



BOYS & GIRLS CLUBS
OF THE VIRGINIA PENINSULA

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

FINANCIAL REPORT

June 30, 2021 with Summarized Financial Information for the
Year Ended June 30, 2020

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7 – 19
SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal awards	20
Notes to schedule of expenditures of federal awards	21
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	22 – 23
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	24 – 25
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	26 – 27
CORRECTIVE ACTION PLAN	28
SCHEDULE OF PRIOR AUDIT FINDINGS	29

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Boys & Girls Clubs of the Virginia Peninsula, Inc.** (referred to as "the Organization") which comprise the statement of financial position as of June 30, 2021, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 the Organization as of June 30, 2021, and its changes in 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

Predecessor Auditor Financial Statements

The financial statements of **Boys & Girls Clubs of the Virginia Peninsula, Inc.** for the year ended June 30, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on February 8, 2021.

Other Information – Schedule of Expenditure of Federal Awards

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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and 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.

Report on Summarized Comparative Information

The financial statements of **Boys & Girls Clubs of the Virginia Peninsula, Inc.** for the year ended June 30, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on February 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Norfolk, Virginia
January 12, 2022

Wall, Einhorn + Chernitzky, P.C.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,383,576	\$ 270,526
Unconditional promises to give, current portion	512,975	893,482
Grants receivable	751,631	422,383
Other receivable - Employee Retention Credit	167,219	-
Prepaid expenses and other assets	<u>81,483</u>	<u>19,822</u>
Total current assets	<u>2,896,884</u>	<u>1,606,213</u>
Unconditional promises to give, less current portion, net	244,873	438,003
Investment	88,706	88,713
Property and equipment, net	7,591,600	7,659,197
Land held for sale	<u>143,597</u>	<u>173,597</u>
Total assets	<u>\$ 10,965,660</u>	<u>\$ 9,965,723</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 185,632	\$ 199,277
Deferred revenue	104,785	-
Other liabilities	6,066	550
Notes payable, current maturities	605,692	101,983
Refundable advance on conditional grant	<u>422,100</u>	<u>422,100</u>
Total current liabilities	1,324,275	723,910
LONG-TERM LIABILITIES		
Notes payable, less current maturities	<u>1,952,507</u>	<u>2,600,655</u>
Total liabilities	<u>3,276,782</u>	<u>3,324,565</u>
NET ASSETS		
Without donor restrictions	3,325,419	2,355,100
With donor restrictions	<u>4,363,459</u>	<u>4,286,058</u>
Total net assets	<u>7,688,878</u>	<u>6,641,158</u>
Total liabilities and net assets	<u>\$ 10,965,660</u>	<u>\$ 9,965,723</u>

See Independent Auditor's Report and Notes to Financial Statements.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021 with Summarized Financial Information for the Year Ended June 30, 2020

	<u>Without Donor</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Summarized Total</u>
PUBLIC SUPPORT				
Grants	\$ 1,773,223	\$ -	\$ 1,773,223	\$ 1,179,566
Contributions	1,537,649	504,732	2,042,381	1,663,119
United Way allocations	165,970	272,000	437,970	18,128
In-kind contributions	<u>116,753</u>	<u>105,275</u>	<u>222,028</u>	<u>942,593</u>
Total public support	<u>3,593,595</u>	<u>882,007</u>	<u>4,475,602</u>	<u>3,803,406</u>
REVENUE				
Program services	81,583	-	81,583	166,168
Special events income, net of expenses 2021 \$78,159; 2020 \$146,394	116,670	-	116,670	266,885
Membership dues	25,968	-	25,968	31,773
Rental income	12,630	-	12,630	10,365
Commission income	3,924	-	3,924	11,737
Net assets released from restriction	<u>804,606</u>	<u>(804,606)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,045,381</u>	<u>(804,606)</u>	<u>240,775</u>	<u>486,928</u>
Total support and revenue	<u>4,638,976</u>	<u>77,401</u>	<u>4,716,377</u>	<u>4,290,334</u>
EXPENSES				
Program services	3,134,114	-	3,134,114	3,830,486
Management and general	940,847	-	940,847	966,933
Fundraising	123,139	-	123,139	133,469
Unallocated payments to affiliated organizations	<u>34,951</u>	<u>-</u>	<u>34,951</u>	<u>29,056</u>
Total expenses	<u>4,233,051</u>	<u>-</u>	<u>4,233,051</u>	<u>4,930,888</u>
OTHER INCOME (EXPENSE)				
Investment income, net	5,075	-	5,075	4,823
Paycheck Protection Program Income	422,100	-	422,100	-
Employee Retention Credit	167,219	-	167,219	-
Impairment loss - land held for sale	(30,000)	-	(30,000)	-
Loss on disposal of equipment	-	-	-	(800)
Loss on early disposal of in-kind land use rights	<u>-</u>	<u>-</u>	<u>-</u>	<u>(171,189)</u>
Total other income (expense)	<u>564,394</u>	<u>-</u>	<u>564,394</u>	<u>(167,166)</u>
Change in net assets	970,319	77,401	1,047,720	(807,720)
Net assets at beginning of year	<u>2,355,100</u>	<u>4,286,058</u>	<u>6,641,158</u>	<u>7,448,878</u>
Net assets at the end of year	<u>\$ 3,325,419</u>	<u>\$ 4,363,459</u>	<u>\$ 7,688,878</u>	<u>\$ 6,641,158</u>

See Independent Auditor's Report and Notes to Financial Statements.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021 with Summarized Financial Information for the Year Ended June 30, 2020

	Program Services	Management & General Services	Fundraising	2021 Total	2020 Summarized Total
Salaries and related expenses:					
Salaries and wages	\$ 1,018,015	\$ 405,285	\$ 80,803	\$ 1,504,103	\$ 1,748,024
Payroll taxes	109,078	43,425	8,658	161,161	147,063
Employee benefits	66,731	26,567	5,297	98,595	133,341
403(b) expense	38,985	15,520	3,094	57,599	59,341
Payroll processing	7,707	3,069	612	11,388	12,305
	<u>1,240,516</u>	<u>493,866</u>	<u>98,464</u>	<u>1,832,846</u>	<u>2,100,074</u>
Other expenses:					
Advertising	21,704	-	2,411	24,115	35,152
Bad debt expense	-	103,490	-	103,490	42,472
Depreciation	468,708	12,779	-	481,487	468,739
Insurance	105,758	11,751	-	117,509	106,604
Interest expense	-	150,130	-	150,130	167,317
Occupancy	157,541	6,564	-	164,105	216,224
Supplies	34,815	13,860	11,584	60,259	19,420
Postage	911	456	456	1,823	3,351
Printing and publications	784	43	43	870	725
Professional fees	-	113,642	-	113,642	130,204
Program expenses	632,368	-	-	632,368	1,066,304
Rent expense	145,964	8,109	44,229	198,302	298,363
Repairs and maintenance	261,980	24,085	-	286,065	208,562
Special event items	-	-	42,039	42,039	81,222
Telephone	30,115	1,673	1,673	33,461	45,943
Training and conference	3,196	399	399	3,994	12,610
Transportation	29,754	-	-	29,754	44,940
	<u>1,893,598</u>	<u>446,981</u>	<u>102,834</u>	<u>2,443,413</u>	<u>2,948,152</u>
Less expenses included with revenues on the consolidated statement of activities:					
Special events	-	-	(78,159)	(78,159)	(146,394)
Add unallocated expenses included on the consolidated statement of activities:					
Unallocated payments to affiliated organizations	-	-	-	34,951	29,056
	<u>\$ 3,134,114</u>	<u>\$ 940,847</u>	<u>\$ 123,139</u>	<u>\$ 4,233,051</u>	<u>\$ 4,930,888</u>

See Independent Auditor's Report and Notes to Financial Statements.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,047,720	\$ (807,720)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	481,487	468,739
In-kind donations of new land and facility use rights	(105,275)	(371,103)
In-kind land and facility use rights expense	119,001	89,970
Loss on early disposal of in-kind land use rights	-	171,189
In-kind donations of equipment	-	(10,000)
Amortization - deferred loan costs	6,751	6,769
Change in discount on long-term pledges	(3,863)	(56,542)
Bad debt expense	103,490	42,472
Net loss on investments	7	469
Net loss on sale of property and equipment	-	800
Impairment loss - land held for sale	30,000	-
(Increase) decrease in assets:		
Unconditional promises to give	474,010	589,285
Grants receivable	(329,248)	61,987
Other receivable - Employee Retention Credit	(167,219)	-
Prepaid expenses and other assets	(61,661)	14,700
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(13,645)	(158,473)
Deferred revenue	104,785	(76,363)
Refundable advance on conditional grant ¹	-	422,100
Net cash provided by operating activities	<u>1,686,340</u>	<u>388,279</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	454
Purchase of property and equipment	(427,616)	(34,325)
Net cash used in investing activities	<u>(427,616)</u>	<u>(33,871)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(151,190)	(72,481)
Other liabilities	5,516	(1,728)
Deferred loan costs	-	(10,795)
Net cash used in financing activities	<u>(145,674)</u>	<u>(85,004)</u>
Net increase in cash and cash equivalents	1,113,050	269,404
Beginning cash and cash equivalents	<u>270,526</u>	<u>1,122</u>
Ending cash and cash equivalents	\$ <u>1,383,576</u>	\$ <u>270,526</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ <u>143,379</u>	\$ <u>160,548</u>

¹ During the year ended June 30, 2021, the Organization met the conditions of its first-round refundable advance on conditional grant, recognized the full \$422,100, and received a second-round refundable advance on conditional grant totaling \$422,100.

See Independent Auditor's Report and Notes to Financial Statements.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 1. Nature of Activities

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 12 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.

Note 2. Summary of Significant Accounting Policies

Basis of accounting:

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and cash equivalents:

The Organization considers all cash accounts and all highly liquid debt instruments, including certificates of deposit with a maturity of three months or less, to be cash equivalents.

Investments:

The Organization received a minority ownership interest in a limited liability company (Governor's Green Associates, L.L.C.) that is recorded at cost less tax losses, \$88,706 and \$88,713 for the years ended June 30, 2021 and 2020, respectively. Income from this investment, including unrealized gains and losses, is accounted for as an increase or decrease in net assets without restrictions.

Grants receivable:

Grants receivable consists of qualified expenditures incurred and/or services provided which have not yet been reimbursed. The allowance method is used to determine uncollectible accounts and is based on prior years' collection experience and management's analysis of the accounts. No allowance was deemed necessary during the years ended June 30, 2021 and 2020.

See Independent Auditor's Report. Notes continued on next page.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies (continued)

Unconditional 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 revenue in the statements of activities. The allowance for uncollectable promises to give is based on experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2021 and 2020, the allowance for uncollectable promises to give was \$10,000.

Property and equipment:

It is the Organization's policy to capitalize property and equipment expenditures over \$1,000 with a useful life of more than one year. Property and equipment are recorded at cost, if purchased, and at estimated or market value, if donated. Expenditures for repairs and maintenance are charged against operations and expenditures for improvements and betterments are capitalized when incurred. Depreciation and amortization is provided for on the straight-line method over the estimated useful lives of the related assets. The estimated lives of property and equipment are as follows:

	<u>Years</u>
Buildings and improvements	7 – 40
Leasehold improvements	10 – 27.5
Land and facility use rights	5 – 20
Vehicles	5 – 7
Equipment	5 – 20
Furniture and fixtures	5 – 10

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.

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 and losses recognized upon sale will be included in the statement of activities.

Impairment of long-lived assets:

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

See Independent Auditor's Report. Notes continued on next page.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies (continued)

Net assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and revenue recognition:

Contributions:

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Cost-reimbursable grants:

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue on the accompanying statements of financial position.

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.

Rental income:

The Organization receives payments from customers that rent certain facilities. Facility rentals are recognized when the performance obligation of providing space for the event is satisfied.

See Independent Auditor's Report. Notes continued on next page.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies (continued)

Revenue and revenue recognition (continued):

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.

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.

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.

	<u>2021</u>	<u>2020</u>
Donated facilities	\$ 124,156	\$ 497,655
Donated materials and services	139,594	516,160
Donated property and equipment	-	10,000
	<u>263,750</u>	<u>1,023,815</u>
Less in-kind amounts included in special events	<u>(41,722)</u>	<u>(81,222)</u>
In-kind contributions	<u>\$ 222,028</u>	<u>\$ 942,593</u>

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.

Deferred revenue:

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

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.

Advertising:

Advertising costs are expensed as incurred.

See Independent Auditor's Report. Notes continued on next page.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies (continued)

Income taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently the Organization has no obligation for any unrelated business income tax. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statement; however, any penalties and interest incurred as a result of uncertain tax positions would be recorded in miscellaneous management and general expenses.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Summarized financial statement information:

The financial statements include certain prior year summarized comparative information in total but not by net asset or functional expense classifications. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Reclassifications:

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on the change in net assets previously reported.

See Independent Auditor's Report. Notes continued on next page.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 3. Information Regarding Liquidity and Availability

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 following table reflects the Organization's financial assets as of June 30, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,383,576	\$ 270,526
Unconditional promises to give, current portion	512,975	893,482
Grants receivable	751,631	422,383
Other receivable - Employee Retention Credit	<u>167,219</u>	<u>-</u>
Total financial assets	<u>2,815,401</u>	<u>1,586,391</u>
With donor restrictions - capital improvements	(500,000)	-
Unconditional promises to give, current portion - restricted for specific purpose	<u>(115,000)</u>	<u>(113,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,200,401</u>	<u>\$ 1,473,391</u>

Note 4. Unconditional Promises to Give

Unconditional promises to give, consisting primarily of pledges to fund construction of new clubs, the Youth Development Park and ongoing operations, are summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Unconditional promises expected to be collected in:		
Within one year	\$ 512,975	\$ 893,482
One year to five years	259,970	452,470
Over five years	<u>-</u>	<u>4,493</u>
	<u>772,945</u>	<u>1,350,445</u>
Less:		
Allowance for uncollectible promises to give	(10,000)	(10,000)
Discount on unconditional promises to give (discounted at 2%)	<u>(5,097)</u>	<u>(8,960)</u>
	<u>\$ 757,848</u>	<u>\$ 1,331,485</u>

See Independent Auditor's Report. Notes continued on next page.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 5. Property and Equipment

Property and equipment are summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 714,260	\$ 714,260
Land and facility use rights, net of discounts \$92,108 and \$99,883	1,014,270	901,220
Buildings and improvements	6,794,530	6,717,882
Leasehold improvements	5,411,406	5,411,406
Vehicles	359,804	197,550
Equipment	212,759	229,893
Furniture and fixtures	253,735	216,657
Construction in progress	76,666	-
	<u>14,837,430</u>	<u>14,388,868</u>
Less accumulated depreciation	6,892,945	6,503,561
Less accumulated amortization of land and facility usage	352,885	226,110
	<u>\$ 7,591,600</u>	<u>\$ 7,659,197</u>

Note 6. 403(b) Thrift 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 contribution expense for the years ended June 30, 2021 and 2020 was \$57,599 and \$59,341, respectively.

Note 7. Contingency

The Organization has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenses 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. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

Note 8. Lines of Credit

During January 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, 2021). There was no outstanding balance on this line of credit as of June 30, 2021 and 2020. The line is collateralized by real property at 12749 Nettles Drive and 629 Hampton Avenue in Newport News, Virginia and is due on demand.

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. The line matured on October 1, 2019 and was subsequently closed and paid in full.

See Independent Auditor's Report. Notes continued on next page.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 9. Long-Term Debt

	<u>2021</u>	<u>2020</u>
Loan payable to TowneBank, payable in monthly installments of \$8,498, including interest at 5.75%, collateralized by deed of trust on real property, due April 2029 with a balloon payment of \$779,680, modified subsequent to year end (see Note 17).	\$ 1,138,067	\$ 1,172,588
Bonds payable agreement, described below:	712,500	757,500
Loan payable to TowneBank, interest payable monthly at prime rate plus .75%, floored at 4.5% (4.5% at June 30, 2021), collateralized by deed of trust on real property, balloon payment of principal and any outstanding interest due during January 2022.	500,000	500,000
Loan payable to the TowneBank, payable in monthly installments of \$2,880, including interest at 5%, collateralized by deed of trust on real property, matures February 2031.	<u>217,542</u>	<u>289,211</u>
	2,568,109	2,719,299
Less current maturities	(605,692)	(101,983)
Less unamortized debt issuance costs	<u>(9,910)</u>	<u>(16,661)</u>
	<u>\$ 1,952,507</u>	<u>\$ 2,600,655</u>

In April 2009, the Organization entered into agreements with the County School Board of York County, Virginia (the Board) where the Organization agreed to provide development and construction related services in connection with the construction of a new facility attached to Yorktown Middle School. The Organization agreed to fund the cost of construction, with a portion of the costs to be paid by the Board as outlined in the agreements (\$1,172,000, which was received in August 2010). Upon completion of the project, ownership of the facility was transferred to the Board and is now operated as a joint use facility by the Board and the Organization. Pursuant to the agreements, the Organization is granted use of the newly constructed facilities at no charge through the maturity date of the related bond financing discussed below. The estimated fair market value of the in-kind rent approximated the cost of constructing the new facility and is included in leasehold improvements in the accompanying 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 \$141,714 and \$143,570 for the years ended June 30, 2021 and 2020, respectively.

In July 2009, the Organization entered into an agreement with the Economic Development Authority of York County, Virginia, under which the authority issued a \$3 million variable rate bank-qualified tax-exempt bond. During 2009 and 2010, the proceeds were used to finance the construction of the 23,900 square foot facility in York County noted above. At June 30, 2021 and 2020, the balance outstanding on the bond was \$712,500 and \$757,500, 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, 2021 and 2020. 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. During 2017, the debt service coverage requirement was waived by the lender for all future periods until further notification.

See Independent Auditor's Report. Notes continued on next page.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 9. Long-Term Debt (continued)

Future maturities of long-term debt for years ended June 30, prior to the refinance (see Note 17), are as follows:

2022	\$ 605,692
2023	109,134
2024	112,583
2025	116,606
2026	120,670
Thereafter	<u>1,503,424</u>
	<u>\$ 2,568,109</u>

Deferred debt issuance costs are summarized as follows:

	<u>2021</u>	<u>2020</u>
Deferred debt issuance costs	\$ 31,954	\$ 31,954
Accumulated amortization	<u>(22,044)</u>	<u>(15,293)</u>
	<u>\$ 9,910</u>	<u>\$ 16,661</u>

Amortization related to deferred debt issuance costs was \$6,751 and \$6,769 for 2021 and 2020, respectively, and is included in interest expense on the statement of functional expenses. Amortization related to deferred debt issuance costs is expected to be \$1,145 per year over the next four years.

Note 10. 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 (described in Note 9).

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 \$126,776 and \$89,970 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 was \$12,630 and \$10,365, respectively.

See Independent Auditor's Report. Notes continued on next page.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 10. Land and Facility Use Right Leases (continued)

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

2022	\$	110,789
2023		110,215
2024		111,319
2025		77,979
2026		25,223
Thereafter		<u>255,859</u>
	\$	<u><u>691,384</u></u>

The Organization has a non-cancelable operating lease for a Club location that expires during January 2024. Rental expense for the operating lease during the years ended June 30, 2021 and 2020 totaled \$24,300 and \$23,953, respectively. Future rent expenses relating to the operating lease are as follows:

2022	\$	24,300
2023		24,300
2024		<u>14,175</u>
	\$	<u><u>62,775</u></u>

Note 11. Concentrations

The Organization receives a substantial amount of support from federal and state grant programs. The current level of the Organization operations and program services may be impacted or segments discontinued if the funding is not renewed or significantly reduced. The Organization's potential credit risk in regard to grants receivable, which is primarily due from federal and state grant programs, is limited due to the nature of the receivable as well as the Organization's collection history.

In addition, the Organization is potentially subject to concentrations of credit risk with regard to unconditional promises to give as most of the receivables are due from donors located in the same geographic area. As of June 30, 2021, approximately 91% of the gross unconditional promises to give was from four donors. Unconditional promises to give are not collateralized; however credit risk is limited due to the collection history of the Organization.

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Organization to risk consist principally of cash, cash equivalents, and investments. The Organization places its cash, cash equivalents, and investments with high quality financial institutions that participate in Federal Deposit Insurance Corporation (FDIC) programs. As of June 30, 2021, the Organization had \$1,141,514 in excess of FDIC coverage.

See Independent Auditor's Report. Notes continued on next page.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 12. Net Assets with Donor Restrictions

Net assets with donor restrictions consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Property and equipment restricted for various purposes, future use	\$ 3,034,532	\$ 3,182,864
Promises to give restricted for capital improvements	500,000	-
Promises to give restricted for future use	421,848	611,495
United Way contributions restricted for future use	272,000	328,000
Promises to give restricted for various purposes	130,000	158,000
Other	<u>5,079</u>	<u>5,699</u>
	<u>\$ 4,363,459</u>	<u>\$ 4,286,058</u>

Note 13. Related Party Transactions

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. The Foundation has a policy, effective April 2008, 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. The Foundation paid \$142,761 and \$124,540, respectively, to the Organization during the years ended June 30, 2021 and 2020. At June 30, 2021, no amounts were due to or from the Foundation. At June 30, 2020, \$1,985 was due to and \$0 was due from the Foundation.

During 2021 and 2020, members of the Board of Directors contributed \$276,665 and \$174,463, respectively, to the Organization. At June 30, 2021 and 2020, \$443,945 and \$521,990, respectively, were outstanding from members of the Board of Directors and their related parties.

One member of the Board of Directors is an employee at TowneBank, the same financial institution the Organization uses to hold all its cash and debt accounts.

Boys and Girls Club of America provides pass-through funds for a juvenile mentoring program to the Organization. Revenue recognized during the years ended June 30, 2021 and 2020 totaled \$141,636 and \$139,189, respectively. At June 30, 2021 and 2020, \$25,464 and \$3,303, respectively, was due from Boys and Girls Club of America.

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

	<u>2021</u>	<u>2020</u>
Bank interest and other finance charges	\$ 143,379	\$ 122,345
Internet and related services	\$ 33,461	\$ 34,649
Membership dues	\$ 34,951	\$ 29,056
Facility lease	\$ 24,300	\$ 19,903
Maintenance services	\$ 35,137	\$ 10,423
Insurance	\$ 4,602	\$ 4,263
Legal services	\$ -	\$ 3,942

Amounts due to these related parties are as follows:

	<u>2021</u>	<u>2020</u>
Maintenance services	\$ 8,410	\$ 18,101

See Independent Auditor's Report. Notes continued on next page.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 14. Risks and Uncertainties

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.

Note 15. 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 anticipated filing for forgiveness and therefore the PPP funding was treated as a conditional grant and recorded as a refundable advance on the statements of financial position. During 2021, the Organization applied and received forgiveness of the PPP loan and recognized the full grant.

In February 2021, the Organization received a second PPP loan of \$422,100. The Organization anticipates filing for forgiveness and therefore the PPP funding is treated as a conditional grant until forgiven and is recorded as a refundable advance on the statements of financial position. Subsequent to year end, the Organization received forgiveness of its second PPP loan.

Note 16. Employee Retention Credit

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted. The CARES Act, among other things, provides an employee retention credit (ERC), which is a refundable credit against certain employment taxes of up to \$5,000 per employee for eligible employers during the period from March 13, 2020 through December 31, 2020, and \$7,000 per employee per calendar quarter for the period from January 1, 2021 through September 30, 2021. The Organization qualified for and recognized \$167,219 of ERC; the ERC was recorded as contribution – employee retention credit on the statement of activities during the year ended June 30, 2021, with \$167,219 recorded as other receivables on the statements of financial position as of June 30, 2021.

See Independent Auditor's Report. Notes continued on next page.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020

Note 17. Subsequent Events

During July 2021, the Organization's second PPP loan was fully forgiven (see Note 15).

During September 2021, the Organization made a \$280,000 principal payment on a loan payable to TowneBank and modified its terms to decrease the interest rate from 5.75% to 3.85% and re-amortize the loan through its original maturity date. The loan is payable in monthly installments of \$5,558, including principal and interest, and matures in April 2029 with a balloon payment of \$556,928. Future maturities of all long-term debt are as follows:

2022	\$	605,349
2023		105,565
2024		108,176
2025		111,114
2026		114,082
Thereafter		<u>1,243,823</u>
	\$	<u>2,288,109</u>

The Organization has evaluated subsequent events through January 12, 2022, the date which the financial statements were available to be issued.

See Independent Auditor's Report.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year End June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Pass-Through To Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development:				
CDBG– Entitlement Grants Cluster:				
Pass-through from Newport News Redevelopment & Housing Authority:				
Community Development Block Grants/Entitlement Grants	14.218	-	\$ -	\$ 80,000
Total CDBG – Entitlement Grants Cluster			-	80,000
Total from U.S. Department of Housing and Urban Development			-	80,000
U.S. Department of Justice:				
Pass-through from Boys and Girls Club of America:				
Juvenile Mentoring Program	16.726	2021-FED-OJJDP-B4B-VA-1	-	141,636
Total from U.S. Department of Justice			-	141,636
U.S. Department of Health and Human Services:				
Pass-through from Virginia Department of Social Services:				
Temporary Assistance for Needy Families	93.558	BEN-20-135	-	389,375
Total from U.S. Department of Health and Human Services			-	389,375
U.S. Department of Agriculture:				
Food Distribution Cluster:				
Pass-through from Virginia Department of Education:				
Summer Food Service Program for Children	10.559	SFSP	-	222,015
Total Food Distribution Cluster			-	222,015
Pass-through from Virginia Department of Education:				
Child and Adult Care Food Program	10.558	CACFP	-	276,300
Total from U.S. Department of Agriculture			-	498,315
Total expenditures of federal awards			\$ -	\$ 1,109,326

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the **Boys & Girls Clubs of the Virginia Peninsula, Inc.** (the Organization) under programs of the federal government for the year ended June 30, 2021. The information in this 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 2. 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.

Note 3. Indirect Cost Rate

The Organization has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Pass-Through State Agencies

Expenditures of federal awards for funds passed through to state agencies are based on information provided by the respective agencies. Pass-through entity identifying numbers are presented where available.

See Independent Auditor's Report.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Boys & Girls Clubs of the Virginia Peninsula, Inc.** (referred to as "the Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 12, 2022.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

We noted certain matters that we have reported to management of the Organization in a separate letter dated January 12, 2022.

The 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 of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Norfolk, Virginia
January 12, 2022

Wall, Einhorn + Chernitzky, P.C.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
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** (referred to as "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, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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* (CFR) 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 each major federal program. However, our audit does not provide a legal determination of 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 each of its major federal programs for the year ended June 30, 2021.



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 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 the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Norfolk, Virginia
January 12, 2022

Wall, Einhorn + Chernitzky, P.C.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.558

Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

See Independent Auditor's Report.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2021

SECTION II. FINANCIAL STATEMENT FINDINGS

2021-001 Finding – Preparation of Schedule of Expenditures of Federal Awards

Significant Deficiency

Criteria:

Uniform Guidance requires recipients of federal funds to prepare an accurate schedule of expenditures of federal awards (SEFA) for the period covered by the financial statements being audited.

Condition and Context:

Federal awards reported on the SEFA included inaccurate amounts and details. The SEFA reported \$498,315 for Summer Food Service Program for Children federal expenditures; however, during testing this amount was reduced to \$222,015 and the remaining expenditures were reported as Child and Adult Care Food Program federal expenditures. Furthermore, the SEFA omitted cluster and passthrough information.

Cause:

The Organization's SEFA preparation and review process did not operate effectively to ensure that all federal grants were properly reported.

Effect or Potential Effect:

The Organization did not accurately report its federal grant activity in accordance with the Uniform Guidance. Noncompliance with federal grant requirements and lack of proper control exposes the Organization to risk of loss of future funding from federal and state granting agencies.

Recommendation:

We recommend that management strengthen their policies and procedures to ensure that federal expenditures reported on the SEFA are complete and accurate. Furthermore, we recommend that the Organization develop a grant summary worksheet that clearly documents the Organization's understanding of the funding source, compliance requirements, and other key information. This worksheet can then be used by management when preparing the SEFA to ensure all information is properly reported.

Responsible Official's Response:

To correct this deficiency, the Organization has put this planned corrective action into place.

- The reporting of funds related to the Summer Food Service Program for Children and the Child and Adult Care Food Program grants were mistakenly combined under the same grant dimension within the accounting system due to their similarities in purpose and metrics, and common funding agency. The Organization plans to review all grants to ensure that all awards have a unique identifier in the accounting system to properly segregate funds for reporting purposes. All other key information related to grants will be stored in the accounting system for reference and ease of review. The year-end SEFA review process will include a review of the grant-specific general ledgers to search for miscoded or combined grant transactions.

SECTION III. FEDERAL AWARD FINDINGS

No matters were reported.

See Independent Auditor's Report.



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

Finding 2021-001 – Accuracy of SEFA (Significant Deficiency)

Planned Corrective Action: The reporting of funds related to the Summer Food Service Program for Children and the Child and Adult Care Food Program grants were mistakenly combined under the same grant dimension within the accounting system due to their similarities in purpose and metrics, and common funding agency. The Organization plans to review all grants to ensure that all awards have a unique identifier in the accounting system to properly segregate funds for reporting purposes. All other key information related to grants will be stored in the accounting system for reference and ease of review. The year-end SEFA review process will include a review of the grant-specific general ledgers to search for miscoded or combined grant transactions.

Anticipated Completion Date: January 2022

Responsible Contact Person: Gus Altschuler, Chief Administrative Office

See Independent Auditor's Report.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2021

Financial Statement Audit Findings for the Year Ended June 30, 2020:

Finding 2020-001 – In-kind capital asset (significant deficiency)

Status: The finding was corrected in October 2019.

See Independent Auditor's Report.