

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

2020 Audit

INDEX

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<u>Description</u>	<u>Page Number</u>
<i>Report on Financial Statements and Supplementary Schedule of Expenditures of Federal and State Awards</i>	
Independent Auditors' Report	1
Financial Statements and Related Footnotes	3
Schedule of Expenditures of Federal and State Awards	19
<i>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</i>	20
<i>Report on Compliance for each Major State Program; Report on Internal Control over Compliance; in Accordance with OMB Uniform Guidance, and the State Single Audit Implementation Act.</i>	22
<i>Summary Schedule of Findings and Questioned Costs</i>	24

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## **Independent Auditors' Report**

The Board of Directors of  
Boys Club of Wake County, Inc.  
D/B/A Boys and Girls Clubs:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Boys Club of Wake County, Inc. D/B/A Boys and Girls Clubs (the "Club") (a non-profit organization) as of June 30, 2020 and 2019, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Club as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Implementation Act*, 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020, on our consideration of the Club'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 Club'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 Club's internal control over financial reporting and compliance.

*Batchelor, Jillog & Roberts, LLP*

September 17, 2020

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Statements of Financial Position

June 30, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 674,400	518,046
Contributions and grants receivable, current portion	365,285	633,677
Annual campaign pledges receivable, net	217,274	108,707
Capital campaign pledges receivable, current portion	24,611	88,669
Prepaid expenses and other	9,138	21,628
Total current assets	1,290,708	1,370,727
Cash and cash equivalents, restricted for capital additions	1,607,446	1,565,290
Contributions and grants receivable, less current portion	37,973	55,083
Capital campaign pledges receivable, less current portion	55,298	84,903
Land, buildings and equipment, net	5,329,292	5,693,963
	\$ 8,320,717	8,769,966
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 94,259	106,464
Deferred revenue	108,096	-
Total current liabilities	202,355	106,464
Net assets:		
Without donor restrictions	5,567,644	5,947,075
With donor restrictions	2,550,718	2,716,427
Total net assets	8,118,362	8,663,502
	\$ 8,320,717	8,769,966

See accompanying notes to financial statements.

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Statements of Activities

Year ended June, 30 2020, with comparable totals for 2019

	2020			<u>2019</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Revenues:				
Public support:				
Triangle United Way	\$ 121,674	99,999	221,673	220,358
Annual campaign	1,147,081	-	1,147,081	1,037,051
State award	-	2,750,000	2,750,000	2,750,000
BE THE ONE-Capital Campaign	-	4,295	4,295	8,726
Other grants and contributions	<u>1,481,554</u>	<u>485,207</u>	<u>1,966,761</u>	<u>2,052,332</u>
Total public support	<u>2,750,309</u>	<u>3,339,501</u>	<u>6,089,810</u>	<u>6,068,467</u>
Other revenue:				
Membership dues and program fees	88,932	-	88,932	150,201
Investment return	-	16,272	16,272	17,448
Concessions	1,342	-	1,342	2,251
Miscellaneous	<u>8,928</u>	<u>-</u>	<u>8,928</u>	<u>10,292</u>
Total other revenue	<u>99,202</u>	<u>16,272</u>	<u>115,474</u>	<u>180,192</u>
Net assets released from restrictions- satisfied by payments and time	<u>3,521,482</u>	<u>(3,521,482)</u>	<u>-</u>	<u>-</u>
Total public support and other revenue	<u>6,370,993</u>	<u>(165,709)</u>	<u>6,205,284</u>	<u>6,248,659</u>
Expenses:				
Program services:				
Educational opportunities	833,620	-	833,620	839,190
Social and group adjustments	4,525,905	-	4,525,905	4,611,426
Day camp	<u>385,279</u>	<u>-</u>	<u>385,279</u>	<u>400,088</u>
Total program services	<u>5,744,804</u>	<u>-</u>	<u>5,744,804</u>	<u>5,850,704</u>
Supporting services:				
Management and general	553,747	-	553,747	539,552
Fundraising	<u>451,873</u>	<u>-</u>	<u>451,873</u>	<u>444,662</u>
Total supporting services	<u>1,005,620</u>	<u>-</u>	<u>1,005,620</u>	<u>984,214</u>
Total expenses	<u>6,750,424</u>	<u>-</u>	<u>6,750,424</u>	<u>6,834,918</u>
Changes in net assets	(379,431)	(165,709)	(545,140)	(586,259)
Net assets, beginning of year	<u>5,947,075</u>	<u>2,716,427</u>	<u>8,663,502</u>	<u>9,249,761</u>
Net assets, end of year	<u>\$ 5,567,644</u>	<u>2,550,718</u>	<u>8,118,362</u>	<u>8,663,502</u>

(Continued)

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Statements of Activities, Continued

Year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Public support:			
Triangle United Way	\$ 120,359	99,999	220,358
Annual campaign	1,037,051	-	1,037,051
State award	-	2,750,000	2,750,000
BE THE ONE-Capital Campaign	-	8,726	8,726
Other grants and contributions	<u>2,052,332</u>	<u>-</u>	<u>2,052,332</u>
Total public support	<u>3,209,742</u>	<u>2,858,725</u>	<u>6,068,467</u>
Other revenue:			
Membership dues and program fees	150,201	-	150,201
Investment return	-	17,448	17,448
Concessions	2,251	-	2,251
Miscellaneous	<u>10,292</u>	<u>-</u>	<u>10,292</u>
Total other revenue	<u>162,744</u>	<u>17,448</u>	<u>180,192</u>
Net assets released from restrictions- satisfied by payments	<u>3,115,400</u>	<u>(3,115,400)</u>	<u>-</u>
Total public support and other revenue	<u>6,487,886</u>	<u>(239,227)</u>	<u>6,248,659</u>
Expenses:			
Program services:			
Educational opportunities	839,190	-	839,190
Social and group adjustments	4,611,426	-	4,611,426
Day camp	<u>400,088</u>	<u>-</u>	<u>400,088</u>
Total program services	<u>5,850,704</u>	<u>-</u>	<u>5,850,704</u>
Supporting services:			
Management and general	539,552	-	539,552
Fundraising	<u>444,662</u>	<u>-</u>	<u>444,662</u>
Total supporting services	<u>984,214</u>	<u>-</u>	<u>984,214</u>
Total expenses	<u>6,834,918</u>	<u>-</u>	<u>6,834,918</u>
Changes in net assets	(347,032)	(239,227)	(586,259)
Net assets, beginning of year	<u>6,294,107</u>	<u>2,955,654</u>	<u>9,249,761</u>
Net assets, end of year	\$ <u>5,947,075</u>	<u>2,716,427</u>	<u>8,663,502</u>

See accompanying notes to financial statements.

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Statement of Functional Expenses

Year ended June 30, 2020

	Program Services			Supporting Services			Total Program and Supporting Services	
	Educational Opportunities	Social and Group Adjustments	Day Camp	Total Program Services	Management and General	Fund- raising		Total Supporting Services
Salaries and wages	\$ 502,713	872,126	71,518	1,446,357	268,824	315,762	584,586	2,030,943
Payroll related expenses	117,082	219,371	82,302	418,755	63,909	27,800	91,709	510,464
Grants	-	2,527,849	-	2,527,849	-	-	-	2,527,849
Grant to Foundation	-	200,000	-	200,000	-	-	-	200,000
Supplies	6,154	190,935	13,439	210,528	2,861	4,933	7,794	218,322
Utilities	24,823	81,674	32,663	139,160	6,333	2,571	8,904	148,064
Repairs and maintenance	24,747	80,853	27,955	133,555	7,260	4,101	11,361	144,916
Vehicle	12,620	13,054	23,279	48,953	3,448	3,019	6,467	55,420
Staff development	5,832	11,014	3,765	20,611	3,247	2,050	5,297	25,908
Insurance	10,342	37,920	18,614	66,876	1,379	689	2,068	68,944
Summer food program	-	-	39,837	39,837	-	-	-	39,837
Printing and publication	192	192	192	576	192	8,813	9,005	9,581
Professional fees	-	-	-	-	27,566	3,938	31,504	31,504
Membership dues	8,350	8,603	8,350	25,303	-	-	-	25,303
Advertising	25	25	25	75	10,262	14,345	24,607	24,682
Rent	38,632	78,434	-	117,066	-	-	-	117,066
Other	18,768	34,947	-	53,715	74,012	21,625	95,637	149,352
Total before depreciation and amortization	770,280	4,356,997	321,939	5,449,216	469,293	409,646	878,939	6,328,155
Depreciation and amortization	63,340	168,908	63,340	295,588	84,454	42,227	126,681	422,269
	\$ <u>833,620</u>	<u>4,525,905</u>	<u>385,279</u>	<u>5,744,804</u>	<u>553,747</u>	<u>451,873</u>	<u>1,005,620</u>	<u>6,750,424</u>

See accompanying notes to financial statements.



BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Statement of Functional Expenses

Year ended June 30, 2019

	Program Services				Supporting Services			Total Program and Supporting Services
	Educational Opportunities	Social and Group Adjustments	Day Camp	Total Program Services	Management and General	Fund- raising	Total Supporting Services	
Salaries and wages	\$ 505,284	900,567	66,951	1,472,802	251,368	303,763	555,131	2,027,933
Payroll related expenses	119,890	225,057	84,627	429,574	65,423	29,348	94,771	524,345
Grants	-	2,525,456	-	2,525,456	-	-	-	2,525,456
Grant to Foundation	-	200,000	-	200,000	-	-	-	200,000
Supplies	6,566	260,740	8,744	276,050	2,626	3,317	5,943	281,993
Utilities	27,510	88,407	35,890	151,807	7,604	2,802	10,406	162,213
Repairs and maintenance	24,337	79,395	33,278	137,010	7,184	4,055	11,239	148,249
Vehicle	10,191	10,531	18,498	39,220	2,980	2,506	5,486	44,706
Staff development	7,326	13,811	4,791	25,928	4,143	2,356	6,499	32,427
Insurance	7,485	27,444	13,471	48,400	998	499	1,497	49,897
Summer food program	-	-	63,595	63,595	-	-	-	63,595
Printing and publication	130	130	130	390	130	5,990	6,120	6,510
Professional fees	-	-	-	-	26,536	3,791	30,327	30,327
Membership dues	7,808	8,044	7,808	23,660	-	-	-	23,660
Advertising	128	128	131	387	8,734	24,048	32,782	33,169
Rent	40,870	82,979	-	123,849	-	-	-	123,849
Other	19,491	22,939	-	42,430	78,927	20,738	99,665	142,095
Total before depreciation and amortization	777,016	4,445,628	337,914	5,560,558	456,653	403,213	859,866	6,420,424
Depreciation and amortization	62,174	165,798	62,174	290,146	82,899	41,449	124,348	414,494
	\$ <u>839,190</u>	<u>4,611,426</u>	<u>400,088</u>	<u>5,850,704</u>	<u>539,552</u>	<u>444,662</u>	<u>984,214</u>	<u>6,834,918</u>

See accompanying notes to financial statements.

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flow from operating activities:		
Changes in net assets	\$ (545,140)	(586,259)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	422,269	414,494
Loss on disposal of vehicles	700	-
Contributions, interest and dividends restricted for capital additions, net	(4,295)	(8,726)
Changes in operating assets and liabilities:		
Contributions and grants receivable	64,073	(9,987)
Annual campaign pledges receivable	108,567	100,107
Prepaid expenses and other	12,490	2,776
Accounts payable and accrued expenses	(12,205)	6,336
Deferred revenue	108,096	-
Net cash provided by (used in) operating activities	<u>154,555</u>	<u>(81,259)</u>
Cash flows from investing activities -		
Proceeds from the disposal of vehicles	2,000	-
Purchases of land, buildings and equipment	<u>(60,298)</u>	<u>(116,752)</u>
Net cash used in investing activities	<u>(58,298)</u>	<u>(116,752)</u>
Cash flows from financing activities -		
Contributions, interest and dividends restricted for capital additions	<u>102,253</u>	<u>96,715</u>
Net increase (decrease) in cash and cash equivalents	198,510	(101,296)
Cash, cash equivalents and restricted cash, beginning of year	<u>2,083,336</u>	<u>2,184,632</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u>2,281,846</u>	<u>2,083,336</u>

See accompanying notes to financial statements.

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements

June 30, 2020 and 2019

(1) Basis of Presentation and Accounting Policies

Organization

Boys Club of Wake County, Inc. d/b/a Boys and Girls Clubs (the "Club") is a non-profit youth development organization incorporated in February, 1966 "for the establishment of a club or clubs in Wake County, North Carolina, where boys up to the age of 18 years may enjoy facilities and programs designed to further their physical, intellectual and spiritual development." The Club was organized under the guidance of a national organization called Boys Clubs of America and received its club charter in 1966. The Club opened in April 1967.

On December 1, 1987, the Club took the assumed name, Boys & Girls Clubs, to reflect the inclusion of girls in the program.

The mission of the Club is to inspire and enable all young people, especially those who need us most, to realize their full potential as responsible, productive and caring citizens. Since 2006, the Club has grown from five clubs serving approximately 3,900 registered members to seven clubs serving approximately 5,100 registered members.

Significant Accounting Policies

The significant accounting policies of the Club are summarized below:

(a) Net assets

Net assets of the Club and changes therein are classified and reported as follows:

Net assets without donor restrictions-net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions-net assets subject to donor-imposed restrictions that may or will be met either by action of the Club and/or the passage of time.

Net Assets Released from Restrictions

The Club reports gifts of cash or other assets as with donor restriction support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements

June 30, 2020 and 2019

(1) Basis of Presentation and Accounting Policies, Continued

Significant Accounting Policies, Continued

(b) Cash and Cash Equivalents

During 2020, the Club adopted Accounting Standards Update (“ASU”) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, that requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash and that restricted cash be included with cash and cash equivalents when reconciling the beginning-of-year and end-of-year total amounts shown on the statement of cash flows. The adoption of ASU 2016-18 resulted in restricted cash being added to beginning cash and cash equivalents for 2020 and reclassifying the 2019 restricted cash within the statement of cash flows to conform to the current year presentation.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 674,400	518,046
Cash, restricted	<u>1,607,446</u>	<u>1,565,290</u>
Total cash, cash equivalents, and restricted cash shown in statements in cash flows	\$ <u>2,281,846</u>	<u>2,083,336</u>

Noncurrent restricted cash is restricted for capital additions (see note 8).

(c) Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

An allowance for uncollectable contributions and pledges receivable is recorded, if considered necessary, based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. There was a \$20,000 allowance for 2020 and 2019.

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements

June 30, 2020 and 2019

(1) Basis of Presentation and Accounting Policies, Continued

Significant Accounting Policies, Continued

(d) Land, Buildings and Equipment

Purchased property is recorded at cost. Contributed property is recorded at its estimated fair value at the date of contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the property (equipment, 5 to 10 years; buildings, 25 to 40 years). The Club follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use, if significant.

(e) Donated Services

Volunteers have made contributions of their time to the Club. The value of this contributed time is not reflected in these financial statements since the services received do not create or enhance nonfinancial assets nor require specialized skills, and cannot reasonably be valued.

(f) Income Taxes

The Club is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes.

(g) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

(h) Advertising

Advertising costs are expensed as incurred.

(i) Revenue Recognition

The Financial Accounting Standards Board has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) with the scope of Topic 958, Not-for Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 was adopted by the Club beginning July 1, 2019. The adoption of this ASU did not have a material impact on the Club's financial statements.

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements

June 30, 2020 and 2019

(1) Basis of Presentation and Accounting Policies, Continued

Significant Accounting Policies, Continued

(i) Revenue Recognition, Continued

The Club records membership dues and program fees on an accrual basis, as the performance obligation is satisfied. Amounts received in advance are deferred, and revenue is recognized as the service is provided. In addition, the Club records as revenue the following types of contributions, when they are received unconditionally, at their fair value: cash, marketable securities, pledges and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Contributions and other receivables are recorded net of estimated uncollectable amounts and net of discounts if expected to be collected over multiple years. Membership revenue is measured based on the amount of consideration specified in a contract with a member. Revenue is recognized as performance obligations under the terms of the contract are satisfied, which generally occurs over time.

(j) Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited by management based on what is considered to be the best available objective criteria, such as hours worked or relative benefit.

(k) Adoption of New Accounting Standard

The Financial Accounting Standards Board has issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 was effective for the Club beginning July 1, 2019. Adoption of this standard did not have a material impact on the Club's financial statements.

(l) Selected Recent Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which, among other things, requires the recognition of lease assets and lease liabilities by lessees, including for those leases classified as operating leases under previous GAAP, along with the disclosure of key information about leasing arrangements. ASU 2016-02 is effective for the Club beginning July 1, 2022. Management is in the process of assessing the impact of this new accounting standard.

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements

June 30, 2020 and 2019

(2) Information Regarding Liquidity and Availability of Resources

The Club regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Club considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Club's financial assets as of June 30, 2020 consist of unrestricted cash and accounts receivable, resulting in net financial assets, all of which are available to meet general expenditures within one year of the financial statement date, as follows:

Financial assets, at year end:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 433,910	332,456
Accounts receivable, current portion	<u>337,274</u>	<u>228,707</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$ <u>771,184</u>	<u>561,163</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Club operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The Club also has available a line of credit through November 2020 (see note 5).

(3) Pledges, Contributions and Grants Receivable

The annual campaign pledges receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Annual campaign receivables	\$ 237,274	128,707
Less allowance for uncollectible pledges	<u>(20,000)</u>	<u>(20,000)</u>
	\$ <u>217,274</u>	<u>108,707</u>

All annual campaign pledges were currently receivable as of June 30, 2020 and 2019.

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements

June 30, 2020 and 2019

(3) Pledges, Contributions and Grants Receivable, Continued

Contributions and grants receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 365,285	633,677
Receivable in more than one year	<u>45,470</u>	<u>57,901</u>
	410,755	691,578
Less discounts to present value (5%)	<u>(7,497)</u>	<u>(2,818)</u>
	403,258	688,760
Less current portion	<u>(365,285)</u>	<u>(633,677)</u>
Long-term portion	<u>\$ 37,973</u>	<u>55,083</u>

The Club began a \$12 million campaign called BE THE ONE Campaign primarily for capital improvements and endowment. Seven million dollars was used for the construction of the Zebulon Boys & Girls Club (completed in 2012) and a new teen center (completed in 2014), and will be used for facility improvements at camp. Three million dollars will be used for the endowment. One million dollars will be used for improvements to Raleigh Boys Club, Raleigh Girls Club and Wake Forest facilities and one million dollars for program expansion into other areas of the city and county. The Club has raised approximately \$12,100,000, including \$1,890,000 in conditional pledges which are not recorded as revenue until the related conditions are met. Pledges receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 24,611	88,669
Receivable in more than one year	<u>61,000</u>	<u>94,900</u>
	85,611	183,569
Less discounts to present value (5%)	<u>(5,702)</u>	<u>(9,997)</u>
	79,909	173,572
Less current portion	<u>(24,611)</u>	<u>(88,669)</u>
Long-term portion	<u>\$ 55,298</u>	<u>84,903</u>



BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements

June 30, 2020 and 2019

(4) Land, Buildings and Equipment

Land, buildings and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 460,293	460,293
Buildings	9,093,479	9,059,508
Furniture and equipment	1,241,727	1,237,432
Vehicles	250,518	237,478
Leasehold improvements	<u>97,835</u>	<u>97,835</u>
	11,143,852	11,092,546
Less accumulated depreciation and amortization	<u>(5,814,560)</u>	<u>(5,398,583)</u>
Land, buildings and equipment, net	<u>\$ 5,329,292</u>	<u>5,693,963</u>

(5) Note Payable to Bank

The Club has available a \$1,000,000 revolving line of credit with interest at prime interest rate. No amounts were outstanding as of June 30, 2020 and 2019, and the availability period ends November 16, 2020.

(6) Paycheck Protection Program - Loan

In April 2020, the Club received a loan from the Small Business Administration under the Paycheck Protection Program (“PPP”), which authorizes forgivable loans to small businesses to pay their employees during the COVID-19 crisis (see note 11). This loan, in the amount of \$476,600, will be forgiven if the loan proceeds are used for payroll and certain other allowed costs over a 24-week period, and certain other conditions are met. The loan accrues interest at 1% and is due in 2 years from origination.

The Club expects to meet the eligibility criteria and concludes that the loan represents, in substance, a grant that is expected to be forgiven (which occurs when the Club is legally released from being the loan’s primary obligor). The Club has recognized \$399,968 of income under this program as of June 30, 2020. As of June 30, 2020, \$76,632 has been recorded as deferred revenue and will be recognized as the proceeds are used for allowable costs.

(7) Leases

The Club leases one clubhouse under an operating lease. The term of the current lease is 36 months ending Decemeber 31, 2020. Lease payments included in operating expenses totaled approximately \$64,000 and \$63,000 during 2020 and 2019, respectively. Future minimum lease payments under the lease total approximately \$33,000 in 2021.

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements

June 30, 2020 and 2019

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Capital additions	\$ 2,129,033	2,261,475
Gary Joyner Memorial Scholarship	150,899	149,313
Vision program	49,490	49,621
Ryan Page Memorial Fund	40,101	36,277
Following year operating expenses	32,900	32,000
Ralph Capps Scholarship Fund	7,825	7,825
Youth mentoring	-	35,376
Culinary naming opportunity	-	19,540
Project Power Play	-	15,000
General Support of the Arts	-	10,000
Subject to the passage of time:		
Triangle United Way	100,000	100,000
Payments on pledges	<u>40,470</u>	<u>-</u>
	<u>\$ 2,550,718</u>	<u>2,716,427</u>

“Capital additions” include amounts borrowed from capital campaign accounts for operations. The total amount to be repaid to the capital campaign accounts totaled approximately \$442,000 and \$523,000 as of June 30, 2020 and 2019, respectively.

Included in public support, with donor restrictions for 2020 and 2019 is \$2,750,000 from the North Carolina Department of Health and Human Services. These funds are directed to the Club as the lead agency for the North Carolina Alliance of Boys and Girls Clubs, Inc. and are distributed to other Boys & Girls Clubs organizations throughout the State for specific programs.

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements

June 30, 2020 and 2019

(8) Net Assets with Donor Restrictions, Continued

Net assets were released from donor restrictions by incurring expenses satisfying the following purpose and time restrictions specified by donors:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
N.C. Dept. of Health and Human Services	\$ 2,750,000	2,750,000
PPP loan	399,968	-
Youth support and mentoring	67,749	170,970
Capital and related expenses	60,298	116,750
Summer food program	54,158	71,066
COVID-19 relief program	44,769	-
Culinary naming opportunity	19,540	-
Project Power Play	15,000	-
General Support of the Arts	10,000	-
Satisfaction of time restrictions:		
Triangle United Way	<u>100,000</u>	<u>6,614</u>
	<u>\$ 3,521,482</u>	<u>3,115,400</u>

(9) Pension Plan

The Club participates in a defined contribution pension plan (the "Plan") covering substantially all full-time employees. The Club contributes eight percent of eligible employee compensation. Employees are eligible to participate in the Plan after reaching the age of 21 and after completion of 12 months of service, and vest 100% after three years of service. The contributions to the Plan by the Club were \$117,005 and \$124,063 for 2020 and 2019, respectively.

(10) Related Party Transactions

Included in public support, without donor restrictions for 2020 and 2019 is \$163,700 and \$136,900, respectively, from Boys Club Foundation (the "Foundation"), a related organization whose purpose is to support the Club, but is not controlled by the Club's Board of Directors. As of December 31, 2019, the Foundation had net assets totaling approximately \$4.2 million. Assets of the Foundation consist primarily of marketable equity securities and cash. During 2020 and 2019, the Club made a \$200,000 contribution to the Foundation.

During 2020 and 2019, respectively, the Club was reimbursed \$122,645 and \$130,670 from the North Carolina Alliance of Boys and Girls Clubs, Inc. for personnel and other related costs.

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Notes to Financial Statements

June 30, 2020 and 2019

(11) Impact of COVID-19

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. The extent of COVID-19's effect on the Club's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Club's operations, financial condition and cash flows.

(12) Subsequent Events

The date to which events occurring after June 30, 2020, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is September 17, 2020, the date the financial statements were available to be issued.

BOYS CLUB OF WAKE COUNTY, INC  
D/B/A BOYS AND GIRLS CLUBS

Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2020

Federal or State Grantor/ Pass-through Grantor/ <u>Program Title</u>	Federal CFDA <u>Number</u>	Pass-Through Entity Identifying Number/ State <u>Contract Number</u>	Total <u>Expenditures</u>	Total Pass-Through <u>Expenditures</u>
<b>Federal Award:</b>				
<b>U.S. Department of Agriculture, Food and Nutrition Service</b>				
Pass-through from N.C. Department HHS, Nutrition Services	10.558	9423	\$ <u>148,427</u>	\$ <u>-</u>
<b>State Awards:</b>				
<b>N.C. Department of Health and Human Services,</b>				
Boys and Girls Clubs	N/A	State Appropriations	2,750,000	2,527,849
<b>North Carolina Department of Public Instruction-Summer Food Program</b>	N/A		<u>78,266</u>	<u>-</u>
<i>Total State Awards</i>			<u>2,828,266</u>	<u>2,527,849</u>
<i>Total Federal and State Awards</i>			\$ <u><u>2,976,693</u></u>	\$ <u><u>2,527,849</u></u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the Federal and State grant activity of the Club under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Club, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Club.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

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

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

The Board of Directors of  
Boys Club of Wake County, Inc.  
D/B/A Boys and Girls Clubs:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boys Club of Wake County, Inc. D/B/A Boys and Girls Clubs (the "Club") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Club's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control. Accordingly, we do not express an opinion on the effectiveness of the Club'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 Club's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 Club'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 Club's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Batchelor, Jellery & Roberts, LLP*

September 17, 2020

# **BATCHELOR, TILLERY & ROBERTS, LLP**

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

The Board of Directors of  
Boys Club of Wake County, Inc.  
D/B/A Boys and Girls Clubs:

### **Report on Compliance for Each Major State Program**

We have audited the Boys Club of Wake County, Inc. D/B/A Boys and Girls Club's (the "Club") (a nonprofit organization) compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Club's major state programs for the year ended June 30, 2020. The Club's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Club's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Club's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Club's compliance.



### **Opinion on Each Major State Program**

In our opinion, the Club 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 state programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

Management of the Club is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Club's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Club's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Batchelor, Gillery & Roberts, LLP*

September 17, 2020

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Summary Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**SECTION I-Summary of Auditors' 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 weaknesses identified?                           Yes              X   No
- Significant Deficiency(s) identified?                   Yes              X   None reported

Noncompliance material to financial statements noted?                           Yes              X   No

***State Awards***

Internal control over major State Programs:

- Material weaknesses identified?                           Yes              X   No
- Significant Deficiency(s) identified that are not considered to be material weaknesses                           Yes              X   None reported

Type of auditors' report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act                           Yes              X   No

Identification of major State program (>\$500,000):

Boys and Girls Clubs – State Appropriations

BOYS CLUB OF WAKE COUNTY, INC.  
D/B/A BOYS AND GIRLS CLUBS

Summary Schedule of Findings and Questioned Costs, Continued

Year ended June 30, 2020

**SECTION II-Financial Statement Findings**

No findings.

**SECTION III-State Award Findings and Questioned Costs**

No findings.

**SECTION IV-Prior Year Award Findings and Questioned Costs**

No findings from the prior year.