

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

Financial Statements

December 31, 2021

(With Independent Auditors' Report Thereon)

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

2021 Audit

INDEX

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# BATCHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
POST OFFICE BOX 18068  
RALEIGH, NORTH CAROLINA 27619

RONALD A. BATCHELOR  
WM. JAMES BLACK, JR.  
SCOTT E. CABANISS  
MICHELLE W. LEMANSKI  
JARED L. PILAND  
DAVID C. CORN, JR.

3605 GLENWOOD AVENUE, SUITE 350  
RALEIGH, NORTH CAROLINA 27612  
TELEPHONE (919) 787-8212  
FACSIMILE (919) 783-6724

## Independent Auditors' Report

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

### Opinion

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), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the eighteen month period July 1, 2020 to December 31, 2021, 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 Club as of December 31, 2021, and the changes in its net assets and its cash flows for the period 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 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 Club and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

### **Auditors' 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards 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 Club'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 Club'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 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 May 12, 2022, 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, Jolley & Roberts, LLP*

May 12, 2022

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

Statement of Financial Position

December 31, 2021

Assets

Current assets:

Cash and cash equivalents	\$ 1,239,028
Contributions and grants receivable, current portion	572,779
Annual campaign pledges receivable, net	19,662
Capital campaign pledges receivable, current portion	22,001
Prepaid expenses and other	<u>2,387</u>
Total current assets	1,855,857
Cash and cash equivalents, restricted for capital additions	1,400,038
Contributions and grants receivable, less current portion	53,253
Capital campaign pledges receivable, less current portion	34,298
Land, buildings and equipment, net	<u>4,772,968</u>
	\$ <u>8,116,414</u>

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	128,437
Capital lease payable, current portion	<u>8,764</u>
Total current liabilities	<u>137,201</u>
Capital lease payable, less current portion	<u>28,306</u>
	<u>165,507</u>

Net assets:

Without donor restrictions	5,590,733
With donor restrictions	<u>2,360,174</u>
Total net assets	<u>7,950,907</u>
	\$ <u>8,116,414</u>

See accompanying notes to financial statements.

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

Statement of Activities

Eighteen month period ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Public support:			
Triangle United Way	\$ 162,389	99,999	262,388
Annual campaign	1,507,434	-	1,507,434
State award	-	440,441	440,441
Other grants and contributions	<u>3,888,345</u>	<u>228,980</u>	<u>4,117,325</u>
Total public support	<u>5,558,168</u>	<u>769,420</u>	<u>6,327,588</u>
Other revenue:			
Membership dues and program fees	181,851	-	181,851
Investment return	-	3,146	3,146
Concessions	21	-	21
Miscellaneous	<u>15,621</u>	<u>66,856</u>	<u>82,477</u>
Total other revenue	<u>197,493</u>	<u>70,002</u>	<u>267,495</u>
Net assets released from restrictions- satisfied by payments and time	<u>1,029,966</u>	<u>(1,029,966)</u>	<u>-</u>
Total public support and other revenue	<u>6,785,627</u>	<u>(190,544)</u>	<u>6,595,083</u>
Expenses:			
Program services:			
Educational opportunities	1,361,128	-	1,361,128
Social and group adjustments	3,253,955	-	3,253,955
Day camp	594,160	-	594,160
Total program services	<u>5,209,243</u>	<u>-</u>	<u>5,209,243</u>
Supporting services:			
Management and general	845,955	-	845,955
Fundraising	<u>707,340</u>	<u>-</u>	<u>707,340</u>
Total supporting services	<u>1,553,295</u>	<u>-</u>	<u>1,553,295</u>
Total expenses	<u>6,762,538</u>	<u>-</u>	<u>6,762,538</u>
Changes in net assets	23,089	(190,544)	(167,455)
Net assets, beginning of period	<u>5,567,644</u>	<u>2,550,718</u>	<u>8,118,362</u>
Net assets, end of year	<u>\$ 5,590,733</u>	<u>2,360,174</u>	<u>7,950,907</u>

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Eighteen month period ended December 31, 2021

	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	\$ 865,985	1,555,808	116,015	2,537,808	419,675	510,402	930,077	3,467,885
Payroll related expenses	184,090	344,663	128,646	657,399	100,819	44,003	144,822	802,221
Supplies	14,433	308,777	21,961	345,171	5,553	11,305	16,858	362,029
Grant to Foundation	-	308,000	-	308,000	-	-	-	308,000
Other	23,927	43,927	-	67,854	117,624	31,389	149,013	216,867
Utilities	35,582	119,380	48,608	203,570	8,378	3,582	11,960	215,530
Repairs and maintenance	34,661	108,210	50,514	193,385	11,587	5,293	16,880	210,265
Rent	65,390	132,761	-	198,151	-	-	-	198,151
Insurance	11,447	41,972	20,603	74,022	1,526	763	2,289	76,311
Vehicle	17,042	17,634	31,596	66,272	4,593	4,107	8,700	74,972
Summer food program	-	-	69,229	69,229	-	-	-	69,229
Advertising	-	-	-	-	17,300	14,988	32,288	32,288
Professional fees	-	-	-	-	28,192	4,027	32,219	32,219
Membership dues	7,938	8,179	7,938	24,055	-	-	-	24,055
Staff development	4,263	8,078	2,680	15,021	2,298	1,754	4,052	19,073
Printing and publication	253	253	253	759	253	11,648	11,901	12,660
Total before depreciation and amortization	1,265,011	2,997,642	498,043	4,760,696	717,798	643,261	1,361,059	6,121,755
Depreciation and amortization	96,117	256,313	96,117	448,547	128,157	64,079	192,236	640,783
	\$ <u>1,361,128</u>	<u>3,253,955</u>	<u>594,160</u>	<u>5,209,243</u>	<u>845,955</u>	<u>707,340</u>	<u>1,553,295</u>	<u>6,762,538</u>

See accompanying notes to financial statements.

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

Statement of Cash Flows

Eighteen month period ended December 31, 2021

Cash flow from operating activities:	
Changes in net assets	\$ (167,455)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation and amortization	640,783
Changes in operating assets and liabilities:	
Contributions and grants receivable	172,450
Annual campaign pledges receivable	(197,612)
Prepaid expenses and other	6,751
Accounts payable and accrued expenses	34,178
Deferred revenue	<u>(108,096)</u>
Net cash provided by operating activities	<u>380,999</u>
Cash flows from investing activities -	
Purchases of land, buildings and equipment	<u>(36,335)</u>
Net cash used in investing activities	<u>(36,335)</u>
Cash flows from financing activities -	
Principal payments on capital lease	(11,054)
Contributions, interest and dividends restricted for capital additions	<u>23,610</u>
Net cash provided by financing activities	<u>12,556</u>
Net increase in cash and cash equivalents	357,220
Cash, cash equivalents and restricted cash, beginning of year	<u>2,281,846</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u><u>2,639,066</u></u>
Supplemental disclosure of cash flow information:	
Interest paid during the period	\$ <u>8,090</u>
Noncash investing activities-	
Property and equipment acquired under capital lease	\$ <u>48,124</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2021

(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 3,400 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.

Restricted net assets will be considered unrestricted net assets if restriction has been met in the same period the funds were received.

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

Notes to Financial Statements, Continued

December 31, 2021

(1) Basis of Presentation and Accounting Policies, Continued

Significant Accounting Policies, Continued

(b) Cash and Cash Equivalents

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 as of December 31, 2021.

Cash and cash equivalents	\$ 1,239,028
Cash, restricted	<u>1,400,038</u>
Total cash, cash equivalents, and restricted cash shown in statements in cash flows	\$ <u>2,639,066</u>

Noncurrent restricted cash is restricted for capital additions (see note 7).

(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 2021.

(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.

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

Notes to Financial Statements, Continued

December 31, 2021

(1) Basis of Presentation and Accounting Policies, Continued

Significant Accounting Policies, Continued

(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 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.

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

Notes to Financial Statements, Continued

December 31, 2021

(1) Basis of Presentation and Accounting Policies, Continued

Significant Accounting Policies, Continued

(k) Selected Recent Accounting Standard

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 January 1, 2022. Management is in the process of assessing the impact of this new accounting standard.

(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 December 31, 2021 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:	
Cash and cash equivalents	\$ 987,597
Accounts receivable, current portion	<u>89,662</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,077,259</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.

(3) Pledges, Contributions and Grants Receivable

The annual campaign pledges receivable consist of the following as of December 31, 2021:

Annual campaign receivables	\$ 39,662
Less allowance for uncollectible pledges	<u>(20,000)</u>
	<u>\$ 19,662</u>

All annual campaign pledges were currently receivable as of December 31, 2021.

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

Notes to Financial Statements, Continued

December 31, 2021

(3) Pledges, Contributions and Grants Receivable, Continued

Contributions and grants receivable consist of the following as of December 31, 2021:

Receivable in less than one year	\$ 572,779
Receivable in more than one year	<u>60,750</u>
	633,529
Less discounts to present value (5%)	<u>(7,497)</u>
	626,032
Less current portion	<u>(572,779)</u>
Long-term portion	<u>\$ 53,253</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:

Receivable in less than one year	\$ 22,001
Receivable in more than one year	<u>40,000</u>
	62,001
Less discounts to present value (5%)	<u>(5,702)</u>
	56,299
Less current portion	<u>(22,001)</u>
Long-term portion	<u>\$ 34,298</u>

(4) Land, Buildings and Equipment

Land, buildings and equipment consist of the following as of December 31, 2021:

Land	\$ 460,293
Buildings	9,095,874
Furniture and equipment	1,323,788
Vehicles	250,518
Leasehold improvements	<u>97,835</u>
	11,228,308
Less accumulated depreciation and amortization	<u>(6,455,340)</u>
Land, buildings and equipment, net	<u>\$ 4,772,968</u>

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

Notes to Financial Statements, Continued

December 31, 2021

(5) Paycheck Protection Program - Loan

In April 2021, 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, was forgiven when the loan proceeds were used for payroll and certain other allowed costs over a 24-week period, and certain other conditions are met. The loan accrued interest at 1% and was due in 2 years from origination.

The Club met the eligibility criteria and concludes that the loan represents, in substance, a grant that was forgiven (which occurs when the Club is legally released from being the loan’s primary obligor). The Club had recognized \$399,968 of income under this program in the previous fiscal year. As of December 31, 2021, the remaining \$76,632 of income under this program has been recognized as revenue.

(6) Leases

The Club leases one clubhouse under an operating lease. The term of the current lease is thirty six months ending December 31, 2023. Lease payments included in operating expenses totaled approximately \$100,000 during the period ending December 31, 2021. Future minimum lease payments under the lease total approximately \$69,000 and \$71,000 in 2022 and 2023, respectively.

The Club has entered into a capital lease agreement for a security firewall which will expire in 2025. The asset and liability under the capital leases were recorded at the present value of the minimum lease payments and the assets are amortized over the related lease term as part of depreciation and amortization expense. The asset under the capital lease totaled \$48,124 as of December 31, 2021 and accumulated amortization was \$4,812.

The future rentals for the capital lease are as follow as of December 31, 2021:

<u>Year ending December 31,</u>	
2022	\$ 13,195
2023	13,195
2024	13,195
2025	<u>7,248</u>
	46,833
Less interest (13.2%)	<u>(9,763)</u>
	\$ <u>37,070</u>

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

Notes to Financial Statements, Continued

December 31, 2021

(7) Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of December 31, 2021:

Subject to expenditure for specified purpose:

Capital additions	\$ 1,812,015
Gary Joyner Memorial Scholarship	151,658
Ryan Page Memorial Fund	50,282
Vision program	49,491
CACFP food program	34,065
Gavaghan/Ferebee Relief	32,232
Shuping Memorial Garden	31,856
Ralph Capps Scholarship Fund	7,825

Subject to the passage of time:

Payments on pledges	140,750
Triangle United Way	<u>50,000</u>
	\$ <u>2,360,174</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 \$356,000 as of December 31, 2021.

Included in public support, with donor restrictions for 2021 is \$440,441 from the North Carolina Department of Health and Human Services.

Net assets were released from donor restrictions by incurring expenses satisfying the following purpose and time restrictions specified by donors for the eighteen month period ended December 31, 2021:

Satisfaction of purpose restrictions:

N.C. Dept. of Health and Human Services	\$ 440,441
Summer food program	90,568
Capital and related expenses	84,459
PPP loan	76,632
Youth support and mentoring	59,100
COVID-19 relief program	52,348
Current year operating expenses	32,900
Gavaghan/Ferebee Relief Fund	2,768

Satisfaction of time restrictions:

Triangle United Way	150,000
Payments on pledges	<u>40,750</u>
	\$ <u>1,029,966</u>

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

Notes to Financial Statements, Continued

December 31, 2021

(8) 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 \$186,816 for the eighteen month period ending December 31, 2021.

(9) Related Party Transactions

Included in public support, without donor restrictions for the eighteen month period ending December 31, 2021 is \$325,900 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, 2021, the Foundation had net assets totaling approximately \$6.2 million. Assets of the Foundation consist primarily of marketable equity securities and cash. During the eighteen month period ending December 31, 2021, the Club made a \$308,000 contribution to the Foundation.

During the eighteen month period ending December 31, 2021, the Club was reimbursed \$165,780 from the North Carolina Alliance of Boys and Girls Clubs, Inc. for personnel and other related costs.

(10) 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.

(11) Subsequent Events

The date to which events occurring after December 31, 2021, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is May 12, 2022, 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

Eighteen Month Period ended December 31, 2021

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 the Treasury</b>				
Pass-through from Young Men's Christian Association of the Triangle Area, Inc. - Coronavirus Relief Fund	21.019	103-01-042	\$ 835,566	\$ -
<b>U.S. Department of Agriculture, Food and Nutrition Service</b>				
Pass-through from N.C. Department HHS, Nutrition Services	10.558	9423	<u>232,590</u>	<u>-</u>
<b>Total Federal Awards</b>			<u>1,068,156</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	2,537,923
<b>North Carolina Department of Public Instruction-Summer Food Program</b>				
	N/A		<u>115,775</u>	<u>-</u>
<b>Total State Awards</b>			<u>2,865,775</u>	<u>2,537,923</u>
<b>Total Federal and State Awards</b>			\$ <u>3,933,931</u>	\$ <u>2,537,923</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 December 31, 2021. 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.

# BATCHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
POST OFFICE BOX 18068  
RALEIGH, NORTH CAROLINA 27619

RONALD A. BATCHELOR  
WM. JAMES BLACK, JR.  
SCOTT E. CABANISS  
MICHELLE W. LEMANSKI  
JARED L. PILAND  
DAVID C. CORN, JR.

3605 GLENWOOD AVENUE, SUITE 350  
RALEIGH, NORTH CAROLINA 27612  
TELEPHONE (919) 787-8212  
FACSIMILE (919) 783-6724

## 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 December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the eighteen month period ended, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2022.

### **Report on 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) as a basis for designing 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 were not identified.

### **Report on 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 financial statement. 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, Tilley & Roberts, LLP*

May 12, 2022

# BACHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
POST OFFICE BOX 18068  
RALEIGH, NORTH CAROLINA 27619

RONALD A. BACHELOR  
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RALEIGH, NORTH CAROLINA 27612  
TELEPHONE (919) 787-8212  
FACSIMILE (919) 783-6724

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

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

#### **Opinion on Each Major Federal 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 identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Club's major federal programs for the eighteen months ended December 31, 2021. The Club's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

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 federal programs for the eighteen months ended December 31, 2021.

#### **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; the standards applicable to financial audits contained in *Government Auditing Standards*; issued by the Comptroller of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Club 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 Club'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 Club's federal programs.

### **Auditors' 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 Club'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 generally accepted auditing standards, *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 Club's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Club'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 Club'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 the Club'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 Auditors' 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. 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.

**Auditors' Responsibilities for the Audit of Compliance**

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.

*Batchelor, Jillery & Roberts, LLP*

May 12, 2022

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

Summary Schedule of Findings and Questioned Costs

Eighteen Month Period ended December 31, 2021

**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  No
- Significant Deficiency(s) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

***Federal Awards***

Internal control over major Federal Programs:

- Material weaknesses identified?  Yes  No
- Significant deficiency identified?  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  None reported

Identification of major programs:

CFDA Numbers  
21.019

Name of Fedreal Program or Cluster  
Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

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

Summary Schedule of Findings and Questioned Costs, Continued

Eighteen Month Period ended December 31, 2021

*State Awards*

Internal control over major State Programs:

- Material weaknesses identified?  Yes  No
- Significant Deficiency(s) identified that are not considered to be material weaknesses  Yes  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  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

Eighteen Month Period ended December 31, 2021

**SECTION II-Financial Statement Findings**

No findings.

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

No findings.

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

No findings.

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

No findings from the prior year.