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Attached is the financial report of Boys and Girls Club of Dumplin Valley for the year ended December 31, 2021.

Purkey, Carter, Compton, Swann & Carter, PLLC

January 27, 2023

Employer Identification No.: 62-0882329

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Applicable licenses have been secured in the state of the Organization's location.

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
Year Ended December 31, 2021

Prepared by:

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BOYS AND GIRLS CLUB OF DUMPLIN VALLEY

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	4
Statement of Activities.....	5
Statement of Functional Expense.....	6
Statement of Cash Flows.....	7
Notes to Financial Statements.....	8
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards.....	16
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	18
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	19
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	24

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys and Girls Club of Dumplin Valley
White Pine, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Boys and Girls Club of Dumplin Valley, 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 year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Boys and Girls Club of Dumplin Valley as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Boys and Girls Club of Dumplin Valley 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 opinions.

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 Boys and Girls Club of Dumplin Valley's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objective 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 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 Boys and Girls Club of Dumplin Valley’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 Boys and Girls Club of Dumplin Valley’s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information

directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023, on our consideration of Boys and Girls Club of Dumplin Valley'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 the 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 Boys and Girls Club of Dumplin Valley'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 Boys and Girls Club of Dumplin Valley's internal control over financial reporting and compliance.

Purkey, Carter, Compton, Swann & Carter, PLLC

Morristown, TN
January 27, 2023

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Cash	\$ 1,321,048
Accounts receivable	11,352
Grants receivable	107,086
Prepaid expense	3,979
Property and equipment, net	<u>656,073</u>

TOTAL ASSETS \$ 2,099,538

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 24,197
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NET ASSETS

Net assets without donor restrictions:	
Undesignated	<u>2,075,341</u>

TOTAL LIABILITIES AND NET ASSETS \$ 2,099,538

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
STATEMENT OF ACTIVITIES
Year ended December 31, 2021

REVENUE, GAINS AND OTHER SUPPORT	Without Donor Restrictions	With Donor Restrictions	Total
Contributions	\$ 90,083	\$ -	\$ 90,083
Local governments	90,000	-	90,000
Grants	522,498	-	522,498
COVID relief income	651,732	-	651,732
Donated facilities	145,750	-	145,750
In-kind revenue	35,356	-	35,356
Nutrition support	197,379	-	197,379
Program service fees	22,104	-	22,104
Lease income	27,500	-	27,500
Interest income	2,243	-	2,243
Miscellaneous	2,251	-	2,251
Fundraising events	202,579	-	202,579
Cost of direct benefit to donors	(15,927)	-	(15,927)
Gain on disposal of equipment	3,440	-	3,440
TOTAL REVENUE, GAINS AND OTHER SUPPORT	1,976,988	-	1,976,988
EXPENSE			
Program services	1,016,482	-	1,016,482
Management and general	323,105	-	323,105
Fundraising	156,935	-	156,935
TOTAL EXPENSE	1,496,522	-	1,496,522
CHANGE IN NET ASSETS	480,466	-	480,466
NET ASSETS AT BEGINNING OF YEAR	1,594,875	-	1,594,875
NET ASSETS AT END OF YEAR	\$ 2,075,341	\$ -	\$ 2,075,341

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
STATEMENT OF FUNCTIONAL EXPENSE
Year ended December 31, 2021

	<u>Program</u>	<u>Supporting Services</u>		<u>Direct</u>	<u>Total</u>
	<u>Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Fundraising</u>	
	<u>Club</u>	<u>and General</u>	<u>Fundraising</u>	<u>Costs</u>	
	<u>Services</u>				
Payroll costs	\$ 413,629	\$ 196,808	\$ 70,299	\$ -	\$ 680,736
Payroll taxes	31,230	14,859	5,308	-	51,397
Employee benefits	63,057	30,003	10,717	-	103,777
	<u>507,916</u>	<u>241,670</u>	<u>86,324</u>	<u>-</u>	<u>835,910</u>
Total salaries and related expense					
Insurance	28,446	13,535	4,835	-	46,816
Advertising	3,107	1,479	1,650	-	6,236
Utilities	52,602	5,845	-	-	58,447
Uniforms	1,437	-	-	-	1,437
Rent	115,197	54,812	19,578	-	189,587
Payments to affiliated groups	26,566	-	-	-	26,566
Program costs	265,918	-	-	-	265,918
Bad debts	7,200	-	-	-	7,200
Bus costs	83	-	-	-	83
Depreciation	5,271	586	-	-	5,857
Travel	2,739	1,303	2,393	-	6,435
Federal payroll tax penalties	-	3,875	-	-	3,875
Office expense	-	-	11,913	-	11,913
Cost of goods sold - auction	-	-	30,242	-	30,242
Cost of direct benefit to donors	-	-	-	15,927	15,927
	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,927</u>	<u>15,927</u>
TOTAL EXPENSE	\$ 1,016,482	\$ 323,105	\$ 156,935	\$ 15,927	\$ 1,512,449
Less expenses included with revenue on the statement of activities	\$ -	\$ -	\$ -	(15,927)	(15,927)
Total expenses included in the expense section of the statement of activities	\$ 1,016,482	\$ 323,105	\$ 156,935	\$ -	\$ 1,496,522

See accompanying notes to financial statements.

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
 STATEMENT OF CASH FLOWS
 Year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 480,466
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,857
Changes in operating assets:	
Accounts receivable	(3,092)
Grant receivable	(40,494)
Accounts receivable other - COVID relief	134,148
Prepaid expense	(3,979)
Changes in operating liabilities:	
Accounts payable	<u>(20,540)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	552,366
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(363,136)
Loss on disposal of equipment	<u>1,375</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(361,761)</u>
NET INCREASE IN CASH	190,605
CASH AT BEGINNING OF YEAR	<u>1,130,443</u>
CASH AT END OF YEAR	<u>\$ 1,321,048</u>

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Boys and Girls Club of Dumplin Valley (the Organization) was chartered as a nonprofit public benefit corporation by the State of Tennessee on November 20, 2007. The mission of the Organization is to provide positive places for children to go during non-school hours, particularly when there is no adult at home. Currently they administer four program sites for children and youth. Daily enrichment programs in areas such as sports, fitness and recreation, education and arts are available.

Basis of Accounting

The financial statements of Boys and Girls Club of Dumplin Valley have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board, Accounting Standards Codification (ASC) Topic 958 *Not-for-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in ASC Topic 958. In accordance with ASC Topic 958, contributions received are recorded, depending on the existence or nature of any donor restrictions, as contributions with donor restrictions or contributions without donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Concentrations of Credit Risk

The Organization's concentration of credit risk consist principally of accounts receivable, grants receivable, and promises to give. Credit is granted to clients located throughout the area. The ability of these clients to perform on their credit is dependent on economic factors affecting the area. The Organization does not require collateral from its customers. Concentrations of credit risk with respect to grants receivable are limited due to the nature of the grant agreements. Concentrations of credit risk with respect to promises to give are dependent on factors affecting the economy in which contributors live and work.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Historically, differences between the amounts billed and collected have been insignificant. Accordingly, no provision is made for uncollectible amounts.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when conditions on which they depend are substantially met.

Property and Equipment

Property and equipment is capitalized at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. The Organization's capitalization policy is \$2,500 per item.

Functional Expenses

The costs of providing program and supporting activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between Program Services and Supporting Services based on an analysis of those costs identifiable with a specific function or based on an analysis of personnel time and space utilized for the related service.

Compensated Absences

Employees of the Organization are entitled to paid vacations, sick days and other time off depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The policy of the Organization is to recognize the cost of the compensated absences when paid to employees.

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Donated Assets

Noncash donations are recorded as contributions at their estimated fair values at the date of the donation.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Organization is responsible for tax on any unrelated business income. The Organization is not classified as a private foundation.

Advertising

The Organization expenses advertising costs in the period they are incurred. The organization expensed \$6,236 advertising costs for the year ended December 31, 2021.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at December 31, 2021.

Cash balances held in financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At times amounts on deposit may exceed the federally insured limit. At December 31, 2021, \$320,623 on deposit exceeded the federally insured limit.

Subsequent Events

The Organization evaluated subsequent events through the date of the auditor's report, the date the financial statements were available to be issued.

Revenue Recognition

The Organization recognizes revenue when it satisfies a performance obligation by transfer of promised goods or services to customers in an amount that depicts the consideration the Organization expects to be entitled in exchange for those goods or services. Revenue is not recognized unless the contract has been approved, it identifies each party's rights, it identifies payment terms, it has commercial substance, and it is probable substantially all consideration will be collected by the Organization. The Organization has elected the practical expedients: (1) to account for contracts with similar characteristics as a portfolio of contracts rather than individually, (2) not to adjust the promised amount of consideration for the effects of significant financing component as it expects, at contract inception, that the period between when the Organization transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less; (3) not to disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations to contracts with an expected duration of less than one year.

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

When either party to a contract has performed, depending on the relationship between the Organization's performance and the customer's payment, the Organization presents a contract asset or contract liability on the statement of financial position. The Organization presents any unconditional rights to consideration separately on the statement of financial position as a receivable.

The Organization recognizes program services fees and lease income over time as performance obligations are satisfied, with service fees billed once a year and lease charges being billed monthly.

The Organization recognizes revenues from fundraising events and miscellaneous merchandise sales at a point in time upon transfer of the good or service.

NOTE B - RECEIVABLES

Accounts receivable of \$11,352 at December 31, 2021, consist of amounts due for reimbursements from the State of Tennessee for feeding program reimbursement. No allowance for uncollectible accounts receivable was considered necessary.

Grants receivable consist of the following:

Alliance 21 st Century	\$ 15,744
LEAP	11,374
DOH Abstinence Education	2,216
OJP Mentoring	<u>77,752</u>
Total	<u>\$ 107,086</u>

Differences between amounts allocated and collected from grants receivable have historically been insignificant. Accordingly, no provision is made for uncollectible amounts.

NOTE C - PROPERTY AND EQUIPMENT

Land, buildings, and equipment are stated at cost or estimated fair market value if donated and on December 31, 2021, consisted of the following:

Furnitures, fixtures and vehicles	\$ 123,373
Leasehold improvements	20,229
Land	620,282
Accumulated depreciation	<u>(107,811)</u>
Property and equipment, net	<u>\$ 656,073</u>

Depreciation expense for the year ended December 31, 2021 amounted to \$5,857.

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE D - OPERATING LEASE

White Pine Facility

On May 8, 2015, the Organization entered into a cooperative agreement and lease agreement with Freedom Fellowship Church (the Church) in which the Organization agreed to lease 14,500 feet of a building located in White Pine, Tennessee which the Church leases from a director who is part owner of the building. At the end of the five years, the Organization chose to renew the lease for an additional five years through June 2025.

The Organization pays rent of \$2,750 on the first day of each month during the lease term. In addition, the Organization shall pay the Church an amount equivalent to one-month rent at the end of each calendar year as a common area maintenance fee. The lease term is for five years commencing on July 1, 2020. The Organization has the option to extend the lease term for an additional five year period at the end of the current lease term.

The Church has agreed to pay all taxes, licenses and other fees on the building. In addition, the Church is responsible for all repairs and maintenance required to be made to the premises. Utility services will be contracted by the Church and the Organization will reimburse the Church 60% of the cost of such utilities. The terms of the agreement dictate the Organization will carry liability insurance with minimum limits of liability in an amount not less than \$1,000,000 for bodily injury or death and not less than \$100,000 for property damage. The Church is responsible for providing fire and extended coverage for the building. Minimum future lease payments required under the lease agreement are as follows:

2022	\$ 33,000
2023	33,000
2024	33,000
2025	16,500
Total	<u>\$ 115,500</u>

Jefferson City Facility

The facility used by the Organization in its Jefferson City location is owned by Jefferson County, Tennessee and is leased by the Organization for 75 years for \$1 per year. Under the terms of the lease, the Organization pays for maintenance and utilities on the building.

Strawberry Plains Facility

On November 10, 2021, the Organization entered into a lease agreement with Strawberry Plains Presbyterian Church (the Church) in which the Organization will be allowed to use designated areas of the Church facility for the purpose of providing Club programs. The Organization pays rent of \$1,000 on the 5th day of each month. The Organization is responsible for all repairs, maintenance and daily custodial care for all facilities used by the Organization. The terms of the agreement dictate the Organization will carry general liability and sexual misconduct insurance. The Organization agrees to pay 70% of the utility fees each month. The lease is through December 31, 2022 and unless terminated by either party by 30 day notice, will automatically renew for an additional one year.

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2021

Minimum future lease payments required under the lease agreement are \$12,000 for 2022.

Newport Facility

On June 1, 2018, the Organization entered into a five-year lease agreement with Newport Housing Authority in which the Organization agreed to lease 10,800 feet of a building located in Newport, Tennessee. The Organization has the option to extend the lease term for one additional five-year period. According to the terms of the new lease agreement, the Organization pays rent of \$1,200 on the first day of each month during the lease term. The terms of the agreement dictate the Organization will carry liability insurance with minimum limits of not less than \$1,000,000/\$3,000,000.

Minimum future lease payments required under the lease agreement are as follows:

2022	\$	14,400
2023		6,000
Total	\$	<u>20,400</u>

NOTE E - LEASE INCOME

On April 12, 2013, the Organization entered into a land lease agreement in which the Organization agreed to lease certain real property it owns located in Lebanon, Virginia to Charter Foods, Inc. The tenant pays rent of \$2,292 on the 15th day of each month during the lease term. The lease term is for twenty-five years commencing on April 12, 2013. The monthly rent increases 10% over the prior term in years 6, 11, 16 and 21. The tenant shall have the option to extend the lease term for four additional periods of five years each. Lease income for the year ended December 31, 2021 amounted to \$27,500.

Minimum future lease income payments from the Tenant required under the lease agreement in effect at December 31, 2021 are as follows:

2022	\$	27,500
2023		29,562
2024		30,250
2025		30,250
Thereafter		417,449
Total	\$	<u>535,011</u>

NOTE F - FUNDING

The Organization receives a substantial amount of support from the general public, grants and local governments for its operations. A major reduction of these funds, should this occur, may have a significant effect on future operations.

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE G - EMPLOYEE BENEFIT PLANS

The Organization has adopted a retirement plan for certain eligible employees. The plan is funded by employer contributions of 5% of each eligible employee's salary. Employer contributions to the plan amounted to \$10,062 for the year ended December 31, 2021.

NOTE H - LIQUIDITY

Boys and Girls Club of Dumplin Valley has \$1,439,486 of financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditures consisting of cash of \$1,321,048, accounts receivable of \$11,352 and grants receivable of \$107,086.

None of these financial assets are subject to donor or other restrictions that make them unavailable for general expenditures within one year of the Statement of Financial Position date.

NOTE I - IN-KIND REVENUE AND EXPENSE

The Organization received in-kind donations of rent, advertising and auction items to be sold in the amount of \$181,106 with a corresponding amount included in expense during the year. Donated rent in the amount of \$145,750 is recorded on the statement of activities in donated facilities. The Organization also received donated advertising in the amount of \$5,114 and auction items in the amount of \$30,242. In-kind revenue and expense consist of the following:

Donation facility usage – White Pine	\$	46,250
Donation facility usage – Jefferson City		48,000
Donation facility usage – Newport		39,600
Donation facility usage – Strawberry Plains		1,500
Donation facility usage – Warehouse space		10,400
Donation advertising – Standard Banner		5,114
Donation – Items sold at auction		30,242
Total	\$	<u>181,106</u>

NOTE J - REVENUE FROM CONTRACTS WITH CUSTOMERS

Disclosure of Disaggregated Revenue

For the year ended December 31, 2021, revenues recognized from goods or services transferred to customers at a point in time were \$48,421.

For the year ended December 31, 2021, revenues recognized from goods or services transferred to customers over time were \$49,604.

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

The Organization's revenues, results of operations, and cash flows are affected by separate factors, including general economic conditions, geographical locations of customers, and type of contract. Contracts with clients are not typically considered long-term due to the structure of client agreements.

Disclosure of Contract Assets, Contract Liabilities and Receivables

The Organizations had no contract assets, liabilities or receivables from contracts with customers at December 31, 2021.

NOTE K - RISK AND UNCERTAINTY

In March 2020, the World Health Organization categorized the Coronavirus disease (COVID-19) as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The potential economic impact brought by, and the duration of, COVID-19 is difficult to assess or predict and will depend on future developments that are highly uncertain and cannot be predicted. The impact on the organization could be material.

SUPPLEMENTARY INFORMATION

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity ID	Federal ALN	Federal Expenditures
U.S. Department of Health and Human Services:			
Passed through State of Tennessee Department of Human Services to Boys & Girls Clubs in Tennessee:			
Child Care and Development Block Grant - Temporary/Emergency Child Care for Essential Workers	34549-61721	93.575	\$ 649,572
Title V Sexual Risk Avoidance Education Grant Program	34347-58521	93.235	2,216
Title V Sexual Risk Avoidance Education Grant Program	34347-58522	93.235	5,824
Passed through Boys & Girls Clubs of America:			
National Collaboration to Support Health, Wellness and Academic Success of School-Age Children	5-NU1ADP003093-05-00	93.858	6,000
U.S. Department of Agriculture:			
Passed through State of Tennessee Department of Human Services:			
Child and Adult Care Food Program	215TN331N1199	10.558	139,557
Summer Food Service Program for Children	215TN331N1199	10.559	57,822
U.S. Department of Justice:			
Passed through Boys & Girls Clubs of America:			
Office of Juvenile Justice and Delinquency Prevention	OJJDP 2020-48947	16.726	19,000
Office of Juvenile Justice and Delinquency Prevention	OJJDP 2020-48948	16.726	10,000
Office of Juvenile Justice and Delinquency Prevention	OJJDP 2020-48949	16.726	19,000
U.S. Department of Education:			
Passed through State of Tennessee Department of Education to Boys & Girls Clubs in Tennessee:			
21st Century Grant	33109-00919	84.287	<u>125,732</u>
Total Federal Awards Expended			<u>\$ 1,034,723</u>

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2021

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Boys and Girls Club of Dumplin Valley and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changed in net assets, or cash flows from the Organization.

NOTE B - DE MINIMIS INDIRECT COST RATE

When applicable, Boys and Girls Club of Dumplin Valley has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended December 31, 2021

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

There were no findings in the prior fiscal year reported.

Purkey, Carter, Compton, Swann & Carter, PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S 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

To the Board of Directors
Boys and Girls Club of Dumplin Valley
White Pine, Tennessee

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 and Girls Club of Dumplin Valley, a nonprofit organization, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boys and Girls Club of Dumplin Valley's internal control over financial report (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness Boys and Girls Club of Dumplin Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of Boys and Girls Club of Dumplin Valley's internal control.

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

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

To the Board of Directors
Boys and Girls Club of Dumplin Valley
Page Two

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys and Girls Club of Dumplin Valley’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with these 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 of the effectiveness of the organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purkey, Carter, Compton, Swann & Carter, PLLC

Morristown, TN
January 27, 2023

Purkey, Carter, Compton, Swann & Carter, PLLC

Certified Public Accountants

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

To the Board of Directors
Boys and Girls Club of Dumplin Valley
White Pine, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Boys and Girls Club of Dumplin Valley's 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 Boys and Girls Club of Dumplin Valley's major federal program for the year ended December 31, 2021. Boys and Girls Club of Dumplin Valley's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Boys and Girls Club of Dumplin Valley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion of Each Major Federal Program

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

We are required to be independent of Boys and Girls Club of Dumplin Valley and to meet our 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 its major federal program. Our audits does not provide a legal determination of Boys and Girls Club of Dumplin Valley'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 gran agreements applicable to Boys and Girls Club of Dumplin Valley's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Boys and Girls Club of Dumplin Valley'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 Boys and Girls Club of Dumplin Valley's compliance with the requirements of its 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 Boys and Girls Club of Dumplin Valley'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 Boys and Girls Club of Dumplin Valley'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 of the effectiveness of Boys and Girls Club of Dumplin Valley'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 a 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 requirements 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.

To the Board of Directors
Boys and Girls Club of Dumplin Valley
Page Three

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

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

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

Purkey, Carter, Compton, Swann & Carter, PLLC

Morristown, TN
January 27, 2023

BOYS AND GIRLS CLUB OF DUMPLIN VALLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2021

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Boys and Girls Club of Dumplin Valley.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Boys and Girls Club of Dumplin Valley were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award program for Boys and Girls Club of Dumplin Valley expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The program tested as a major program was the Child Care and Development Block Grant, ALN No. 93.575.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Boys and Girls Club of Dumplin Valley was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None