,191

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, 2020 and 2019.

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, 2020 and 2019, the balance outstanding on the bond was $757,500 and $791,250, 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% as of June 30, 2020 and 2019. 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, 2020 and 2019, the debt service coverage requirement was waived by the lender.

Aggregate maturities of notes and bond payable at June 30, 2020 are as follows:

2021	$ 101,983
2022	604,112
2023	107,437
2024	110,951
2025	114,662
Thereafter	1,680,154
	$ 2,719,299

Deferred debt issuance costs are summarized as follows:

	2020	2019
Deferred debt issuance costs	**$ 31,954**	$ 21,159
Accumulated amortization	**(15,293)**	(8,524)
	$ 16,661	$ 12,635

Amortization related to deferred debt issuance costs was $6,769 and $1,077 for 2020 and 2019, respectively, and is included in interest expense on the statement of functional expenses. Amortization related to deferred debt issuance costs is expected to be $6,769 in 2021 and $1,145 per year over the next four years thereafter.

9. 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 8.

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 $89,970 and $152,767 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 was $10,365 and $19,020, respectively.

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

2021	$ 105,721
2022	105,721
2023	105,721
2024	105,721
2025	68,610
Thereafter	183,615
	$ 675,109

The Organization also has a non-cancelable operating lease for a Club location expiring in October 2020. Rental expense for the operating lease during the years ended June 30, 2020 and 2019 was $23,953 and $34,915, respectively. Future minimum rental payments for this lease is $8,100.

10. 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, 2020 and 2019 was $59,341 and $52,540, respectively.

11. Related Party Transactions

During 2020 and 2019, members of the Board of Directors contributed $174,463 and $402,109, respectively, to the Organization. At June 30, 2020 and 2019, promises to give totaling $521,990 and $787,990, respectively, were outstanding from members of the Board of Directors and their related parties. In addition, members of the Board donated $0 and $13,884 of facility use for 2020 and 2019, 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 2020 and 2019, the Organization received from the Foundation $0 and $187,757, 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. At June 30, 2020 and 2019, $1,985 and $4,094, respectively, was due to 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 $124,540 and $147,890, respectively, to the Organization during 2020 and 2019.

The Organization paid the following to related parties for various services:

	2020	**2019**
Bank interest and other finance charges	**$ 122,345**	$ 148,793
Internet and related services	**$ 34,649**	$ 22,345
Membership dues	**$ 29,056**	$ 27,677
Facility lease	**$ 19,903**	$ 22,915
Maintenance services	**$ 10,423**	$ 10,033
Insurance	**$ 4,263**	$ -
Legal services	**$ 3,942**	$ -

Amounts due to these related parties at June 30 are as follows:

	2020	**2019**
Internet and related services	**$ -**	$ 557
Membership dues	**$ -**	$ 15,077
Maintenance services	**$ 18,101**	$ 17,694

12. Net Assets

Net assets at June 30, 2020 and 2019 consist of the following:

	2020	2019
Without donor restrictions:		
Invested in capital assets	$ 2,530,645	$ 2,990,802
Undesignated (deficit)	(175,545)	(1,148,968)
	2,355,100	1,841,834
With donor restrictions:		
Property and equipment restricted for various purposes, future use	3,182,864	3,463,589
Promises to give restricted for future use	611,495	831,970
United Way contributions restricted for future use	328,000	628,000
Promises to give restricted for various purposes	158,000	427,500
Other	5,699	5,985
Grants restricted for future use	-	250,000
	4,286,058	5,607,044
Total net assets	$ 6,641,158	$ 7,448,878

13. 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 2020 and 2019, 28% and 44% 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 $383,844 and $106,245 at June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, 82% and 81% of the Organization's promises to give were due from four and five donors, respectively. Promises to give from these donors were $1,103,000 and $1,598,000 at June 30, 2020 and 2019, respectively. In addition, the Organization's revenue sources are concentrated in the Virginia Peninsula region.

14. Uncertainty

In March 2020, the World Health Organization declared the outbreak and spread of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses.

The COVID-19 pandemic has disrupted the operational and financial performance of the Organization’s operations and there is significant uncertainty in the nature and degree of its continued effects on the Organization’s operations over time. The extent to which it will impact the Organization’s operations going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on our members, donors, and employees, as well as governmental, regulatory and private sector responses. Further, the pandemic may have a significant impact on management’s accounting estimates and assumptions.

15. Subsequent Events

In September 2020, the Organization was notified of a conditional donation of approximately $500,000 from the Francis W. Govern Revocable Trust, following the sale of property held by the Trust and pending court approval of the settlement of the Govern estate. The Trust is a charitable remainder trust, and the Organization is named as beneficiary. The Organization will receive 25% of the value of the Trust assets, upon the death of the trustor's surviving spouse.

The Organization has evaluated all events subsequent through February 8, 2021 which is the date these financial statements were available to be issued.

Supplementary Information

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			
JUVENILE MENTORING PROGRAM	16.726	OJP-2018-44552	$ 8,930
JUVENILE MENTORING PROGRAM	16.726	OJP-2018-44553	8,318
JUVENILE MENTORING PROGRAM	16.726	OJP-2018-44554	8,802
JUVENILE MENTORING PROGRAM	16.726	OJP-2018-44555	7,022
JUVENILE MENTORING PROGRAM	16.726	OJP-2018-44559	7,568
JUVENILE MENTORING PROGRAM	16.726	OJP-2018-44556	5,394
JUVENILE MENTORING PROGRAM	16.726	OJP-2018-44558	4,172
JUVENILE MENTORING PROGRAM	16.726	OJP-2018-44557	4,120
JUVENILE MENTORING PROGRAM	16.726	OJP-2019-46629	11,098
JUVENILE MENTORING PROGRAM	16.726	OJP-2019-46630	6,873
JUVENILE MENTORING PROGRAM	16.726	OJP-2019-46631	9,105
JUVENILE MENTORING PROGRAM	16.726	OJP-2019-46632	7,268
JUVENILE MENTORING PROGRAM	16.726	OJP-2019-46636	6,943
JUVENILE MENTORING PROGRAM	16.726	OJP-2019-46633	4,498
JUVENILE MENTORING PROGRAM	16.726	OJP-2019-46635	5,124
JUVENILE MENTORING PROGRAM	16.726	OJP-2019-46634	3,986
JUVENILE MENTORING PROGRAM	16.726	OJP-2018-44560	7,550
JUVENILE MENTORING PROGRAM	16.726	OJP-2018-44561	6,647
JUVENILE MENTORING PROGRAM	16.726	OJP-2019-46637	4,650
JUVENILE MENTORING PROGRAM	16.726	OJP-2019-46662	2,643
			130,711
Passed through Cal Ripken, Sr. Foundation			
JUVENILE MENTORING PROGRAM	16.726	2016-OJJDP-STEM-40	8,478
Total U.S. Department of Justice			139,189
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	311,830
Total TANF Cluster and U.S. Department of Health and Human Services			311,830

Boys & Girls Clubs of the Virginia Peninsula, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

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			
COMMUNITY DEVELOPMENT BLOCK GRANTS	14.218	CDBG	$ 80,000
Total CDBG Cluster and U.S. Department of Housing and Urban Development			80,000
U.S. Department of Agriculture			
Child Nutrition Cluster			
Pass-through from Virginia Department of Health			
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	SFSP	224,782
Total Child Nutrition Cluster			224,782
Pass-through from Virginia Department of Health			
CHILD AND ADULT CARE FOOD PROGRAM	10.558	CACFP	365,919
Total U.S. Department of Agriculture			590,701
Total expenditures of federal awards			$ 1,121,720

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, 2020. 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). Therefore, some amounts presented in this schedule may differ from amounts presented or used in the presentation of the basic financial statements. 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, 2020, the Organization did not pass through any federal awards to subrecipients.

Note C. Summary of Disclosure of Significant Contingencies

The Organization has received proceeds from several federal grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

1. Summary of Auditors' Results

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

B. There were no material weaknesses in internal control over financial reporting reported. There was a significant deficiency identified that is not considered to be a material weakness. See finding 2020-001.

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 programs tested as major were:

USDA Child and Adult Care Food Program (10.558)
USDA Summer Food Service Program (10.559)

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 2020-001 – In-kind capital asset – Significant deficiency

Criteria:	The Organization's internal controls should prevent or detect and correct misstatements of the financial statements.
Condition:	The Organization recorded an in-kind contribution by capitalizing a $261,000 fixed asset that was not purchased, donated, or placed in service.
Effect:	A correcting entry was subsequent recorded by management to correct this misstatement.
Cause:	There was a misunderstanding between management and accounting staff where verbal notification of the in-kind contribution was received, but receipt, delivery and installation had not taken place due to COVID-19. Management did not have and was unable to obtain a written pledge document from the donor confirming the donors intent.
Recommendation:	We recommend that management assess its internal control system and implement additional financial reporting controls to ensure that in-kind entries are properly recorded and have supporting documentation. In addition, management should evaluate the valuation provided by the donor of the in-kind items to determine the adequacy of the valuation.

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

February 8, 2021

Findings 2020-001 – In-kind capital asset – Significant Deficiency

Planned Corrective Action: Boys & Girls Clubs of the Virginia Peninsula will work with its outsourced accounting firm to provide more detailed review of larger contributions, fixed asset additions, and final schedules. The contribution and fixed asset reports are now being reviewed monthly.

Anticipated Completion Date: The corrective action was implemented October 1, 2019.

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

Respectfully submitted,

Harold B. Smith

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, 2019

Findings 2019-001 – Audit Adjustments – Significant Deficiency

Status: This finding was corrected in October 2019.

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Boys & Girls Clubs of Virginia Peninsula, Inc.

Compliance Reports

June 30, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated February 8, 2021.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 2020-001 that we consider to be a significant deficiency.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to the Board of Directors and management of the Organization in a separate letter dated February 8, 2021.

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
February 8, 2021

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, 2020. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 programs for the year ended June 30, 2020.

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
February 8, 2021