BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2022

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE

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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 (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Middle Tennessee as of December 31, 2022, and 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 & 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, 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 and state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023 on our consideration of Boys & Girls Clubs of Middle Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

UHY LLP

Nashville, Tennessee
September 28, 2023

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,283,169
Restricted cash	65,690
Grants, contracts and other receivables	628,900
Prepaid expenses and deposits	38,209
Investments	4,224,272
Total current assets	6,240,240
Property and equipment, net	927,386
Membership rights, net	17,333
Restricted pledges receivable, net	36,104
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	39,424
	1,020,247
TOTAL ASSETS	$ 7,260,487
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 253,347
Accrued expenses	333,096
Contract liabilities	103,000
Notes payable	18,853
Total current liabilities	708,296
NET ASSETS	
Without donor restrictions	5,425,225
With donor restrictions	1,126,966
Total net assets	6,552,191
TOTAL LIABILITIES AND NET ASSETS	$ 7,260,487

See notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:			
Gross special events revenue	$ 840,587	-	$ 840,587
Less direct cost of special events	(414,610)	-	(414,610)
Net special events revenue	425,977	-	425,977
Individual gifts and contributions	1,255,935	5,413	1,261,348
Grants and contracts	3,041,857	-	3,041,857
United Way grants, allocations, and designations	53,255	47,250	100,505
Program service fees	240,504	-	240,504
Contributed nonfinancial assets	281,784	-	281,784
Net assets released from restrictions	130,609	(130,609)	-
Total public support	5,003,944	(77,946)	4,925,998
Net investment loss	(1,063,557)	-	(1,063,557)
Forgiveness of PPP loan	440,312	-	440,312
Miscellaneous revenue	164,599	-	164,599
Total public support and revenue	4,971,275	(77,946)	4,893,329
EXPENSES			
Program services			
Comprehensive youth development	5,888,895	-	5,888,895
Supporting services			
Management and general	544,692	-	544,692
Fundraising	81,091	-	81,091
Total supporting services	625,783	-	625,783
Total expenses	6,514,678	-	6,514,678
CHANGE IN NET ASSETS	(1,543,403)	(77,946)	(1,621,349)
NET ASSETS, Beginning of year	6,968,628	1,204,912	8,173,540
NET ASSETS, End of year	$ 5,425,225	$ 1,126,966	$ 6,552,191

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services	Supporting Services			
	Comprehensive Youth Development	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 2,843,980	$ 249,352	$ 249,352	$ 498,704	$ 3,342,683
Employee taxes & benefits	345,472	28,120	28,120	56,240	401,712
Total payroll & related expenses	3,189,452	277,472	277,472	554,943	3,744,395
Awards and grants	6,651	-	-	-	6,651
Bank charges	-	19,969	-	19,969	19,969
Communications	29,467	1,502	1,502	3,003	32,471
Depreciation & amortization	150,305	-	-	-	150,305
Equipment rental and maintenance	23,301	1,860	-	1,860	25,160
In-kind expense	281,784	-	-	-	281,784
Interest expense	-	4,463	-	4,463	4,463
Advertising	58,185	-	24,808	24,808	82,992
Membership dues	37,885	12,628	-	12,628	50,513
Miscellaneous	35,814	-	-	-	35,814
Postage and shipping	1,357	452	452	905	2,261
Professional fees	620,995	125,111	-	125,111	746,106
Program activities	21,766	-	-	-	21,766
Special events	248,766	-	165,844	165,844	414,610
Supplies	494,545	68,321	22,774	91,095	585,640
Technology equipment purchases	39,888	-	-	-	39,888
Trainings and conferences	65,225	9,876	-	9,876	75,101
Travel and mileage	19,902	2,850	2,850	5,701	25,603
Transportation	178,074	-	-	-	178,074
Utilities and occupancy costs	385,533	20,189	-	20,189	405,722
Total expenses by function	5,888,895	544,692	495,701	1,040,393	6,929,288
Less expenses included with revenues on the statement of activities:					
Direct cost of special events	-	-	(414,610)	(414,610)	(414,610)
Total expenses included in the expense section on the statement of activities	$ 5,888,895	$ 544,692	$ 81,091	$ 625,783	$ 6,514,678

See notes to financial statements.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	**(1,621,349)**
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization		**150,305**
Realized loss on investments		**128,913**
Unrealized loss on investments		**968,220**
Forgiveness of PPP loan		**(440,312)**
Change in value of beneficial interest in agency endowment fund		**6,209**
Changes in:		
Grants, contracts, and other receivables		**(540,927)**
Prepaid expenses and deposits		**44,751**
Construction in progress		**(41,942)**
Membership rights		**(26,000)**
Restricted pledges receivable, net		**7,613**
Restricted grants receivable		**12,150**
Accounts payable		**78,748**
Accrued expenses		**135,469**
Contract liabilities		**(75,500)**
Net cash used in operating activities		**(1,213,652)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments		**1,173,429**
Purchases of investments		**(1,234,248)**
Purchases of property and equipment		**(9,609)**
Net cash used in investing activities		**(70,428)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt		**(49,406)**
Net cash used in financing activities		**(49,406)**
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		**(1,333,486)**
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH beginning of year		**2,682,345**
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH end of year	$	**1,348,859**

Supplemental Cash Flow Information
Interest paid during the year ended December 31, 2022 was $4,463.

Cash balance consists of:		
Cash and cash equivalents	$	**1,283,169**
Restricted cash		**65,690**
	$	**1,348,859**

See notes to financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Nature of Activity

Boys & Girls Clubs of Middle Tennessee (the "Organization") is a nonprofit organization affiliated with the Boys & Girls Clubs of America. Founded in 1903, the Boys & Girls Clubs of Middle Tennessee consists of nine club facilities throughout the region. The goal of the Organization is to enable all young people, especially those who need it most, to reach their full potential as productive, caring, and responsible citizens. It strives to improve each child 's life by instilling in them a sense of competence, usefulness, belonging, and power/influence. It focuses on three priority outcomes: academic success, healthy lifestyles, good character and citizenship.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis and in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, 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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

The Organization maintains cash at financial institutions with strong credit ratings. Cash is insured by the Federal Deposit Insurance Corporations (FDIC) up to $250,000 per bank. At times, the Organization may have balances in excess of FDIC coverage. Management has deemed this a normal business risk.

All unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance are considered a cash equivalent.

Grants, Contracts and Other Receivables

Grants and contract receivables consist of amounts due related to services provided under nonexchange grant and contract agreements and are presented net of an allowance for doubtful accounts.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants, Contracts and Other Receivables (Continued)

Management's estimate of uncollectible amounts is based on historical collection experience and a review of the current status of the account. It is reasonably possible that management's estimate of the allowance for uncollectible accounts could change. There was no allowance for uncollectible amounts at December 31, 2022.

Fair Value Measurements

The fair value of financial instruments including cash and cash equivalents, restricted cash, grants, contracts and other receivables, prepaid expenses and deposits, accounts payable, accrued expenses, and contract liabilities approximate carrying value due to the short-term nature of these accounts.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its financial instruments based on the fair value hierarchy established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: Financial instruments are valued based on quoted prices in active markets for identical assets or liabilities.

Level 2: Financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.

Level 3: Financial instruments are valued using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

There were no triggering events that required fair value measurements of the Organization's non-financial assets and liabilities at December 31, 2022.

Property and Equipment

Property and equipment are recorded at cost, or, if donated, at the estimated fair market value at the date of donation. Expenditures over $5,000 for property and equipment, and any expenditure over $500 for leasehold improvements are reviewed for capitalization. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 40 years. 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, 2022, no assets were considered to be impaired.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Liabilities

Balances billed or paid in advance that do not meet the performance obligations for contracts with customers at year end are recorded as contract liabilities. These balances will be recognized as revenue upon satisfaction of the performance obligations when, or as, these obligations are met.

Leases

The Organization determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Organization has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using the rate implicit in the lease or the Organization's incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest the Organization would have to pay to borrow on a collateralized basis over a similar term in an amount equal to the lease payments in a similar economic environment or the risk-free rate. The risk-free rate is defined as the daily treasury par yield curve rate for a period of time that approximates the lease term. The Organization 's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option.

Public Support

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 statement of activities. 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.

Contributed Nonfinancial Assets

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 the Organization if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

Revenue Recognition for Contracts with Customers

The Organization's revenue streams under contracts with customers are comprised of special events, grants and contracts, and program service fees.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition for Contracts with Customers (Continued)

For each revenue stream identified above, revenue recognition is subject to the completion of performance obligations. For each contract with a customer, the Organization determines whether the performance obligations in the contracts are distinct or should be bundled. Factors to be considered

include the pattern of transfer, whether participants (customers) can benefit from the resources, and whether the resources are readily available. The Organization's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time. The Organization recognizes revenue over a period of time if the customer receives and consumes the benefit that the Organization provided, or if the Organization's performance does not create an asset with an alternative use, and has an enforceable right to payment for the performance.

The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods or service. The transaction price is calculated as the amount of consideration to which the Organization expects to be entitled.

The following explains the performance obligations related to each revenue stream and how they are recognized.

Special Events – The Organization holds events that contain both contribution revenue and exchange revenue. The revenue is recognized upon receipt if there are no conditions or recognized as conditions are satisfied, typically when the event takes place.

Grants and Contracts - The Organization receives grants and contracts from various sources to fund programs in accordance with the Organization's mission. The Organization's grants and contracts revenue stream contains both contribution revenue and exchange revenue. The contribution grants and contracts revenue are either recognized upon receipt if there are no conditions or recognized as conditions are satisfied, typically as costs are incurred. The exchange grants and contracts are reviewed for performance obligations and as the performance obligations were met, revenue was recognized.

Program Service Fees – The Organization receives program service fees for services provided at the Organization's locations. Revenue is recognized at the time the service is provided.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and is 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. Management does not believe there are any uncertain tax positions. Further, it does not believe that the Organization has any unrelated business income, which would be subject to federal taxes.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

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.

Advertising

Advertising is expensed as incurred. Total advertising expense for the year ended December 31, 2022, was $82,992.

Recently Adopted Accounting Standards

In fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities and increases the disclosure requirements. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

In February 2016, the Financial Accounting Standards Board issued accounting standards update ("ASU") 2016-02 "Leases (Topic 842)". Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements.

The Organization adopted the new standard effective January 1, 2022, using the modified retrospective approach. This approach allows the Organization to initially apply the new accounting standards at the adoption date and recognize a cumulative adjustment to the opening balance of net assets in the period of adoption. The adoption of the new standard had no impact on net assets.

The new standard provides a number of optional practical expedients at transition. The Organization elected certain practical expedients that must be elected as a package, which permit the Company to not reassess, under the new standard, prior conclusions about (1) lease identification, (2) lease classification and (3) initial direct costs. Additionally, the Company elected a short-term lease exception policy, which allows entities to not apply the new standard to short-term leases (i.e., leases with terms of 12 months or less) and a hindsight policy, which allows an entity to include current considerations for existing leases when determining initial lease terms. Adoption of this standard did not have a significant impact on the financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position date through September 28, 2023, the date financial statements were available to be issued.

NOTE 2 — AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date comprise the following:

Cash and cash equivalents	$ 1,283,169
Grants, contracts and other receivables	581,650
Investments	3,285,774
	$ 5,150,593

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.

The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

NOTE 3 — MEMBERSHIP RIGHTS

In 2017, a membership purchase agreement with the Golf Club of Tennessee (Golf Club) was renewed for $260,000 for an additional 10 years. In the agreement, the Golf Club allowed for 10 $26,000 annual payments to cover the cost. The amortization expense for the year ended December 31, 2022, was $26,000.

NOTE 4 — RESTRICTED PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31, 2022:

Due in less than one year	$ 10,000
Due in one or more years	30,000
	40,000
Less: discounts to net present value	(3,896)
Restricted pledges receivable, net	$ 36,104

Gross restricted pledges receivable of $40,000 for golf membership renewal rights in 2022, 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 5 — INVESTMENTS

Investments consisted of the following at December 31, 2022:

	Fair Value	Cost
LLC Ownership	$ 151,188	$ 133,506
Equities	3,180,383	3,203,459
Fixed Income	676,033	771,149
Real Estate Funds	216,668	274,720
	$ 4,224,272	$ 4,422,258
Less: restricted investments	(938,498)	
	$ 3,285,774	

The net investment loss included the following for the year ended December 31, 2022:

Interest and dividend income	$ 70,322
Realized loss – net	(128,913)
Unrealized loss – net	(968,220)
Investment fees	(36,746)
Net investment loss	$ (1,063,557)

The following is a description of the valuation methodologies used for assets measured at fair value:

Equities and fixed income - Equities and fixed income securities are valued at closing price reported on the active market on which the individual securities are traded.

LLC Ownership - At December 31, 2022, the Organization owned units in a limited liability company (LLC), resulting from a contribution made in 2010. The fair value of the ownership interest is measured annually based on the values of the underlying investments held in the LLC. The fair value of the investment has been estimated using the net asset value per share of the investments (NAV).

Real estate funds – The Organization holds real estate funds that invest primarily in real estate securities, including those of companies that own significant real estate assets, such as real estate investment trusts (REITs). The fair value of the investment has been estimated using the net asset value per share of the investments (NAV), which represents the amounts at which the Organization may acquire or redeem it's fund interests.

NOTE 5 — INVESTMENTS (Continued)

The following table summarizes the 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, 2022:

	Fair Value	Level 1	Level 2	Level 3
Equities	$3,180,383	$3,180,383	$ -	$ -
Fixed Income	676,033	-	676,033	-
Total investments at fair value	3,856,416	$ 3,180,383	$ 676,033	$ -
Investments reported at NAV:				
LLC Ownership	151,188			
Real Estate Funds	216,668			
	4,224,272			
Beneficial interest in agency endowment fund (Note 9)	39,424			
	$4,263,696			

There were no transfers between Level 1, Level 2, and Level 3 investments during the year ended December 31, 2022**.**

NOTE 6 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Cost	
Land	$ 18,000
Buildings and improvements	2,025,849
Vehicles	687,871
Furniture, equipment and software	96,360
Construction in progress	41,942
	2,870,022
Accumulated Depreciation and Amortization	(1,942,636)
Net Property and Equipment	$ 927,386

Depreciation and amortization expense for the year ended December 31, 2022, was $150,305.

NOTE 7 — NOTE PAYABLE

In April 2016, the Organization secured a note to purchase four vehicles for $335,930. The balance remaining at December 31, 2022, was $18,853. 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.

NOTE 8 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with restrictions consisted of the following at December 31, 2022:

Purpose Restrictions:	
Scholarships	$ 62,690
Building renovations	938,498
Time Restrictions:	
United Way of Williamson County	47,250
2023 Gala	3,000
Restricted pledges	36,104
Held in Perpetuity:	
Beneficial interest in agency endowment fund	39,424
	$ 1,126,966

NOTE 9 — BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND

In the year ended December 31, 2022, the Community Foundation of Middle Tennessee, (the Foundation) a non-profit organization, is in control of an endowment fund for the Organization. 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, the Organization has not established an investment policy for the fund nor has it established policies for expenditures from the fund. It is not aware of any deficiencies in the fair value of assets in the fund as compared to the required amounts by the donors. The Organization recognizes contribution income when the Foundation makes a distribution. The Organization recognizes investment earnings and fees in the Statement of Activities, as they are reported to it by the Foundation.

NOTE 9 — BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND (Continued)

Activity in the beneficial interest in agency endowment fund for the year ended December 31, 2022 is as follows:

Balance – beginning of period	$	45,633
Change in value of beneficial interest in agency endowment fund:		
Contributions		125
Investment income		537
Changes in value		(6,613)
Administrative expenses		(258)
Total change in value of beneficial interest in agency endowment fund		(6,209)
	$	39,424

NOTE 10 — LEASES

The Organization leases office space and various office equipment under lease agreements classified as operating leases. Total lease expenses for the year ended December 31, 2022, were $84,756. The Organization's leases have remaining lease terms of less than one year and do not contain provisions to renew the leases for additional terms. These leases are classified as short-term operating leases and are not included as lease liabilities.

NOTE 11 — CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization 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 71% of total receivables of the Organization at December 31, 2022. Two vendors represent 45% of total accounts payable at December 31, 2022.

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 12 — EMPLOYEE BENEFIT PLAN

Substantially all of the Organization's 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"). The Organization funds its share of pension expense for the year in quarterly contributions to the Plan. The Plan provides for elective employer contributions. The Organization contributes 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 2022, a total of $27,257, was contributed to the plan, of which $24,000 was accrued at December 31, 2022.

NOTE 13 — RELATED PARTIES

*Th*e Organization is a locally governed affiliate that is required to pay membership dues to the national organization. In return, the Organization receives support from the national organization which helps fund programs. During the year ended December 31, 2022, the Organization remitted a total of $12,800, in membership dues and received $205,058, in funding, included in contributions on the statement of activities.

The Organization is 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, 2022, the Organization remitted $37,713, in membership dues and received funding of $194,976, included in contributions on the statement of activities.

NOTE 14 – CONTRIBUTED NONFINANCIAL ASSETS

The Organization periodically receives donations of services, when donated services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of the donation is recorded as contribution revenue in the period received.

The following donations are reflected as contributions of nonfinancial assets with no associated donor restriction in the accompanying statement of activities for the year ended December 31, 2022:

	Valuation Techniques and Inputs	
Office rent	The Organization estimated the fair value on the basis of current rates for occupancy	$ 76,800
Other goods	Contributed goods at estimated fair value based on current rates for similar items	204,984
		$ 281,784

NOTE 14 – CONTRIBUTED NONFINANCIAL ASSETS (Continued)

Contributions of nonfinancial assets and their use in programs and other activities for the year ended December 31, 2022, are as follows:

	Program Services	General & Administrative	Fundraising	Total
Office rent	$ 76,800	$ -	$ -	$ 76,800
Other goods	204,984	-	-	204,984
	$281,784	$ -	$ -	$ 281,784

NOTE 15 — COVID-19 RELIEF FUNDING

Paycheck Protection Program (PPP)

The Organization was granted loans in the amounts of $379,322 and $440,312 in fiscal year 2021, under the PPP, administered by the Small Business Administration (SBA) under the CARES Act. The Organization received loan forgiveness of $379,322 and $440,312 during the years ended December 31, 2021 and 2022, respectively.

According to the rules of the SBA, the Organization is required to retain PPP loan documentation for six years and permit authorized representatives of the SBA to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

Employee Retention Credit (ERC)

The ERC, a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the CARES Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The ERC is considered a conditional grant, as the Organization only qualifies for the transfer of assets if it has overcome the barrier of eligibility. For the year ended December 31, 2022, the Organization determined they met the barriers of the ERC and recorded miscellaneous revenue of $164,213. As of December 31, 2022, this balance was included in grants, contracts and other receivables on the statement of financial position and was subsequently collected in June, 2023.

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact, if any, this would have upon the Organization.

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 & Girls Clubs of Middle 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 & Girls Clubs of Middle Tennessee (the Organization), a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

UHY LLP

Nashville, Tennessee
September 28, 2023

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 of
Boys & Girls Clubs of Middle Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Boys & Girls Clubs of Middle Tennessee (the Organization)'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 the Organization's major federal program for the year ended December 31, 2022. The Organization'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 Clubs of Middle Tennessee 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal 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 the Organization’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization’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 the Organization’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

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

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

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

UHY LLP

Nashville, Tennessee
September 28, 2023

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2022

Grantor, Program Title (Cluster, Pass-Through Grantor)	Pass-Through Identifying Number	Assistance Listing Number	Passed Through to Subrecipients	TOTAL EXPENDITURES
FEDERAL AWARDS				
U.S. DOE THROUGH TENNESSEE DEPARTMENT OF EDUCATION				
21st Century Learning Centers	S287C190043	84.287	$ -	$ 1,077,971
Total - U.S. DOE THROUGH TENNESSEE DEPARTMENT OF EDUCATION		84.287	-	1,077,971
U.S. DOA THROUGH TENNESSEE DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Child and Adult Care Food Program	78237740	10.558	$ -	$ 31,325
Total - U.S. DOA THROUGH TENNESSEE DEPARTMENT OF HEALTH AND HUMAN SERVICES		10.558	-	31,325
COVID-19 RELATED FUNDING:				
U.S. DHHS THROUGH TENNESSEE DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Childcare and Development Fund Cluster	66245	93.575	$ -	$ 91,270
Total - U.S. DOA THROUGH TENNESSEE DEPARTMENT OF HEALTH AND HUMAN SERVICES		93.575	-	91,270
TOTAL FEDERAL AWARDS				**$ 1,200,566**
STATE FINANCIAL ASSISTANCE				
TENNESSEE ALLIANCE				
Lottery Education After-School Program	N/A	N/A	$ -	$ 232,153
Total - TENNESSEE ALLIANCE		N/A	-	232,153
TOTAL STATE FINANCIAL ASSISTANCE				**$ 232,153**
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE				**$ 1,432,719**

See notes to Schedule of Expenditures of Federal Awards.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2022

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal and state grant activity of Boys & Girls Club of Middle Tennessee for the year ended December 31, 2022. 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). Therefore, some amounts presented in this schedule may differ from amounts presented In, or used in the preparation of, the basic financial statements. These grants are 100% pass-through to Boys & Girls Club of Middle Tennessee. The Organization is assuming all audit responsibility.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations,* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Direct expenses are recorded based upon actual expenses incurred that are allowable per the program requirements. Indirect expenses are allocated based upon recorded direct expenses. The Organization allocates indirect costs using the Restricted Indirect Cost Rate (RICR) for each contract, which is calculated using the following, (General Management Costs + Fixed Costs) / Other Expenditures. The RICR applied during the year ended December 31, 2022, ranged from 4% to 7%.

NONCASH ASSISTANCE

No federal awards were expended in the form of noncash assistance.

BOYS & GIRLS CLUBS OF MIDDLE TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2022

SECTION 1 SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
2. Internal control over financial reporting:	
a) Material weaknesses identified?	No
b) Significant deficiencies identified that are not considered to be material weakness?	None Reported
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a) Material weaknesses identified?	No
b) Significant deficiencies identified that are not considered to be material weakness?	None Reported
2. Type of auditors' report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

4. Identification of major Federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
84.287	21st Century Learning Centers

5. Dollar threshold used to distinguish between Type A and Type B programs	$750,000
6. Auditee qualified as low-risk auditee?	No

SECTION 2

Financial Statement Findings

None noted.

SECTION 3

Federal Award Findings and Questioned Costs

None noted.

Summary Schedule of Prior Year Findings

None noted.