BOYS & GIRLS CLUBS
OF THE VIRGINIA PENINSULA

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

FINANCIAL REPORT

June 30, 2022 with Summarized Financial Information for the
Year Ended June 30, 2021

WALL
EINHORN &
CHERNITZER
CPAs & ADVISORS

CONTENTS

WALL EINHORN & CHERNITZER
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

CONFIDENCE | COLLABORATION | COMMITMENT
P: 757.625.4700 F: 757.625.0527 www.wec.cpa
150 West Main Street, Suite 1200 Norfolk, Virginia 23510
Independently Owned Member of CPAmerica International
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles*, and *Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the consolidated 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

We have previously audited the Organization's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 February 9, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Norfolk, Virginia
February 9, 2023

Wall, Einhorn + Chernitzer, P.C.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,111,576	$ 1,383,576
Unconditional promises to give, current portion	249,467	512,975
Grants receivable	517,010	751,631
Other receivable - Employee Retention Credit	310,849	167,219
Prepaid expenses and other assets	39,668	81,483
Total current assets	2,228,570	2,896,884
Unconditional promises to give, less current portion, net	160,077	244,873
Investment	87,923	88,706
Property and equipment, net	8,645,293	7,591,600
Land held for sale	133,597	143,597
Total assets	$ 11,255,460	$ 10,965,660
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 541,083	$ 185,632
Deferred revenue	28,342	104,785
Other liabilities	4,815	6,066
Notes payable, current maturities	105,565	605,692
Refundable advance on conditional grant	-	422,100
Total current liabilities	679,805	1,324,275
LONG-TERM LIABILITIES		
Notes payable, less current maturities	2,026,755	1,952,507
Total liabilities	2,706,560	3,276,782
NET ASSETS		
Without donor restrictions	5,460,733	3,325,419
With donor restrictions	3,088,167	4,363,459
Total net assets	8,548,900	7,688,878
Total liabilities and net assets	$ 11,255,460	$ 10,965,660

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, 2022 with Summarized Financial Information for the Year Ended June 30, 2021

	Without Donor	With Donor Restrictions	2022 Total	2021 Summarized Total
PUBLIC SUPPORT				
Grants	$ 1,634,345	$ -	$ 1,634,345	$ 1,773,223
Contributions	1,951,020	69,214	2,020,234	2,042,381
United Way allocations	28,047	-	28,047	437,970
In-kind contributions	578,266	-	578,266	222,028
Total public support	4,191,678	69,214	4,260,892	4,475,602
REVENUE				
Program services	229,929	-	229,929	81,583
Special events income, net of expenses 2022 $164,962; 2021 $78,159	19,609	-	19,609	116,670
Membership dues	41,813	-	41,813	25,968
Rental income	55,785	-	55,785	12,630
Commission income	4,871	-	4,871	3,924
Net assets released from restriction	1,344,506	(1,344,506)	-	-
Total revenue	1,696,513	(1,344,506)	352,007	240,775
Total support and revenue	5,888,191	(1,275,292)	4,612,899	4,716,377
EXPENSES				
Program services	3,427,485	-	3,427,485	3,134,114
Management and general	705,360	-	705,360	940,847
Fundraising	143,790	-	143,790	123,139
Unallocated payments to affiliated organizations	43,621	-	43,621	34,951
Total expenses	4,320,256	-	4,320,256	4,233,051
OTHER INCOME (EXPENSE)				
Investment income, net	4,904	-	4,904	5,075
Paycheck Protection Program Income	422,100	-	422,100	422,100
Employee Retention Credit	143,630	-	143,630	167,219
Impairment loss - land held for sale	-	-	-	(30,000)
Loss on disposal of equipment	(3,255)	-	(3,255)	-
Total other income (expense)	567,379	-	567,379	564,394
Change in net assets	2,135,314	(1,275,292)	860,022	1,047,720
Net assets at beginning of year	3,325,419	4,363,459	7,688,878	6,641,158
Net assets at the end of year	$ 5,460,733	$ 3,088,167	$ 8,548,900	$ 7,688,878

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, 2022 with Summarized Financial Information for the Year Ended June 30, 2021

	Program Services	Management & General Services	Fundraising	2022 Total	2021 Summarized Total
Salaries and related expenses:					
Salaries and wages	$ 1,168,120	$ 465,044	$ 92,717	$ 1,725,881	$ 1,504,103
Payroll taxes	90,432	36,002	7,178	133,612	161,161
Employee benefits	55,986	22,289	4,444	82,719	98,595
403(b) expense	58,720	23,377	4,661	86,758	57,599
Payroll processing	6,593	2,624	523	9,740	11,388
	1,379,851	549,336	109,523	2,038,710	1,832,846
Other expenses:					
Advertising	55,517	-	6,169	61,686	24,115
Bad debt expense	-	2,846	-	2,846	103,490
Depreciation and amortization	477,601	19,900	-	497,501	481,487
Insurance	110,218	12,246	-	122,464	117,509
Interest expense	71,456	28,447	5,672	105,575	150,130
Occupancy	165,894	6,912	-	172,806	164,105
Supplies	16,331	6,502	1,296	24,129	60,259
Postage	1,383	692	692	2,767	1,823
Printing and publications	-	-	-	-	870
Professional fees	113,966	45,371	9,046	168,383	113,642
Program expenses	534,584	-	-	534,584	632,368
Rent expense	186,616	10,368	10,368	207,352	198,302
Repairs and maintenance	211,140	18,360	-	229,500	286,065
Special event items	-	-	161,606	161,606	42,039
Telephone	22,957	1,275	1,275	25,507	33,461
Training and conference	24,844	3,105	3,105	31,054	3,994
Transportation	55,127	-	-	55,127	29,754
	2,047,634	156,024	199,229	2,402,887	2,443,413
Less expenses included with revenues on the statement of activities:					
Special events	-	-	(164,962)	(164,962)	(78,159)
Add unallocated expenses included on the statement of activities:					
Unallocated payments to affiliated organizations	-	-	-	43,621	34,951
	$ 3,427,485	$ 705,360	$ 143,790	$ 4,320,256	$ 4,233,051

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, 2022 and 2021

		2022		2021
CASH FLOW FROM OPERATING ACTIVITIES				
Change in net assets	$	**860,022**	$	1,047,720
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization		**497,501**		481,487
Loss on disposal of property and equipment		**3,255**		-
In-kind land and facility use rights expense		**110,790**		119,001
In-kind donation of land		**(435,800)**		-
Refundable advance on conditional grant[1]		**(422,100)**		-
Amortization - deferred loan costs		**990**		6,751
Change in discount on long-term pledges		**(1,696)**		(3,863)
Bad debt expense		**2,846**		103,490
Net loss on investments		**783**		7
Impairment loss - land held for sale		**-**		30,000
In-kind donations of new land and facility use rights		**-**		(105,275)
(Increase) decrease in assets:				
Unconditional promises to give		**347,154**		474,010
Grants receivable		**234,621**		(329,248)
Other receivable - Employee Retention Credit		**(143,630)**		(167,219)
Prepaid expenses and other assets		**41,815**		(61,661)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses		**355,451**		(13,645)
Deferred revenue		**(76,443)**		104,785
Net cash provided by operating activities		**1,375,559**		1,686,340
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds on sale of property and equipment		**300**		-
Proceeds on sale of land held for investment		**10,000**		-
Purchase of property and equipment		**(1,229,739)**		(427,616)
Net cash used in investing activities		**(1,219,439)**		(427,616)
CASH FLOW FROM FINANCING ACTIVITIES				
Principal payments on notes payable		**(926,769)**		(151,190)
Proceeds from issuance of long-term debt		**499,900**		-
Other liabilities		**(1,251)**		5,516
Net cash used in financing activities		**(428,120)**		(145,674)
Net (decrease) increase in cash and cash equivalents		**(272,000)**		1,113,050
Beginning cash and cash equivalents		**1,383,576**		270,526
Ending cash and cash equivalents	$	**1,111,576**	$	1,383,576
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash payments for interest	$	**95,344**	$	143,379

[1] During the year ended June 30, 2022, the Organization met the conditions of its second-round refundable advance on a conditional grant and recognized the full $422,100 on the accompanying statement of activities. During the year ended June 30, 2021, the Organization met the conditions of its first-round refundable advance and recognized the full $422,100 on the accompanying statement of activities.

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

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, $87,923 and $88,706 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021.

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

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, 2022 and 2021, 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:

	Years
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.

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. No amounts for program services and membership dues were outstanding as of June 30, 2022, June 30, 2021, and July 1, 2020.

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.

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.

Gifts-in-kind:

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 (Note 13).

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.

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.

Note 2. Summary of Significant Accounting Policies (continued)

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, 2021, from which the summarized information was derived.

Recent accounting pronouncements:

In July 2018, the FASB issued Accounting Standards Update 2018-11, "*Leases (Topic 842): Targeted Improvements*" (ASU 2018-11), and Accounting Standards Update 2018-10, "*Codification Improvements to Topic 842, Leases*" ASU (2018-10). The amendments in ASU 2018-11 provide for an additional and optional transition method that allows an entity to initially apply ASC Topic 842 at the adoption date and recognize a cumulative effect adjustment to its opening balance of retained earnings in the period of adoption and continue its reporting for the comparative periods presented in accordance with the current lease guidance, ASC Topic 840.The amendments in ASU 2018-10 provide additional clarification and implementation guidance on certain aspects of the previously issued Accounting Standards Update 2016-02, "*Leases (Topic 84*2)" (ASU 2016-02) and have the same effective and transition requirements as ASU 2016-02. Upon the effective date, ASU 2016-02 will supersede the current lease guidance in ASC Topic 840. Under the new guidance, lessees will be required to recognize for all leases, with the exception of short-term leases, a lease liability, which is a lessee's obligation to make lease payments arising from the lease, measured on a discounted basis. Concurrently, lessees will be required to recognize a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. In October 2019, the FASB issued Accounting Standards Update 2019-10, "*Leases (Topic 842): Effective Dates*" (ASU 2019-10). The amendments in ASU 2019-10 extended the effective date of the previously issued Accounting Standards Update 2016-02.

In June 2020, the FASB issued Accounting Standards Update 2020-05, "*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*" (ASU 2020-05). This update provides for a limited deferral of the effective dates of previously issued ASU 2016-02. Under the amendment, the new lease standard is effective for entities with annual reporting periods beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022 with early adoption permitted. The Organization is currently evaluating the impact of adopting ASU 2020-05 upon its financial statements in future reporting periods. The Organization has not yet selected a transition method.

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

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.

	2022	2021
Cash and cash equivalents	**$ 1,111,576**	$ 1,383,576
Unconditional promises to give, current portion	**249,467**	512,975
Grants receivable	**517,010**	751,631
Other receivable - Employee Retention Credit	**310,849**	167,219
Total financial assets	**2,188,902**	2,815,401
Unconditional promises to give, current portion - restricted for specific purpose	**(5,000)**	(115,000)
With donor restrictions - capital improvements	**-**	(500,000)
Financial assets available to meet cash needs for general expenditures within one year	**$ 2,183,902**	$ 2,200,401

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:

	2022	2021
Unconditional promises expected to be collected in:		
Within one year	**$ 249,467**	$ 512,975
One year to five years	**173,478**	259,970
	422,945	772,945
Less:		
Allowance for uncollectible promises to give	**(10,000)**	(10,000)
Discount on unconditional promises to give (discounted at 2%)	**(3,401)**	(5,097)
	$ 409,544	$ 757,848

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

Note 5. Property and Equipment

Property and equipment are summarized as follows at June 30:

	2022	2021
Land	$ **1,150,060**	$ 714,260
Land and facility use rights, net of discounts $76,122 and $92,108	**1,030,256**	1,014,270
Buildings and improvements	**6,797,480**	6,794,530
Leasehold improvements	**5,422,593**	5,411,406
Vehicles	**403,390**	359,804
Equipment	**271,181**	212,759
Furniture and fixtures	**317,316**	253,735
Construction in progress	**1,111,987**	76,666
	16,504,263	14,837,430
Less accumulated depreciation	**7,379,309**	6,892,945
Less accumulated amortization of land and facility usage	**479,661**	352,885
	$ **8,645,293**	$ 7,591,600

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, 2022 and 2021 was $86,758 and $57,599, 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. Line 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 4.50% (5.50% at June 30, 2022). There was no outstanding balance on this line of credit as of June 30, 2022 and 2021. The line is collateralized by real property at 12749 Nettles Drive and 629 Hampton Avenue in Newport News, Virginia and is due on demand.

Note 9. Long-Term Debt

		2022		2021
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. During September 2021, the Organization made a $280,000 principal payment and modified the loan 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 now payable in monthly installments of $5,558, collateralized by deed of trust on real property, due April 2029 with a balloon payment of $556,928.	$	821,796	$	1,138,067
Bonds payable agreement, described below:		667,500		712,500
Small Business Administration Economic Injury Disaster Loan (EIDL) payable to TowneBank, payable in monthly installments of $2,189 including principal and interest at 2.75%, payments commencing May 2023, monthly payments will be applied first to accrued interest, collateralized by substantially all assets of the Organization, due November 2051.		499,900		-
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.		152,044		217,542
Loan payable to TowneBank, interest payable monthly at prime rate plus .75%, floored at 4.5%, collateralized by deed of trust on real property, repaid during January 2022.		-		500,000
		2,141,240		2,568,109
Less current maturities		(105,565)		(605,692)
Less unamortized debt issuance costs		(8,920)		(9,910)
	$	2,026,755	$	1,952,507

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 $151,746 and $141,714 for the years ended June 30, 2022 and 2021, respectively.

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

Note 9. Long-Term Debt (continued)

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, 2022 and 2021, the balance outstanding on the bond was $667,500 and $712,500, 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, 2022 and 2021. 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.

Future maturities of long-term debt for years ended June 30 are as follows:

2023	$	105,565
2024		108,176
2025		112,169
2026		115,166
2027		118,298
Thereafter		1,581,866
	$	2,141,240

Deferred debt issuance costs are summarized as follows:

		2022		2021
Deferred debt issuance costs	$	31,954	$	31,954
Accumulated amortization		(23,034)		(22,044)
	$	8,920	$	9,910

Amortization related to deferred debt issuance costs was $990 and $6,751 for 2022 and 2021, respectively, and is included in interest expense on the statement of functional expenses. Amortization related to deferred debt issuance costs is expected to be $1,045 per year over the next five 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.

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

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 $110,790 and $126,776 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 was $55,785 and $12,360, respectively.

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

2023	$ 110,215
2024	111,319
2025	77,979
2026	25,223
2027	25,854
Thereafter	200,005
	$ 550,595

The Organization has a non-cancelable operating lease for a Club location that expires during January 2024. Rental expense for the operating lease for each of the years ended June 30, 2022 and 2021 totaled $24,300, respectively. Future rent expenses relating to the operating lease are as follows:

2023	$ 24,300
2024	14,175
	$ 38,475

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, 2022, approximately 90% of the gross unconditional promises to give was from three donors. Unconditional promises to give are not collateralized; however credit risk is limited due to the collection history of the Organization.

Note 11. Concentrations (continued)

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, 2022, the Organization had $863,756 in excess of FDIC coverage.

Note 12. Net Assets with Donor Restrictions

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

	2022	2021
Property and equipment restricted for various purposes, future use	**$ 2,830,274**	$ 3,034,532
Promises to give restricted for future use	**231,569**	421,848
Promises to give restricted for various purposes	**15,000**	130,000
Other	**11,324**	5,079
Promises to give restricted for capital improvements	**-**	500,000
United Way contributions restricted for future use	**-**	272,000
	$ 3,088,167	$ 4,363,459

Note 13. Gifts-in-Kind

The Organization received the following gifts-in-kind during the years ended June 30:

	2022	2021
Donated land	**$ 435,800**	$ -
Donated materials, auction items, and services	**171,135**	139,594
Donated facilities	**68,906**	124,156
	675,841	263,750
Less in-kind amounts included in special events	**(97,575)**	(41,722)
In-kind contributions	**$ 578,266**	$ 222,028

The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at is fair market value as determined by appraisal or specialists depending on the type of asset.

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 theses donations has been included in the accompanying financial statements as both an in-kind contribution and rent expense.

The Organization received restricted gifts-in-kind totaling $105,275 during the year ended June 30, 2021. All other gifts-in-kind received by the Organization during the years ended June 30, 2022 and 2021 were considered without donor restrictions and able to be used by the Organization as determined by the Board of Directors and management.

Note 14. 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 $148,149 and $142,761, respectively, to the Organization during the years ended June 30, 2022 and 2021. For each of the years ended June 30, 2022 and 2021, no amounts were due to or from the Foundation.

During 2022 and 2021, members of the Board of Directors contributed $297,407 and $276,665, respectively, to the Organization. At June 30, 2022 and 2021, $250,945 and $443,945, 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, 2022 and 2021 totaled $164,248 and $141,636, respectively. At June 30, 2022 and 2021, $61,052 and $25,464, respectively, was due from Boys and Girls Club of America.

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

	2022	2021
Bank interest and other finance charges	**$ 104,585**	$ 143,379
Internet and related services	**$ 18,769**	$ 33,461
Membership dues	**$ 43,621**	$ 34,951
Facility lease	**$ 24,300**	$ 24,300
Maintenance services	**$ 21,203**	$ 35,137
Insurance	**$ 4,276**	$ 4,602
Legal services	**$ 306**	$ -

Amounts due to these related parties are as follows:

	2022	2021
Maintenance services	**$ -**	$ 8,410

Note 15. 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.

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

Note 16. 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 for 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 that the Organization also 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 2022, the Organization applied for and received forgiveness of the PPP loan and recognized the full grant.

Note 17. 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 $143,630 and $167,219 of ERC during the years ended June 30, 2022 and 2021. The ERC was recorded as contribution – employee retention credit on the statement of activities during the years ended June 30, 2021, and 2022. As of June 30, 2022, the Organization has not collected any ERC funds and as such, totals of $310,849 and $167,219 have been recorded as other receivables on the statements of financial position as of June 30, 2022 and 2021, respectively.

Note 18. Commitments

During February 2022, the Organization entered into a construction agreement for services related to the construction of a building addition to its Shell Road location. The maximum price to be charged to the Organization, as defined by the agreement totals $1,806,000.

Note 19. Subsequent Events

During September 2022, the Organization entered into a purchase agreement to sell one of its club locations for $730,000. The sale is currently under a due diligence inspection period and is expected to close during the fiscal year ended June 30, 2023.

During January 2023, the Organization entered into a real estate purchase agreement to sell one of its club locations for $2,800,000. The sale is subject to various terms and conditions and is expected to close on or before March 2023.

The Organization has evaluated subsequent events through February 9, 2023, the date which the financial statements were available to be issued.

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year End June 30, 2022

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	OJJDP 2019/2020/2021	-	144,248
Pass-through from Cal Ripken, Sr. Foundation:				
Juvenile Mentoring Program	16.726	2019-FED-OJJDP-B4B-VA-1	-	20,000
Total from U.S. Department of Justice			-	164,248
U.S. Department of Health and Human Services:				
477 Cluster:				
Pass-through from Virginia Department of Social Services:				
Temporary Assistance for Needy Families	93.558	BEN-17-013	-	377,970
Total 477 Cluster			-	377,970
Total from U.S. Department of Health and Human Services			-	377,970
U.S. Department of Agriculture:				
Child Nutrition Cluster:				
Pass-through from Virginia Department of Education:				
Summer Food Service Program for Children	10.559	SFSP	-	154,522
Total Child Nutrition Cluster			-	154,522
Pass-through from Virginia Department of Education:				
Child and Adult Care Food Program	10.558	CACFP	-	323,605
Total from U.S. Department of Agriculture			-	478,127
Total expenditures of federal awards			$ -	$ 1,100,345

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

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, 2022. 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.

Note 5. Child and Adult Care Food Program (AL 10.558) – Emergency Operational Costs

During the year ended June 30, 2022, the Organization received $90,093 of additional funding under the Child and Adult Care Food Program Emergency Operational Costs program. Funds represent reimbursement to the program operators for program performance and costs incurred in the past. Expenses related to this funding are included on the accompanying schedule of federal awards under AL 10.558.

**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.** (the Organization), which comprise the statement of financial position as of June 30, 2022, 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 February 9, 2023.

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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

CONFIDENCE | COLLABORATION | COMMITMENT
P: 757.625.4700 F: 757.625.0527 www.wec.cpa
150 West Main Street, Suite 1200 Norfolk, Virginia 23510
Independently Owned Member of CPAmerica International
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants

Purpose of This Report

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

Norfolk, Virginia
February 9, 2023

Wall, Einhorn + Chernitzer, 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

Opinion on 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 identified as subject to audit 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, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

CONFIDENCE | COLLABORATION | COMMITMENT
P: 757.625.4700 F: 757.625.0527 www.wec.cpa
150 West Main Street, Suite 1200 Norfolk, Virginia 23510
Independently Owned Member of CPAmerica International
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Wall, Einhorn + Chernitzer, P.C.

Norfolk, Virginia
February 9, 2023

BOYS & GIRLS CLUBS OF THE VIRGINIA PENINSULA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

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?		Yes	X	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

SECTION II. FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III. FEDERAL AWARD FINDINGS

None noted.

See Independent Auditor's Report.

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2022

Financial Statement Audit Findings for the Year Ended June 30, 2021:

Finding 2021-001 – Accuracy of SEFA (significant deficiency)

Status: The finding was corrected in January 2022.