BOYS & GIRLS CLUBS
OF THE VIRGINIA PENINSULA

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

## FINANCIAL REPORT

June 30, 2023 with Summarized Financial Information for the
Year Ended June 30, 2022

Wall
Einhorn &
Chernitzer
CPAs & ADVISORS

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WALL
EINHORN &
CHERNITZER
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## INDEPENDENT AUDITOR'S REPORT

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

**Report on the 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, 2023, 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, 2023, 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.

***2022 Financial Statements Restated***

As discussed in Note 18 to the financial statements, the 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

***Emphasis of Matter***

As discussed in Note 11 of the financial statements, the Organization adopted FASB ASC 842, *Leases.* Our opinion is not modified with respect to this matter.



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***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 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.

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 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 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 9, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived except for the restatement described in Note 18.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2024 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
March 13, 2024

Wall, Einhorn + Chernitzer, P.C.

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

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2023 and 2022**

| | 2023 | 2022 Restated |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ **823,474** | $ 1,111,576 |
| Unconditional promises to give, current portion | **96,960** | 249,467 |
| Grants receivable | **141,418** | 517,010 |
| Other receivable - Employee Retention Credit | **-** | 310,849 |
| Treasury securities, short-term | **922,492** | - |
| Prepaid expenses and other assets | **302,767** | 39,668 |
| **Total current assets** | **2,287,111** | 2,228,570 |
| Unconditional promises to give, less current portion, net | **82,154** | 160,077 |
| Investment | **87,291** | 87,923 |
| Treasury securities, long-term | **457,563** | - |
| Property and equipment, net | **8,391,304** | 8,645,293 |
| Land held for sale | **133,597** | 133,597 |
| Operating lease right of use assets | **285,108** | - |
| **Total assets** | $ **11,724,128** | $ 11,255,460 |

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

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

## STATEMENTS OF FINANCIAL POSITION, CONTINUED

**June 30, 2023 and 2022**

| | 2023 | 2022 Restated |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 366,500 | $ 541,083 |
| Deferred revenue | 10,000 | 28,342 |
| Other liabilities | 3,494 | 4,815 |
| Notes payable, current maturities | - | 105,565 |
| Operating lease liabilities, current portion | 31,969 | - |
| **Total current liabilities** | 411,963 | 679,805 |
| **LONG-TERM LIABILITIES** | | |
| Notes payable, less current maturities | 499,900 | 2,026,755 |
| Operating lease liabilities, less current portion | 253,340 | - |
| **Total long-term liabilities** | 753,240 | 2,026,755 |
| **Total liabilities** | 1,165,203 | 2,706,560 |
| **NET ASSETS** | | |
| Without donor restrictions | 7,562,926 | 5,230,733 |
| With donor restrictions | 2,995,999 | 3,318,167 |
| **Total net assets** | 10,558,925 | 8,548,900 |
| **Total liabilities and net assets** | $ 11,724,128 | $ 11,255,460 |

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

## STATEMENT OF ACTIVITIES

### Year Ended June 30, 2023 with Summarized Financial Information for the Year Ended June 30, 2022

| | Without Donor | With Donor Restrictions | 2023 Total | 2022 Summarized Total |
|---|---|---|---|---|
| **PUBLIC SUPPORT** | | | | |
| Grants | $ 1,307,394 | $ - | $ 1,307,394 | $ 1,634,345 |
| Contributions | 2,178,492 | 321,931 | 2,500,423 | 2,020,234 |
| United Way allocations | 242,502 | - | 242,502 | 28,047 |
| In-kind contributions | 390,492 | - | 390,492 | 578,266 |
| **Total public support** | 4,118,880 | 321,931 | 4,440,811 | 4,260,892 |
| **REVENUE** | | | | |
| Program services | 158,467 | - | 158,467 | 229,929 |
| Special events income, net of expenses 2023 $135,663; 2022 $164,962 | 6,814 | - | 6,814 | 19,609 |
| Membership dues | 38,883 | - | 38,883 | 41,813 |
| Rental income | 28,125 | - | 28,125 | 55,785 |
| Commission income | 12,966 | - | 12,966 | 4,871 |
| Net assets released from restriction | 644,099 | (644,099) | - | - |
| **Total revenue** | 889,354 | (644,099) | 245,255 | 352,007 |
| **Total support and revenue** | 5,008,234 | (322,168) | 4,686,066 | 4,612,899 |
| **EXPENSES** | | | | |
| Educational, social, and cultural development | 4,185,148 | - | 4,185,148 | 3,427,485 |
| Management and general | 645,737 | - | 645,737 | 705,360 |
| Fundraising | 375,910 | - | 375,910 | 143,790 |
| Unallocated payments to affiliated organizations | 26,404 | - | 26,404 | 43,621 |
| **Total expenses** | 5,233,199 | - | 5,233,199 | 4,320,256 |
| **OTHER INCOME (EXPENSE)** | | | | |
| Investment income, net | 13,834 | - | 13,834 | 4,904 |
| Paycheck Protection Program Income | - | - | - | 422,100 |
| Employee Retention Credit | 59,213 | - | 59,213 | 143,630 |
| Gain (loss) on disposal of property and equipment | 2,484,111 | - | 2,484,111 | (3,255) |
| **Total other income (expense)** | 2,557,158 | - | 2,557,158 | 567,379 |
| **Change in net assets** | 2,332,193 | (322,168) | 2,010,025 | 860,022 |
| **Net assets at beginning of year, restated** | 5,230,733 | 3,318,167 | 8,548,900 | 7,688,878 |
| **Net assets at the end of year** | $ 7,562,926 | $ 2,995,999 | $ 10,558,925 | $ 8,548,900 |

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, 2023 with Summarized Financial Information for the Year Ended June 30, 2022**

| | Educational Social and Cultural Development | Management and General Services | Fundraising | 2023 Total | 2022 Summarized Total |
|---|---|---|---|---|---|
| **Salaries and related expenses:** | | | | | |
| Salaries and wages | $ 1,546,958 | $ 391,965 | $ 249,237 | $ 2,188,160 | $ 1,725,881 |
| Payroll taxes | 110,387 | 27,969 | 17,785 | 156,141 | 133,612 |
| Employee benefits | 74,138 | 18,785 | 11,945 | 104,868 | 82,719 |
| 403(b) expense | 53,914 | 13,660 | 8,686 | 76,260 | 86,758 |
| Payroll processing | 7,822 | 1,982 | 1,260 | 11,064 | 9,740 |
| | 1,793,219 | 454,361 | 288,913 | 2,536,493 | 2,038,710 |
| **Other expenses:** | | | | | |
| Advertising | 43,974 | - | 4,886 | 48,860 | 61,686 |
| Bad debt expense | - | - | - | - | 2,846 |
| Depreciation and amortization | 481,607 | 20,067 | - | 501,674 | 497,501 |
| Insurance | 72,008 | 18,245 | 11,602 | 101,855 | 122,464 |
| Interest expense | 52,679 | 13,348 | 8,487 | 74,514 | 105,575 |
| Occupancy | 217,763 | 9,073 | - | 226,836 | 172,806 |
| Postage | 1,315 | 658 | 658 | 2,631 | 2,767 |
| Professional fees | 164,991 | 41,805 | 26,582 | 233,378 | 168,383 |
| Program expenses | 594,513 | - | - | 594,513 | 534,584 |
| Rent expense | 425,741 | 23,641 | 23,641 | 473,023 | 207,352 |
| Repairs and maintenance | 204,873 | 17,815 | - | 222,688 | 229,500 |
| Special event items | 1,117 | 3,588 | 117,611 | 122,316 | 161,606 |
| Supplies | 16,945 | 38,289 | 24,346 | 79,580 | 24,129 |
| Telephone | 28,753 | 1,597 | 1,597 | 31,947 | 25,507 |
| Training and conference | 26,004 | 3,250 | 3,250 | 32,504 | 31,054 |
| Transportation | 59,646 | - | - | 59,646 | 55,127 |
| | 2,391,929 | 191,376 | 222,660 | 2,805,965 | 2,402,887 |
| **Less expenses included with revenues on the statement of activities:** | | | | | |
| Special events | - | - | (135,663) | (135,663) | (164,962) |
| **Add unallocated expenses included on the statement of activities:** | | | | | |
| Unallocated payments to affiliated organizations | - | - | - | 26,404 | 43,621 |
| | $ 4,185,148 | $ 645,737 | $ 375,910 | $ 5,233,199 | $ 4,320,256 |

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, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ **2,010,025** | $ 860,022 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | **501,674** | 497,501 |
| (Gain) loss on disposal of property and equipment | **(2,524,358)** | 3,255 |
| In-kind land and facility use rights expense | **110,216** | 110,790 |
| Write off of unamortized loan fees | **8,920** | - |
| In-kind donation of land and buildings | **-** | (435,800) |
| Refundable advance on conditional grant[1] | **-** | (422,100) |
| Amortization - deferred loan costs | **-** | 990 |
| Change in discount on long-term pledges | **(1,570)** | (1,696) |
| Bad debt expense | **-** | 2,846 |
| Net loss on investments | **632** | 783 |
| Lease expense, non-cash portion | **201** | - |
| (Increase) decrease in assets: | | |
| Unconditional promises to give | **232,000** | 347,154 |
| Grants receivable | **375,592** | 234,621 |
| Other receivable - Employee Retention Credit | **310,849** | (143,630) |
| Prepaid expenses and other assets | **(263,099)** | 41,815 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | **(174,583)** | 355,451 |
| Deferred revenue | **(18,342)** | (76,443) |
| **Net cash provided by operating activities** | **568,157** | 1,375,559 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Proceeds on sale of property and equipment | **3,530,000** | 300 |
| Purchases of treasury securities | **(1,380,055)** | - |
| Purchase of property and equipment | **(1,363,543)** | (1,229,739) |
| Proceeds on sale of land held for investment | **-** | 10,000 |
| **Net cash provided by (used in) investing activities** | **786,402** | (1,219,439) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Principal payments on notes payable | **(1,641,340)** | (926,769) |
| Other liabilities | **(1,321)** | (1,251) |
| Proceeds from issuance of long-term debt | **-** | 499,900 |
| **Net cash used in financing activities** | **(1,642,661)** | (428,120) |
| **Net decrease in cash and cash equivalents** | **(288,102)** | (272,000) |
| **Beginning cash and cash equivalents** | **1,111,576** | 1,383,576 |
| **Ending cash and cash equivalents** | $ **823,474** | $ 1,111,576 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Cash payments for interest | $ **73,714** | $ 95,344 |

[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.

**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

A summary of the Agency's significant accounting policies follows:

Change in accounting principle:

The Organization adopted FASB Topic 842, Leases, using the modified retrospective approach with July 1, 2022, as the date of initial adoption. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification.

As a result of adopting the new standard effective July 1, 2022, the Organization recorded additional net lease assets and lease liabilities of $37,453. Adoption of the new standard did not materially impact the Organization's change in net assets and had no impact on cash flows.

The following details the statement of financial positions line items effected at July 1, 2022:

| | As reported under 840 | As reported under 842 | Effect of change |
|---|---|---|---|
| Operating lease assets | $ - | $ 37,453 | $ 37,453 |
| Operating lease liabilities | $ - | $ 37,453 | $ 37,453 |

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

**Note 2. Summary of Significant Accounting Policies (continued)**

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:

Investments are reported at fair value based on quoted market prices. Net investment return is reported in the statement activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

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, $87,291 and $87,923 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

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, 2023 and 2022, the allowance for uncollectable promises to give was $10,000.

**Note 2. Summary of Significant Accounting Policies (continued)**

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.

Assets held for sale:

Assets held for sale consist of land and buildings donated to the Organization and are 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.

Insurance claim:

The Organization incurred insured losses during the year ended June 30, 2023. Expenses and related insurance recoveries have been directly offset in the accompanying statement of activities.

**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, 2023, June 30, 2022, and July 1, 2021.

*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 14).

Deferred revenue:

Deferred revenue consists 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, 2022, from which the summarized information was derived.

## 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.

| | **2023** | 2022 |
|---|---|---|
| Cash and cash equivalents | **$ 823,474** | $ 1,111,576 |
| Unconditional promises to give, current portion | **96,960** | 249,467 |
| Grants receivable | **141,418** | 517,010 |
| Treasury securities, short-term | **922,492** | - |
| Other receivable - Employee Retention Credit | **-** | 310,849 |
| Total financial assets | **1,984,344** | 2,188,902 |
| Unconditional promises to give, current portion - restricted for specific purpose | **(5,000)** | (5,000) |
| Financial assets available to meet cash needs for general expenditures within one year | **$ 1,979,344** | $ 2,183,902 |

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

## 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:

| | 2023 | 2022 |
|---|---|---|
| Unconditional promises expected to be collected in: | | |
| Within one year | **$ 96,960** | $ 249,467 |
| One year to five years | **93,985** | 173,478 |
| | **190,945** | 422,945 |
| Less: | | |
| Allowance for uncollectible promises to give | **(10,000)** | (10,000) |
| Discount on unconditional promises to give (discounted at 2%) | **(1,831)** | (3,401) |
| | **$ 179,114** | $ 409,544 |

## Note 5. Property and Equipment

Property and equipment are summarized as follows at June 30:

| | 2023 | 2022 |
|---|---|---|
| Land | **$ 841,147** | $ 1,150,060 |
| Land and facility use rights, net of discounts $59,561 and $76,122 | **1,046,817** | 1,030,256 |
| Buildings and improvements | **6,209,260** | 6,797,480 |
| Leasehold improvements | **5,422,593** | 5,422,593 |
| Vehicles | **384,990** | 403,390 |
| Equipment | **413,548** | 271,181 |
| Furniture and fixtures | **308,193** | 317,316 |
| Construction in progress | **-** | 1,111,987 |
| | **14,626,548** | 16,504,263 |
| Less accumulated depreciation | **5,628,808** | 7,379,309 |
| Less accumulated amortization of land and facility usage | **606,436** | 479,661 |
| | **$ 8,391,304** | $ 8,645,293 |

## 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, 2023 and 2022 was $76,260 and $86,758, respectively.

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

**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% (9% at June 30, 2023). There was no outstanding balance on this line of credit as of June 30, 2023 and 2022. The line is collateralized by real property at 629 Hampton Avenue in Newport News, Virginia and is due on demand.

**Note 9. Long-Term Debt**

| | 2023 | 2022 |
|---|---|---|
| Loan payable to TowneBank, payable in monthly installments of $8,498, including interest at 5.75%, collateralized by deed of trust on real property. Paid in full during the fiscal year ended June 30, 2023. | **$ -** | $ 821,796 |
| Bonds payable agreement, described below: | **-** | 667,500 |
| 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 January 2026, monthly payments will be applied first to accrued interest, collateralized by substantially all assets of the Organization, due November 2051. | **499,900** | 499,900 |
| Loan payable to the TowneBank, payable in monthly installments of $2,880, including interest at 5%, collateralized by deed of trust on real property. Paid in full during the fiscal year ended June 30, 2023. | **-** | 152,044 |
| | **499,900** | 2,141,240 |
| Less current maturities | **-** | (105,565) |
| Less unamortized debt issuance costs | **-** | (8,920) |
| | **$ 499,900** | $ 2,026,755 |

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

**Note 9. Long-Term Debt (continued)**

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 $153,136 and $151,746 for the years ended June 30, 2023 and 2022, 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, 2022, the balance outstanding on the bond was $667,500. During the fiscal year ended June 30, 2023, the bond was paid in full.

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

| | |
|---|---|
| 2024 | $ - |
| 2025 | - |
| 2026 | 1,055 |
| 2027 | 1,084 |
| 2028 | 1,113 |
| Thereafter | 496,648 |
| | $ 499,900 |

Deferred debt issuance costs are summarized as follows:

| | 2023 | 2022 |
|---|---|---|
| Deferred debt issuance costs | $ - | $ 31,954 |
| Accumulated amortization | - | (23,034) |
| | $ - | $ 8,920 |

Amortization related to deferred debt issuance costs were $990 for the year ended June 30, 2022 and is included in interest expense on the statement of functional expenses.

**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 $110,216 and $110,790 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 was $26,705 and $55,785, respectively.

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

| | | |
|---|---|---|
| 2024 | $ | **111,319** |
| 2025 | | **77,979** |
| 2026 | | **25,223** |
| 2027 | | **25,854** |
| 2028 | | **26,500** |
| Thereafter | | **173,505** |
| | $ | **440,380** |

**Note 11. Operating Leases**

The Organization has a non-cancelable operating leases for two Club locations and an administrative office location that expire between January 2024 and April 2033. The Organization leases other Club locations under month to month terms or at no cost (see Note 10).

The following summarizes the weighted average remaining lease terms and discount rates at June 30, 2023:

| | |
|---|---|
| **Weighted average remaining lease term** | |
| Operating leases | 9 years |
| **Weighted average discount rate** | |
| Operating leases | 7.84% |

**Note 11. Operating Leases (continued)**

The maturities of operating lease liabilities at June 30, 2023 are as follows:

| | |
|---|---|
| 2024 | $ 53,175 |
| 2025 | 39,000 |
| 2026 | 39,000 |
| 2027 | 39,000 |
| 2028 | 39,130 |
| Thereafter | 200,382 |
| Total lease payments | 409,687 |
| Less: amounts representing interest | 124,378 |
| Present value of lease liabilities | 285,309 |
| Less: current portion of lease obligation | 31,969 |
| Present value of lease liabilities, less current portion | $ 253,340 |

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

| | |
|---|---|
| Operating cash outflows from operating leases | $ 30,800 |

**Note 12. 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, 2023, approximately 95% of the gross unconditional promises to give was from two 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, 2023, the Organization had $69,957 in excess of FDIC coverage.

## Note 13. Net Assets with Donor Restrictions

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

| | | 2023 | | 2022 Restated |
|---|---|---|---|---|
| Property and equipment restricted for various purposes, future use | $ | **2,566,922** | $ | 2,830,274 |
| Grants restricted for future use | | **230,000** | | 230,000 |
| Promises to give restricted for future use | | **151,646** | | 231,569 |
| Promises to give restricted for various purposes | | **10,000** | | 15,000 |
| Other | | **37,431** | | 11,324 |
| | $ | **2,995,999** | $ | 3,318,167 |

Net assets at the beginning of the year ended June 30, 2022 have been adjusted for restricted activities not properly recognized in prior years. See Note 18.

## Note 14. Gifts-in-Kind

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Donated land | $ | **-** | $ | 435,800 |
| Donated materials, auction items, and services | | **158,073** | | 171,135 |
| Donated facilities | | **265,600** | | 68,906 |
| | | **423,673** | | 675,841 |
| Less in-kind amounts included in special events | | **(33,181)** | | (97,575) |
| In-kind contributions | $ | **390,492** | $ | 578,266 |

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

All gifts-in-kind received by the Organization during the years ended June 30, 2023 and 2022 were considered without donor restrictions and able to be used by the Organization as determined by the Board of Directors and management.

During the year ended June 30, 2023, a gift of property and land was received. The Organization currently provides services in this facility and owns leasehold improvements with a net book value of $303,381 as of June 30, 2023. The value of this gift has not been established, nor has the gift been recognized as an asset or contribution revenue. Management is working to ascertain the value for the gift.

**Note 15. 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 had 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. During the year ended June 30, 2023 the Foundation amended its policy whereby it may grant to the Organization semi-annually, 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 $159,830 and $148,149, respectively, to the Organization during the years ended June 30, 2023 and 2022. For each of the years ended June 30, 2023 and 2022, no amounts were due to or from the Foundation.

During 2023 and 2022, members of the Board of Directors contributed $620,844 and $297,407, respectively, to the Organization. At June 30, 2023 and 2022, $25,945 and $240,945, respectively, were outstanding from members of the Board of Directors and their related parties.

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, 2023 and 2022 totaled $150,624 and $164,248, respectively. At June 30, 2023 and 2022, $83,110 and $61,052, respectively, was due from Boys and Girls Club of America.

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

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Bank interest and other finance charges | **$** | **73,714** | $ | 104,585 |
| Internet and related services | **$** | **20,040** | $ | 18,769 |
| Membership dues | **$** | **26,404** | $ | 43,621 |
| Facility lease | **$** | **22,275** | $ | 24,300 |
| Equipment purchase installation and maintenance services | **$** | **280,242** | $ | 21,203 |
| Insurance | **$** | **-** | $ | 4,276 |
| Legal services | **$** | **17,522** | $ | 306 |

Amounts due to these related parties are as follows:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Maintenance services | **$** | **2,389** | $ | - |

Investments classified as treasury securities, on the accompanying statement of financial position are held with a financial institution affiliated with a board member.

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

## Note 16. Fair Value Measurement

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the Organization's valuation methodologies for assets and liabilities measured at fair value:

*U.S. Treasury Securities* – The fair value of government bonds is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest rate yield curves, cross-currency basis index spreads, and sovereign credit spreads similar to the bond in terms of issuer, maturity, and seniority.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value on a recurring basis as of June 30:

| | Assets at Fair Value as of June 30, 2023 | | | |
|---|---|---|---|---|
| | ***Level 1*** | ***Level 2*** | ***Level 3*** | ***Total*** |
| U.S. Treasuries | **$ 1,376,125** | **$ -** | **$ -** | **$ 1,376,125** |

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

## 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 of ERC during the year ended June 30, 2022. For the year ended December 31, 2023, the Organization received $53,913 of additional interest, which is included in the accompanying statement of activities. The ERC was recorded as contribution – employee retention credit on the statement of activities during the year ended June 30, 2022. As of June 30, 2023, the Organization has collected all ERC funds previously recognized which totaled $310,849. As of June 30, 2022, $167,219 was recorded as other receivables on the statements of financial position.

## Note 18. Prior Period Adjustments

Net assets at the beginning of 2022 have been adjusted for restricted activities not properly recognized in prior years. The correction has no impact on the results of current year operations. The effect of the restatement was to increase the beginning balance of net assets with donor restrictions and decrease the beginning balance of net assets without donor restrictions by $230,000.

## Note 19. Subsequent Events

The Organization has evaluated subsequent events through March 13, 2024, the date which the financial statements were available to be issued.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Year Ended June 30, 2023**

| 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 | - | $ - | $ 66,000 |
| Total CDBG – Entitlement Grants Cluster | | | - | 66,000 |
| **Total from U.S. Department of Housing and Urban Development** | | | - | 66,000 |
| **U.S. Department of Justice:** | | | | |
| Pass-through from Boys and Girls Club of America: | | | | |
| Juvenile Mentoring Program | 16.726 | OJJDP 2019/2020/2021 | - | 150,624 |
| Pass-through from Cal Ripken, Sr. Foundation: | | | | |
| Juvenile Mentoring Program | 16.726 | 2019-FED-OJJDP-B4B-VA-1 | - | 17,500 |
| **Total from U.S. Department of Justice** | | | - | 168,124 |
| **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 | - | 398,235 |
| Total 477 Cluster | | | - | 398,235 |
| **Total from U.S. Department of Health and Human Services** | | | - | 398,235 |
| **U.S. Department of Agriculture:** | | | | |
| Child Nutrition Cluster: | | | | |
| Pass-through from Virginia Department of Education: | | | | |
| Summer Food Service Program for Children | 10.559 | SFSP | - | 115,232 |
| Total Child Nutrition Cluster | | | - | 115,232 |
| Pass-through from Virginia Department of Education: | | | | |
| Child and Adult Care Food Program | 10.558 | CACFP | - | 308,057 |
| **Total from U.S. Department of Agriculture** | | | - | 423,289 |
| **Total expenditures of federal awards** | | | $ - | $ 1,055,648 |

**See Independent Auditor's Report.**

## 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, 2023. 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. COVID-19: Coronavirus State and Local Fiscal Recovery Funds

The Organization received $243,114 of funds from the Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing 21.027) to cover lost revenue and financial impacts of the COVID-19 pandemic. The Organization was listed as the beneficiary of the funds as they were not used to provide additional services on behalf of the passthrough entity. As such, these amounts have not been included on the Schedule.

**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, 2023, 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 March 13, 2024.

**Report on 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 or significant deficiencies may exist that were not identified.

**Report on 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*.



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**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
March 13, 2024

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, 2023. 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, 2023.

***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.



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***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.

Norfolk, Virginia
March 13, 2024

Wall, Einhorn + Chernitzer, P.C.

## 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.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended June 30, 2023**

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There were no findings in the prior year.

**See Independent Auditor's Report.**