

# 2021

## Financial Statements

**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

(With Independent Auditor's Report Thereon)

**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**DECEMBER 31, 2021**

**CONTENTS**

|  | <b><u>PAGE</u></b> |
|--|--------------------|
| Independent Auditor's Report .....     | 1 - 2              |
| Audited Financial Statements:          |                    |
| Statement of Financial Position .....  | 3                  |
| Statement of Activities .....          | 4                  |
| Statement of Functional Expenses ..... | 5                  |
| Statement of Cash Flows .....          | 6                  |
| Notes to Financial Statements .....    | 7 - 18             |



## PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Boys & Girls Clubs of Middle Tennessee

#### **Report on the Audit of the Financial Statements**

##### ***Opinion***

We have audited the accompanying financial statements of Boys & Girls Clubs of Middle Tennessee (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 & Girls Clubs of Middle Tennessee 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 the Boys & Girls Clubs of Middle Tennessee 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 the Boys & Girls Clubs of Middle Tennessee'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 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 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 Boys & Girls Clubs of Middle Tennessee'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 Boys & Girls Clubs of Middle Tennessee'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.

*Patterson Handley & Bellentine*

August 30, 2022



**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**

**ASSETS**

|  |                  |                            |
|--|------------------|----------------------------|
| Current Assets:  |                  |                            |
| Cash and cash equivalents  | \$ 2,564,680     |                            |
| Restricted cash  | 117,665          |                            |
| Grants and contracts receivable  | 40,723           |                            |
| Prepaid expenses and deposits  | 82,960           |                            |
| Investments  | <u>4,322,089</u> |                            |
| Total current assets   |                  | <u>\$ 7,128,117</u>        |
| Property and equipment, net  | 1,000,140        |                            |
| Membership rights, net   | <u>17,333</u>    |                            |
|  |                  | <u>1,017,473</u>           |
| Assets Whose Use is Limited:   |                  |                            |
| Restricted pledges, net  | 43,717           |                            |
| Restricted grants receivable   | 59,399           |                            |
| Beneficial interest in agency endowment fund<br>held by the Community Foundation of Middle Tennessee | 45,633           |                            |
| Investments  | <u>938,498</u>   |                            |
| Total assets whose use is limited  |                  | <u>1,087,247</u>           |
| Total Assets   |                  | <u><u>\$ 9,232,837</u></u> |

**LIABILITIES AND NET ASSETS**

|                                   |                  |                            |
|-----------------------------------|------------------|----------------------------|
| Current Liabilities:              |                  |                            |
| Accounts payable                  | \$ 174,599       |                            |
| Accrued expenses                  | 197,627          |                            |
| Deferred revenue                  | 178,500          |                            |
| Notes payable - current portion   | <u>415,126</u>   |                            |
| Total current liabilities         |                  | \$ 965,852                 |
| Notes payable - long-term portion |                  | <u>93,445</u>              |
| Total liabilities                 |                  | <u>1,059,297</u>           |
| Net Assets:                       |                  |                            |
| Without donor restrictions        | 6,968,628        |                            |
| With donor restrictions           | <u>1,204,912</u> |                            |
| Total net assets                  |                  | <u>8,173,540</u>           |
| Total Liabilities and Net Assets  |                  | <u><u>\$ 9,232,837</u></u> |

See accompanying notes to financial statements.

**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

|   | Without Donor<br>Restrictions | With Donor<br>Restriction | Total        |
|---|-------------------------------|---------------------------|--------------|
| Public Support and Revenue:                         |                               |                           |              |
| Gross special events revenue                        | \$ 322,101                    | \$ -                      | \$ 322,101   |
| Less direct cost of special events                  | (69,572)                      | -                         | (69,572)     |
| Net special events revenue                          | 252,529                       | -                         | 252,529      |
| Individual gifts and contributions                  | 1,650,506                     | 80,106                    | 1,730,612    |
| Grants and contracts                                | 3,164,297                     | -                         | 3,164,297    |
| United Way grants, allocations,<br>and designations | 7,377                         | 94,500                    | 101,877      |
| Program service fees                                | 88,606                        | -                         | 88,606       |
| In-kind revenue                                     | 129,187                       | -                         | 129,187      |
| Net investment gain                                 | 11,410                        | 563,127                   | 574,537      |
| Miscellaneous revenue                               | 28,041                        | -                         | 28,041       |
| Net assets released from restrictions               | 675,819                       | (675,819)                 | -            |
| Total public support                                | 5,755,243                     | 61,914                    | 5,817,157    |
| Total public support<br>and revenue                 | 6,007,772                     | 61,914                    | 6,069,686    |
| Expenses:   |                               |                           |              |
| Program Services:                                   |                               |                           |              |
| Comprehensive Youth Development                     | 4,239,398                     | -                         | 4,239,398    |
| Supporting Services:                                |                               |                           |              |
| Management and General                              | 431,691                       | -                         | 431,691      |
| Fundraising   | 292,424                       | -                         | 292,424      |
| Total supporting services                           | 724,115                       | -                         | 724,115      |
| Total expenses                                      | 4,963,513                     | -                         | 4,963,513    |
| Other Income:                                       |                               |                           |              |
| Forgiveness of PPP loan                             | 379,322                       | -                         | 379,322      |
| Change in net assets                                | 1,423,581                     | 61,914                    | 1,485,495    |
| Net assets at beginning of year                     | 5,545,047                     | 1,142,998                 | 6,688,045    |
| Net assets at end of year                           | \$ 6,968,628                  | \$ 1,204,912              | \$ 8,173,540 |

See accompanying notes to financial statements.

**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

|  | Program<br>Services                   | Supporting Services          |             |              |
|--|---------------------------------------|------------------------------|-------------|--------------|
|  | Comprehensive<br>Youth<br>Development | Management<br>and<br>General | Fundraising | Total        |
| Salaries   | \$ 2,211,063                          | \$ 207,763                   | \$ 207,763  | \$ 2,626,589 |
| Employee taxes & benefits  | 248,721                               | 23,455                       | 23,455      | 295,631      |
| Total payroll & related expenses   | 2,459,784                             | 231,218                      | 231,218     | 2,922,220    |
| Awards and grants  | 4,877                                 | -                            | -           | 4,877        |
| Bank charges   | -                                     | 14,439                       | -           | 14,439       |
| Communications   | 30,421                                | 1,733                        | -           | 32,154       |
| Depreciation & amortization  | 127,756                               | 2,608                        | 26,000      | 156,364      |
| Equipment rental<br>and maintenance  | 28,857                                | 3,682                        | -           | 32,539       |
| In-kind expense  | 123,746                               | 5,441                        | -           | 129,187      |
| Interest expense   | -                                     | 6,050                        | -           | 6,050        |
| Marketing  | 73,623                                | -                            | 31,553      | 105,176      |
| Membership dues  | 30,612                                | 10,197                       | -           | 40,809       |
| Miscellaneous  | -                                     | 26,157                       | -           | 26,157       |
| Postage and shipping   | 2,726                                 | 908                          | 908         | 4,542        |
| Professional fees  | 424,072                               | 49,292                       | -           | 473,364      |
| Program activities   | 1,900                                 | -                            | -           | 1,900        |
| Special events   | 50,061                                | -                            | 19,511      | 69,572       |
| Supplies   | 458,305                               | 58,773                       | -           | 517,078      |
| Training and conferences   | 15,014                                | 2,531                        | -           | 17,545       |
| Travel and mileage   | 16,983                                | 2,745                        | 2,745       | 22,473       |
| Transportation   | 96,349                                | -                            | -           | 96,349       |
| Utilities and occupancy costs  | 344,373                               | 15,917                       | -           | 360,290      |
| Total expenses by function   | 4,289,459                             | 431,691                      | 311,935     | 5,033,085    |
| Less expenses included with revenues<br>on the statement of activities:          |                                       |                              |             |              |
| Direct cost of special events  | (50,061)                              | -                            | (19,511)    | (69,572)     |
| Total expenses included in the expense<br>section on the statement of activities | \$ 4,239,398                          | \$ 431,691                   | \$ 292,424  | \$ 4,963,513 |

See accompanying notes to financial statements.



**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

|  |             |                            |
|--|-------------|----------------------------|
| Cash Flows From Operating Activities:  |             |                            |
| Change in net assets   |             | \$ 1,485,495               |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |             |                            |
| Depreciation and amortization  | 156,364     |                            |
| Realized gain on investments   | (217,899)   |                            |
| Unrealized gain on investments   | (335,355)   |                            |
| Forgiveness of PPP loan  | (379,322)   |                            |
| Change in value of beneficial interest<br>in agency endowment fund                             | (4,288)     |                            |
| Changes in:  |             |                            |
| Grants and contracts receivable  | 674,763     |                            |
| Prepaid expenses and deposits  | (8,617)     |                            |
| Membership rights  | (26,000)    |                            |
| Assets whose use is limited  | (36)        |                            |
| Accounts payable   | 76,300      |                            |
| Accrued expenses   | 145,084     |                            |
| Deferred revenue   | 8,500       |                            |
| Total adjustments  |             | <u>89,494</u>              |
| Net cash provided by operating activities  |             | <u>1,574,989</u>           |
| Cash Flows From Investing Activities:  |             |                            |
| Proceeds from sale of investments  | 2,324,805   |                            |
| Purchase of investments  | (4,446,394) |                            |
| Purchase of property and equipment   | (41,852)    |                            |
| Net cash used in investing activities  |             | <u>(2,163,441)</u>         |
| Cash Flows From Financing Activities:  |             |                            |
| Payments on long-term debt   | (56,038)    |                            |
| Proceeds from long-term debt   | 440,312     |                            |
| Net cash provided by financing activities  |             | <u>384,274</u>             |
| Net change in cash   |             | (204,178)                  |
| Restricted cash, cash and cash equivalents - beginning of year                                 |             | <u>2,886,523</u>           |
| Restricted cash, cash and cash equivalents - end of year                                       |             | <u><u>\$ 2,682,345</u></u> |

**Supplemental Cash Flow Information**

Interest paid during the year ended December 31, 2021, was \$6,050.

See accompanying notes to financial statements.

**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

In these notes, the terms "Organization", "we", "us" or "our" mean Boys & Girls Clubs of Middle Tennessee. We have chosen to present our name how it is recognized nationally as "Boys & Girls Clubs of Middle Tennessee," rather than our official name of "Boys and Girls Clubs of Middle Tennessee" in accordance with the Secretary of State. We are a nonprofit organization affiliated with the Boys & Girls Clubs of America. Founded in 1903, the Boys & Girls Clubs of Middle Tennessee consist of nine Club facilities throughout the region. The goal of the organization is to enable all young people, especially those who need us most, to reach their full potential as productive, caring, and responsible citizens. We strive to improve each child's life by instilling in them a sense of competence, usefulness, belonging, and power/influence. We focus on three priority outcomes: academic success, healthy lifestyles, good character and citizenship.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue and Cost Recognition

Revenue is measured based on consideration specified in a contract with a customer. The Organization recognizes revenue when it satisfies a performance obligation which is determined by a series of services performed or upon delivery of a promised good or service. Contract terms are determined based on the expected completion dates of each performance obligation.

Contract modifications are routine in the performance of our contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct, and are therefore, accounted as part of the existing contract.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the new revenue recognition standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our service contracts satisfied at a point in time have a single performance obligation that is based on the service specifically described in the contracts.



**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

NOTE 1 - Summary of Significant Accounting Policies (continued)

Performance Obligations Satisfied at a Point in Time

All revenue is recognized at a point in time rather than over time. Upon fulfillment of the performance obligation, which is the delivery of the service and reimbursement requests to the customer, the customer is provided an invoice demonstrating transfer of control to the customer. The Organization believes that point in time recognition remains appropriate for this segment and will continue to recognize revenues upon completion of the performance obligation and issuance of an invoice.

Contract Estimates

Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include estimated transaction price changes by third party payers and estimated penalties determined by the oversight agencies over some of our contracts. There were no contract estimates for the year ended December 31, 2021.

Cash Equivalents

For the purposes of the statement of cash flows, we consider all unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance to be a cash equivalent. At December 31, 2021, we had cash equivalents in the amount of \$228,572.

Contributions, Support and Revenue

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these as revenues with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

Prepaid expenses

Prepaid expenses consist of insurance premiums and special event fees paid by us in advance.

Property and Equipment

Property and equipment is recorded at cost, or, if donated, at the estimated fair market value at the date of donation. Our capitalization policy is to capitalize any expenditure over \$5,000 for property and equipment, and any expenditure over \$500 for leasehold improvements. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2021, no assets were considered to be impaired.

**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

NOTE 1 – Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses and support services that can be identified specifically with the Comprehensive Youth Development program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs or supporting functions are allocated based on various relationships. Multiple expenses have been allocated on the basis of estimates of time and effort.

Marketing

Marketing is expensed as incurred. Total marketing expense for the year ended December 31, 2021, was \$105,176.

Donated Services and Goods

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by us if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

We received donated rent for the year ended December 31, 2021, of \$76,800. See NOTE 13.

Income Taxes

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Use of Estimates

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

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to short maturities of these instruments. The fair value of the note payable approximates the carrying amount and is estimated based on current rates offered to us. All financial instruments are categorized as level 1 in the fair value hierarchy.

**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 2 – Pledges Receivable**

Pledges receivable consisted of the following at December 31, 2021:

|                                      |                  |
|--------------------------------------|------------------|
| Due in less than one year            | \$ 10,000        |
| Due in one or more years             | <u>40,000</u>    |
|                                      | 50,000           |
| Less: discounts to net present value | <u>(6,283)</u>   |
| Net pledges receivable               | <u>\$ 43,717</u> |

Gross restricted pledges receivable of \$50,000 for golf membership renewal rights in 2021, have been discounted for the time value of money using a discount rate of 4.65%. The rate was determined using the interest method after an allowance had been established.

**NOTE 3 – Investments**

Investments consisted of the following at December 31, 2021:

|                              | <u>Market<br/>Value</u> | <u>Cost</u>         |
|------------------------------|-------------------------|---------------------|
| LLC Ownership                | \$ 166,881              | \$ 133,506          |
| Equity                       | 4,021,496               | 3,306,712           |
| Fixed Income                 | 775,631                 | 771,149             |
| Real Estate                  | 296,579                 | 249,217             |
| Beneficial Interest          | <u>45,633</u>           | <u>45,633</u>       |
|                              | \$ 5,306,220            | <u>\$ 4,506,217</u> |
| Less: restricted investments | <u>(984,131)</u>        |                     |
|                              | <u>\$ 4,322,089</u>     |                     |

The net Investment gain included the following for the year ended December 31, 2021:

|                              |                   |
|------------------------------|-------------------|
| Interest and dividend income | \$ 55,489         |
| Realized gain - net          | 217,899           |
| Unrealized gain - net        | 335,355           |
| Investment fees              | <u>(34,206)</u>   |
| Net investment gain          | <u>\$ 574,537</u> |

At December 31, 2021, our investments were held in a trust, we are the sole beneficiary of this trust. See NOTE 10.

At December 31, 2021, we owned units of ownership in a limited liability company (LLC). Our ownership is a result of a contribution made in 2010. We have elected to report other investments that do not have a readily determinable value, at carrying value, except those for which the fair value option has been elected.



**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 3 – Investments (continued)**

We have recognized our LLC ownership interest at fair market value in accordance with generally accepted accounting principles under the fair value option. The fair value of the ownership interest is measured annually based on the values of the underlying investment held in the LLC. As of December 31, 2021, the fair value of this ownership interest was \$166,881.

**NOTE 4 – Fair Value Measurements**

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs not corroborated by market data.

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31, 2021:

|   | Carrying<br>Value   | Fair<br>Value       | Level 1             | Level 2           | Level 3          |
|---|---------------------|---------------------|---------------------|-------------------|------------------|
| Common Stocks-Public                            | \$ 3,306,712        | \$ 4,021,496        | \$ 4,021,496        | \$ -              | \$ -             |
| LLC Ownership                                   | 133,506             | 166,881             | -                   | 166,881           | -                |
| Fixed Income                                    | 771,149             | 775,630             | 775,630             | -                 | -                |
| Real Estate                                     | 249,217             | 296,580             | 296,580             | -                 | -                |
| Beneficial interest in agency<br>endowment fund | 45,633              | 45,633              | -                   | -                 | 45,633           |
|   | <u>\$ 4,506,217</u> | <u>\$ 5,306,220</u> | <u>\$ 5,093,706</u> | <u>\$ 166,881</u> | <u>\$ 45,633</u> |

As shown on the financial statements as follows at December 31, 2021:

|  |                     |
|--|---------------------|
| Unrestricted investments                     | \$ 4,322,089        |
| Restricted investments                       | <u>938,498</u>      |
|  | 5,260,587           |
| Beneficial interest in agency endowment fund | <u>45,633</u>       |
|  | <u>\$ 5,306,220</u> |

There were no transfers between Level 1, Level 2, and Level 3 investments during the year ended December 31, 2021.

A reconciliation of changes in the amounts reported for the asset valued using Level 3 inputs is included in NOTE 10.

**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

NOTE 5 – Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended December 31, 2021

|                                 |                     |
|---------------------------------|---------------------|
| Cash and cash equivalents       | \$ 2,564,680        |
| Grants and contracts receivable | 40,723              |
| Investments                     | <u>4,322,089</u>    |
|                                 | <u>\$ 6,927,492</u> |

The Organization has certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded in the qualitative information above.

In the next fiscal year, we plan to receive the same level of contributions, and consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in seven bank accounts. This cash is readily available.

We manage our liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

NOTE 6 – Property and Equipment

Property and equipment consisted of the following at December 31, 2021:

|                                   |                     |
|-----------------------------------|---------------------|
| Land                              | \$ 18,000           |
| Buildings and improvements        | 2,025,849           |
| Vehicles                          | 687,871             |
| Furniture, equipment and software | <u>86,751</u>       |
|                                   | 2,818,471           |
| Less accumulated depreciation     | <u>(1,818,331)</u>  |
| Net property and equipment        | <u>\$ 1,000,140</u> |

Total depreciation expense for the year ended December 31, 2021, was \$130,364.

NOTE 7 – Membership Rights

In 2017, we renewed a membership purchase agreement with the Golf Club of Tennessee for \$260,000 for an additional 10 years. In the agreement, the Club allowed for 10 \$26,000 annual payments to cover the cost. See NOTE 2 for the pledge receivable. The amortization expense for the year ended December 31, 2021, was \$26,000.

**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 8 – Net Assets With Donor Restrictions**

Net assets with restrictions consisted of the following at December 31, 2021:

|  |                     |
|--|---------------------|
| Purpose Restrictions:  |                     |
| Scholarship  | \$ 67,664           |
| Time Restrictions:   |                     |
| United Way of Williamson County                              | 47,250              |
| City of Franklin grant                                       | 12,150              |
| Memorial Foundation  | 50,000              |
| Restricted Pledge – See NOTE 2                               | 43,717              |
| Permanent Restrictions:                                      |                     |
| Beneficial interest in agency endowment fund -<br>See NOTE 9 | 45,633              |
| Endowment fund – see NOTE 10                                 | <u>938,498</u>      |
|  | <u>\$ 1,204,912</u> |

**NOTE 9 – Beneficial Interest in Agency Endowment Fund**

In the year ended December 31, 2021, the Community Foundation of Middle Tennessee, (the Foundation) a non-profit organization, is in control of an endowment fund for us. The endowment has been recorded as permanently restricted. The Foundation has ultimate authority and control over all property of the fund and the income derived therefrom. The endowment is considered a reciprocal transfer and is therefore recorded as an asset on our Statement of Financial Position.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Since the Foundation has control over the fund and the earnings, we have not established an investment policy for the fund nor have we established policies for expenditures from the fund. We are not aware of any deficiencies in the fair value of assets in the fund as compared to the required amounts by the donors. We recognize contribution income when the Foundation makes a distribution to us. We recognize investment earnings and fees in the Statement of Activities, as they are reported to us by the Foundation.

**NOTE 10 – Endowment Funds**

Our endowment consists of funds established by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. Our permanently restricted endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about our endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not we are subject to UPMIFA.



**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 10 – Endowment Funds (continued)**

*Interpretation of applicable law* - The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

*Spending policy* - we have a policy of appropriating for distribution each year a payout equal to the total earnings from the funds. Funds released from restriction as of December 31, 2021, were \$569,955.

*Investment return objective, risk parameters and strategies* - The objective of our endowment portfolio is a balanced approach between equities and fixed income securities. The investment horizon is long-term and balances the need for income and growth. The portfolio allows for a 30% to 70% investment in equities and a 30% to 70% investment in fixed income.

At December 31, 2021, our investments were held in a trust, we are the sole beneficiary of this trust.

The following is the balance and activity reported in our financial statements for the endowment investments held in trusts for the year ended December 31, 2021:

|  |                  |
|--|------------------|
| Balance - beginning of period  | \$ 41,345        |
| Change in value of beneficial interest<br>in agency endowment fund:      |                  |
| Investment income  | 4,500            |
| Administrative expenses  | <u>(212)</u>     |
| Total change in value of beneficial interest<br>in agency endowment fund | <u>4,288</u>     |
| Balance - end of period  | <u>\$ 45,633</u> |

A schedule of endowment net asset composition (including both the cash and investments) by type of fund as of December 31, 2021, is as follows:

|                 | <u>Without<br/>Restriction</u> | <u>With<br/>Restriction</u> | <u>Total</u>        |
|-----------------|--------------------------------|-----------------------------|---------------------|
| Endowment funds | <u>\$ 4,558,825</u>            | <u>\$ 984,131</u>           | <u>\$ 5,542,956</u> |

**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 11 – Changes in Endowment Fund Net Assets**

The following is a schedule of changes in endowment net assets for the year ended December 31, 2021:

|   | <u>Without<br/>Restriction</u> | <u>With<br/>Restriction</u> | <u>Total</u>        |
|---|--------------------------------|-----------------------------|---------------------|
| Endowment net assets,<br>December 31, 2020    | \$ 2,988,585                   | \$ 979,843                  | \$ 3,968,428        |
| Contributions                                 | 1,000,285                      | -                           | 1,000,285           |
| Investment income                             | -                              | 54,436                      | 54,436              |
| Administrative expenses                       | -                              | (34,206)                    | (34,206)            |
| Net appreciation (realized<br>and unrealized) | -                              | 554,013                     | 554,013             |
| Amounts released from<br>restriction          | 569,955                        | (569,955)                   | -                   |
| Endowment net assets,<br>December 31, 2021    | <u>\$ 4,558,825</u>            | <u>\$ 984,131</u>           | <u>\$ 5,542,956</u> |

Included on the financial statements as follows at December 31, 2021:

|                          |                     |
|--------------------------|---------------------|
| Unrestricted cash        | \$ 236,736          |
| Endowment investments    | 984,131             |
| Unrestricted investments | <u>4,322,089</u>    |
|                          | <u>\$ 5,542,956</u> |

**NOTE 12 – Joint Costs**

During the year ended December 31, 2021, we had certain joint costs pertaining to special events that have been allocated between fundraising and program expense as follows:

|                | <u>Program</u>   | <u>Fundraising</u> | <u>Total</u>     |
|----------------|------------------|--------------------|------------------|
| Special events | <u>\$ 50,061</u> | <u>\$ 19,511</u>   | <u>\$ 69,572</u> |

All criteria required to allocate joint costs were met during the year ended December 31, 2021.

**NOTE 13 – Leases**

We have an agreement with another organization to lease administrative office space and reimburse certain operating costs through June, 2023. The agreement calls for a reimbursement of actual costs to operate the facility including association fees, utilities, janitorial costs, insurance, maintenance and other items. Operating costs reimbursable under the agreement include a prorata share of an office services associate, telephone and internet service, consumable supplies and other items. An accounting of the actual costs is prepared on a semi-annual basis and any adjustment from the projected cost to the actual cost is reimbursed at that time. For the year ended December 31, 2021, expenses under this agreement totaled \$48,948. We currently have a variable lease for 3 of our locations. The rent expense as of December 31, 2021, totaled \$10,305. The monthly rent charged is calculated as follows: \$2.80 per week per child based on the average number of children in attendance each week.



**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

NOTE 13 – Leases (continued)

We also lease various office equipment under operating lease agreements. Equipment rental expense for the year ended December 31, 2021, was \$7,870, which is included in equipment rental and maintenance on the Statement of Functional Expenses.

Expenses incurred under operating leases for the year ended December 31, 2021, were \$68,274, not including donated rent of \$76,800, from four club locations that we do not have a lease agreement with and one with whom we do. As of the date of this report, the lease for one of the office spaces has not been renewed but has been properly accrued for since it is expected to be renewed.

The following is a schedule of future minimum lease payments:

| <u>Year Ending December 31,</u> |                  |
|---------------------------------|------------------|
| 2022                            | \$ 18,870        |
| 2023                            | 6,724            |
| 2024                            | <u>581</u>       |
|                                 | <u>\$ 26,175</u> |

NOTE 14 – Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, and various grant, contract and contributions receivables. Grant, contract and contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

One donor and one grantor represent 88% of total receivables at December 31, 2021. Two vendors represent 52% of total accounts payable at December 31, 2021. We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe this exposes us to any significant credit risk on our cash. At December 31, 2021, we had \$1,883,752, of uninsured cash and cash equivalents.

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of the Organization's securities is covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to \$500,000, including up to \$250,000 in cash. The SIPC does not insure against market risk.

NOTE 15 – Employee Benefit Plan

Substantially all of our employees are covered by a defined contribution money purchase plan known as the Boys & Girls Clubs of America Master Pension Plan and Trust (the "Plan"). We fund our share of pension expense for the year in quarterly contributions to the Plan.

The plan provides for elective employer contributions. We contribute five percent of eligible employees' annual compensation to the Plan. Employees become eligible to participate on the plan anniversary date if they are at least 21 years of age and have worked at least 1,000 hours in the immediately preceding twelve months. Employee benefits are fully vested after six years of service as a plan participant.

During 2021, a total of \$77,749, was contributed to the plan, of which \$10,063, is accrued for the year then ended, and \$67,686, was applied from forfeited balances during the Plan year.

**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

NOTE 15 – Employee Benefit Plan (continued)

We have an HRA plan that is administered by a third party. At various times we have been underfunded and overfunded by an amount immaterial to the financial statements as a whole. Due to the amounts being immaterial, we expense the amounts as bills are due.

NOTE 16 – Related Parties

We are a locally governed affiliate that is required to pay membership dues to the national organization. In return, we receive support from the national organization which helps fund our programs. During the year ended December 31, 2021, we remitted a total of \$12,899, in membership dues and received \$385,778, in funding.

We are also part of the Tennessee Alliance which is a collective of all Boys & Girls Clubs of Tennessee which raises money to distribute to the Tennessee clubs. During the year ended December 31, 2021, we remitted \$21,410, in membership dues and received funding of \$164,751.

NOTE 17 – Contingencies

From time to time, we may be and have been named as a defendant in lawsuit. At December 31, 2021, we do not believe that any claims have merit and intend to vigorously defend our position; and we have not accrued any legal fees.

NOTE 18 – Note Payable

In April 2016, we secured a note to purchase four vehicles for \$335,930. The balance remaining at December 31, 2021 was \$124,297. The vehicles are secured by a loan which bears interest annually at 4.650%. Until maturity, the loan requires a minimum monthly payment of \$4,693, which will be applied to the monthly interest calculation with any excess applied to principal. The note matures in April, 2023, with any unpaid principal due at that time.

During 2021, we received the first draw on the Payroll Protection Program (PPP) loan from our bank in the amount of \$379,322. The balance was forgiven in full during the year and recorded as Forgiveness of PPP loan on the Statement of Activities for the year ended December 31, 2021. We also received a second draw in the amount of \$440,312, which was still outstanding at December 31, 2021. The loan matures during 2023, and accrues interest at 1%. In accordance with the CARES Act, we applied for forgiveness, which was granted in full subsequent to year end, see NOTE 20.

Year ending December 31,

|       |                   |
|-------|-------------------|
| 2022  | \$ 415,126        |
| 2023  | <u>93,445</u>     |
| Total | <u>\$ 508,571</u> |

NOTE 19 – New Pronouncements

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

**BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 20 – Subsequent Events**

The Organization has evaluated events subsequent to the year ended December 31, 2021. As of August 30, 2022, the date the financial statements were available to be issued, except as noted below, no events subsequent to December 31, 2021, are considered necessary to be included or disclosed in the accompanying financial statements.

We have received notification that as of May 27, 2022, the second draw of our PPP Loan (NOTE 18) has been forgiven in full.