

**BOYS AND GIRLS CLUBS OF
GREATER MEMPHIS**

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Table of Contents

December 31, 2022 and 2021

Independent Auditor’s Report	2
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Changes in Net Assets	7
Statements of Cash Flows.....	8
Notes to the Financial Statements.....	9
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	22
Notes to the Schedule of Expenditures of Federal Awards	23
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance in Accordance with the <i>Uniform Guidance</i>	26
Schedule of Findings and Questioned Costs.....	29
Schedule of Prior Findings and Questioned Costs.....	30



Independent Auditor's Report

Board of Directors
Boys and Girls Clubs of Greater Memphis
Memphis, Tennessee

Opinion

We have audited the accompanying financial statements of Boys and Girls Clubs of Greater Memphis (a non-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the years 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 and Girls Clubs of Greater Memphis as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys and Girls Clubs of Greater Memphis and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Boys and Girls Clubs of Greater Memphis's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Boys and Girls Clubs of Greater Memphis's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Clubs of Greater Memphis's ability to continue as a going concern for a reasonable period of time.

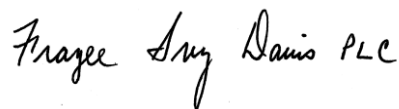
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2023 on our consideration of Boys and Girls Clubs of Greater Memphis' 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 Boys and Girls Clubs of Greater Memphis' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys and Girls Clubs of Greater Memphis' internal control over financial reporting and compliance.



Memphis, Tennessee
May 18, 2023

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Financial Position

December 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,988,874	\$ 3,167,165
Pledges receivable	119,500	134,232
Grants receivable	-	29,728
Other receivables	2,438	2,344
Prepaid expenses	45,000	34,957
Receivables, long-term bargain leases	95,837	108,013
Investment securities	12,586,602	14,329,185
Cash surrender value of life insurance	152,022	147,807
Property and equipment, net of accumulated depreciation	<u>4,927,241</u>	<u>5,234,899</u>
Total assets	<u><u>\$ 20,917,514</u></u>	<u><u>\$ 23,188,330</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 46,213	\$ 39,748
Accrued salaries and retirement	200,004	256,244
Accrued interest	55,555	55,258
Deferred revenue	1,797,395	-
Notes payable	<u>3,343,816</u>	<u>3,733,245</u>
Total liabilities	<u>5,442,983</u>	<u>4,084,495</u>
Net assets		
Without donor restrictions	12,607,272	14,851,104
With donor restrictions	<u>2,867,259</u>	<u>4,252,731</u>
Total net assets	<u>15,474,531</u>	<u>19,103,835</u>
Total liabilities and net assets	<u><u>\$ 20,917,514</u></u>	<u><u>\$ 23,188,330</u></u>

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Activities

For the years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenues						
Grant income	\$ 1,928,039	\$ -	\$ 1,928,039	\$ 1,649,997	\$ -	\$ 1,649,997
Contribution income	1,427,528	-	1,427,528	1,971,756	-	1,971,756
Net investment income (loss)	(1,326,524)	(415,641)	(1,742,165)	1,146,794	370,397	1,517,191
Paycheck Protection Program grant	-	-	-	579,300	-	579,300
United Way of the Mid-South	317,676	-	317,676	316,399	-	316,399
Other revenues	319,668	-	319,668	319,358	-	319,358
In-kind contributions	100,582	5,124	105,706	83,745	5,717	89,462
Membership fees	40,508	-	40,508	16,132	-	16,132
Gain on sale of property and equipment	-	-	-	1,700	-	1,700
Total support and other revenues	<u>2,807,477</u>	<u>(410,517)</u>	<u>2,396,960</u>	6,085,181	376,114	6,461,295
Reclassifications						
Net assets released from restrictions	<u>974,955</u>	<u>(974,955)</u>	-	1,141,930	(1,141,930)	-
Total revenue and reclassifications	<u>3,782,432</u>	<u>(1,385,472)</u>	<u>2,396,960</u>	7,227,111	(765,816)	6,461,295
Expenses						
Program services	5,237,859	-	5,237,859	3,955,565	-	3,955,565
Management and general	585,087	-	585,087	581,515	-	581,515
Fundraising	<u>203,318</u>	-	<u>203,318</u>	180,651	-	180,651
Total expenses	<u>6,026,264</u>	-	<u>6,026,264</u>	4,717,731	-	4,717,731
Change in net assets	<u>\$ (2,243,832)</u>	<u>\$ (1,385,472)</u>	<u>\$ (3,629,304)</u>	<u>\$ 2,509,380</u>	<u>\$ (765,816)</u>	<u>\$ 1,743,564</u>

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Functional Expenses

For the years ended December 31, 2022 and 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Compensatory expenses								
Salaries and wages	\$ 2,987,072	\$ 376,199	\$ 102,600	\$ 3,465,871	\$ 1,994,990	\$ 344,402	\$ 97,000	\$ 2,436,392
Retirement and health benefits	410,307	52,481	14,313	477,101	311,486	47,894	9,053	368,433
Payroll taxes	222,616	28,474	7,766	258,856	151,643	23,428	5,152	180,223
Subtotal compensatory	3,619,995	457,154	124,679	4,201,828	2,458,119	415,724	111,205	2,985,048
Other expenses								
Program supplies	438,725	-	-	438,725	217,902	-	-	217,902
Depreciation	331,753	42,434	11,573	385,760	373,707	41,523	-	415,230
Contract services	240,398	30,749	8,386	279,533	277,811	27,794	18,330	323,935
Utilities	160,610	20,543	5,603	186,756	142,643	10,256	5,126	158,025
Insurance	144,155	18,439	5,029	167,623	158,024	6,723	3,363	168,110
Interest	107,749	-	-	107,749	131,433	-	-	131,433
Work incentive	50,915	-	-	50,915	55,039	-	-	55,039
Telephone and internet	39,449	5,046	1,376	45,871	34,483	4,307	4,307	43,097
Fundraising expenses	-	-	42,058	42,058	-	-	30,669	30,669
Facility rent and maintenance	34,388	4,399	1,200	39,987	33,406	5,950	2,973	42,329
Vehicle expenses	18,554	2,373	647	21,574	20,941	2,192	1,217	24,350
Bank charges	16,096	2,012	2,012	20,120	15,394	1,924	1,924	19,242
Dues and subscriptions	19,925	-	-	19,925	19,526	-	-	19,526
Office supplies	7,369	943	257	8,569	8,799	3,324	1,425	13,548
Travel	3,484	995	498	4,977	779	223	112	1,114
Training	3,000	-	-	3,000	3,344	-	-	3,344
Food	1,294	-	-	1,294	4,215	-	-	4,215
Provision for doubtful pledges	-	-	-	-	-	61,575	-	61,575
Total expenses	<u>\$ 5,237,859</u>	<u>\$ 585,087</u>	<u>\$ 203,318</u>	<u>\$ 6,026,264</u>	<u>\$ 3,955,565</u>	<u>\$ 581,515</u>	<u>\$ 180,651</u>	<u>\$ 4,717,731</u>

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Changes in Net Assets

For the years ended December 31, 2022 and 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, December 31, 2020	12,341,724	5,018,547	17,360,271
Change in net assets	<u>2,509,380</u>	<u>(765,816)</u>	<u>1,743,564</u>
Net assets, December 31, 2021	14,851,104	4,252,731	19,103,835
Change in net assets	<u>(2,243,832)</u>	<u>(1,385,472)</u>	<u>(3,629,304)</u>
Net assets, December 31, 2022	<u>\$ 12,607,272</u>	<u>\$ 2,867,259</u>	<u>\$ 15,474,531</u>

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (3,629,304)	1,743,564
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	385,760	415,230
Unrealized (gain) loss on investments	2,037,499	(903,763)
Realized gain on investments	(25,109)	(258,036)
Gain on sale of property and equipment	-	(1,700)
Provision for doubtful pledges	-	61,575
Increase in cash surrender value of life insurance	(4,215)	(10,693)
Paycheck Protection Program loan forgiveness	-	(579,300)
Change in operating assets and liabilities		
Pledges receivable	14,732	86,146
Grants receivable	29,728	260,847
Other receivables	(94)	2,166
Prepaid expenses	(10,043)	(4,575)
Receivables, long-term bargain leases	12,176	11,583
Accounts payable	6,465	23,329
Accrued salaries and retirement	(56,240)	146,301
Accrued interest	297	(3,464)
Deferred revenue	1,797,395	-
Net cash provided by operating activities	559,047	989,210
Cash flows from investing activities		
Proceeds from sale of investment securities	2,924,925	672,417
Purchases of investment securities	(3,275,046)	(955,377)
Proceeds from sale of property and equipment	-	1,700
Purchase of property and equipment	(78,102)	(59,184)
Net cash used in investing activities	(428,223)	(340,444)
Cash flows from financing activities		
Principal payments on notes payable	(389,429)	(1,378,660)
Net cash used in financing activities	(389,429)	(1,378,660)
Change in cash, cash equivalents, and restricted cash	(258,605)	(729,894)
Cash, cash equivalents, and restricted cash at beginning of year	3,511,389	4,241,283
Cash, cash equivalents, and restricted cash at end of year	\$ 3,252,784	3,511,389

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2022 and 2021

Note 1 – Organization and Business Activity

Boys and Girls Clubs of Greater Memphis (the “Organization”) is a not-for-profit corporation which maintains six club facilities, one technical training center, and a camp for the benefit of approximately 4,500 members. The Organization operates a comprehensive program which provides the boys and girls with professional and informal guidance integrated into a year-round program of group club, athletics, science, shops, learning centers, crafts, computer labs, playgrounds, gyms, and special events. The Organization is supported through donor contributions, grants, and special events.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Under this basis of accounting, support and revenue are recognized in the period earned and expenses are recognized when incurred.

Financial Statement Presentation

Under accounting standards for not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be met in perpetuity.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. As of December 31, 2022 and 2021, cash, cash equivalents, and restricted cash consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,988,874	\$ 3,167,165
Money market funds, pledged as collateral	<u>263,910</u>	<u>344,224</u>
Cash, cash equivalents, and restricted cash	<u>\$ 3,252,784</u>	<u>\$ 3,511,389</u>

Pledges Receivable

Pledges receivable are recorded when they are determined to be an unconditional promise to give. The Organization uses the allowance method to account for doubtful pledges. The amount of the allowance for doubtful pledges is based upon management’s assessment of historical and expected collections, economic conditions, and other collection indicators. Pledges receivable due in more than one year are discounted to the present value of estimated future cash flows.

Note 2 – Summary of Significant Accounting Policies (continued)*Property, Equipment, and Depreciation*

Property and equipment is stated at estimated fair value at the date of the contribution, if contributed, or at acquisition cost, if purchased. Major renewals and betterments that extend the useful lives of assets are also recorded at cost. Expenditures for normal repair and maintenance are expensed as they occur. Construction in progress represents renovations that have not been put in service and, therefore, are not being depreciated. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, generally five to thirty-nine years for buildings and improvements and three to ten years for equipment, furniture, and vehicles.

Revenue Recognition

Contributions received are recorded as support with or without donor restrictions depending on the existence of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unrestricted. Contributions that are limited to specific uses by donor-imposed restriction are reported as being received without donor restrictions when the restrictions are met within the same reporting period. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the restriction expires or is satisfied. Investment income is available to support any activities of the Organization unless otherwise specified by the donor.

Revenue from grants is recognized at the point in time in which the conditions for the grant have been substantially met, which, for the Organization, is typically when services are rendered, or program expenses are incurred.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

<u>Type of Expense</u>	<u>Method of Allocation</u>
Other building occupancy	Full time equivalent
Supplies and services	Full time equivalent
Salaries and wages	Time and effort
Payroll taxes and benefits	Time and effort

In-Kind Contributions

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of property and equipment are recorded as unrestricted contributions at the date of donation unless the donor has temporarily or permanently restricted the donated asset to a specific purpose.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi). The Organization files tax returns in the United States federal jurisdiction. The Organization is no longer subject to examination by federal authorities for years prior to 2019.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would more likely than not be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2022 and 2021.

Note 2 – Summary of Significant Accounting Policies (continued)*Fair Value Measurements*

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establish the framework for a fair value hierarchy. The fair value hierarchy gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data (Level 2), and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

Use of Estimates

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

Recently Adopted Accounting Guidance

Effective January 1, 2021, the first day of the Organization's fiscal year, the Organization adopted Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"). The new guidance requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit organization has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Subsequent Events

Management has evaluated subsequent events through May 18, 2023, the date the financial statements were available to be issued.

Note 3 – Pledges Receivable

As of December 31, 2022 and 2021, unconditional promises to give were due as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	<u>\$ 119,500</u>	<u>\$ 134,232</u>
Total pledges receivable	119,500	134,232
Allowance for doubtful pledges	<u>-</u>	<u>-</u>
Pledges receivable, net	<u>\$ 119,500</u>	<u>\$ 134,232</u>

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2022 and 2021

Note 4 – Receivables, Long-Term Bargain Leases

As of December 31, 2022, the Organization holds long-term leasehold rights to real estate used in its programs at Camp Phoenix. The lease expires on June 30, 2029 and the annual rental per year for the lease is nil. The present value of the fair market rent over the lease term, determined using a five percent discount rate, was recognized as support with donor restrictions at the effective date of the lease. Receivables, long-term bargain leases as of December 31, 2022 of \$95,837 represents the future fair rental value of \$112,450 net of unamortized discount of \$16,613. The unamortized discount will be recognized as additional contributions as time restrictions expire.

Rent expense attributable to the lease to be recognized in the next five years is as follows:

Year ending December 31,		
2023	\$	17,300
2024		17,300
2025		17,300
2026		17,300
2027		17,300
Thereafter		<u>25,950</u>
Total	\$	<u><u>112,450</u></u>

Note 5 – Investment Securities

Investment securities as of December 31, 2022 and 2021 were comprised of the following:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Money market funds	<u>\$ 263,910</u>	<u>\$ 263,910</u>	\$ 344,224	\$ 344,224
Fixed income funds	<u>3,430,289</u>	<u>3,690,603</u>	3,983,526	3,976,369
Domestic equity funds	<u>3,671,518</u>	<u>2,901,804</u>	3,944,381	2,457,059
International equity funds	<u>1,085,660</u>	<u>1,125,850</u>	1,296,795	1,013,159
Common equity securities	<u>2,586,878</u>	<u>1,986,373</u>	3,160,796	1,887,790
Total equity investments	<u><u>7,344,056</u></u>	<u><u>6,014,027</u></u>	8,401,972	5,358,008
Community Foundation of Greater Memphis	<u>101,083</u>	<u>88,503</u>	119,547	83,526
Hedge fund	<u>1,447,264</u>	<u>577,488</u>	1,479,916	577,488
Total investment securities	<u><u>\$ 12,586,602</u></u>	<u><u>\$ 10,634,531</u></u>	<u>\$ 14,329,185</u>	<u>\$ 10,339,615</u>

Investment securities held by the Community Foundation of Greater Memphis, Inc. consist of funds transferred from the Organization to the Boys and Girls Club Fund of the Community Foundation of Greater Memphis, Inc. (the "Fund"). The beneficiary of the Fund is the Organization. The investments are stated at fair value and are held in a diversified portfolio.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2022 and 2021

Note 5 – Investment Securities (continued)

As of December 31, 2022, investments included \$11,038,255 in securities pledged as collateral under note payable to Truist Bank (see Note 7).

Net investment income for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Net unrealized gain (loss)	\$(2,152,022)	\$ 903,763
Net realized gain	<u>127,522</u>	<u>258,036</u>
Net gain (loss)	(2,024,500)	1,161,799
Interest and dividend income	349,501	438,901
Investment fees	<u>(80,870)</u>	<u>(83,509)</u>
Net investment income (loss)	<u><u>\$(1,755,869)</u></u>	<u><u>\$ 1,517,191</u></u>

Note 6 – Property and Equipment

Property and equipment as of December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 275,123	\$ 275,123
Buildings	6,293,251	6,293,251
Building improvements	4,856,046	4,790,348
Leasehold improvements	240,458	240,458
Transportation equipment	343,525	343,525
Equipment, furniture, and fixtures	<u>1,699,159</u>	<u>1,686,755</u>
	13,707,562	13,629,460
Accumulated depreciation	<u>(8,780,321)</u>	<u>(8,394,561)</u>
Property and equipment, net	<u><u>\$ 4,927,241</u></u>	<u><u>\$ 5,234,899</u></u>
Depreciation expense for the year	<u><u>\$ 385,760</u></u>	<u><u>\$ 415,230</u></u>

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2022 and 2021

Note 7 – Notes Payable

On October 4, 2017, the Organization entered into a promissory note with Truist Bank in the amount of \$5,679,895. The note requires semi-annual installments of \$189,330, plus interest at 3.35% per annum, beginning July 5, 2019 through July 5, 2027. The note is secured by the Organization’s investment securities (see Note 5).

Principal is scheduled to mature as follows:

Year ending December 31,	
2023	\$ 378,660
2024	378,660
2025	378,660
2026	378,660
2027	<u>1,829,176</u>
Total	<u>\$ 3,343,816</u>

Note 8 – Paycheck Protection Program Loan

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. In April 2020, the Organization received a Small Business Administration (“SBA”) loan in the amount of \$579,300 for the Payroll Protection Program (“PPP”) in order to keep staff employed during the coronavirus pandemic. The terms of the PPP loan indicate that the Organization must utilize the proceeds to fund/offset qualifying expenses over an eight-week period, which can be extended to twenty-four weeks if elected. The terms of the agreement specify that the Organization must repay the principal of the loan back plus interest, which accrues at 1% semi-annually. The loan matures in two years. Upon maturity, the loan and accrued interest payable may be forgiven if the Organization fulfills the agreed upon terms. The Organization has elected to treat the PPP loan in accordance with the FASB ASC 470, *Debt*, model. Under this model, the effects of any anticipated forgiveness of the loan are not recognized in the financial statements until the Organization has been notified by the SBA that the loan, in whole or in part, has been approved for forgiveness. As of March 5, 2021, the Organization was granted full forgiveness of the loan from the SBA. Accordingly, \$579,300 has been recognized as support and other revenues in the accompanying statement of activities for the year ended December 31, 2021.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2022 and 2021

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2022 and 2021 consisted of the following:

	2022	2021
Time restrictions	\$ 95,837	\$ 108,013
Purpose restrictions		
Capital & Endowment Campaign	1,630,312	2,763,405
Buckman Club	317,042	543,578
Endowment campaign	13,235	22,177
Irby Cooper Scholarship Fund	4,889	9,614
In perpetuity		
Endowment corpus	805,944	805,944
Total	\$ 2,867,259	\$ 4,252,731

For the years ended December 31, 2022 and 2021, net assets were released from restrictions by the passage of time or incurring expenses satisfying the purpose restriction imposed by donors as follows:

	2022	2021
Time restrictions	\$ 17,300	\$ 97,421
Purpose restrictions		
Capital & Endowment Campaign	891,160	897,243
Tech Training Center, Logistics Track	-	85,000
Buckman Club	65,137	60,994
Irby Cooper Scholarship Fund	1,358	1,272
Total	\$ 974,955	\$ 1,141,930

Note 10 – Endowment Funds

The Organization’s endowment consists of several funds established for the purpose of raising and investing funds for capital improvements and scholarships. The endowment includes both donor-restricted endowment funds and funds designated by the Organization’s Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2022 and 2021

Note 10 – Endowment Funds (continued)

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as adopted by the State of Tennessee as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of the investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

Annual spending from the endowment fund shall be the lesser of (a) 5% of the endowment fund’s fair market value (as valued annually at the beginning of each fiscal year of the organization), or (b) the net income earned by the endowment fund during the Organization’s previous fiscal year. In establishing this policy, the Organization considered liquidity and the long-term expected investment return of its endowment fund.

The Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions in accordance with the Organization’s annual spending policy while growing the fund. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net asset composition by fund type as of December 31, 2022 and 2021 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time	In Perpetuity	
As of December 31, 2022				
Donor-restricted endowment funds	\$ 1,054,485	\$ 1,965,477	\$ 805,944	\$ 3,825,906
Board-designated endowment funds	134,471	-	-	134,471
Total endowment funds	<u>\$ 1,188,956</u>	<u>\$ 1,965,477</u>	<u>\$ 805,944</u>	<u>\$ 3,960,377</u>
As of December 31, 2021				
Donor-restricted endowment funds	\$ 995,022	\$ 2,548,859	\$ 805,944	\$ 4,349,825
Board-designated endowment funds	170,608	-	-	170,608
Total endowment funds	<u>\$ 1,165,630</u>	<u>\$ 2,548,859</u>	<u>\$ 805,944</u>	<u>\$ 4,520,433</u>

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2022 and 2021

Note 10 – Endowment Funds (continued)

Changes in endowment net assets for the year ended December 31, 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time	In Perpetuity	
Endowment net assets, December 31, 2021	<u>\$ 1,165,630</u>	<u>\$ 2,548,859</u>	<u>\$ 805,944</u>	<u>\$ 4,520,433</u>
Investment return:				
Interest and dividends	28,312	81,481	-	109,793
Net depreciation (realized and unrealized)	(166,216)	(478,385)	-	(644,601)
Investment fees	<u>(6,510)</u>	<u>(18,738)</u>	-	<u>(25,248)</u>
Total investment return	<u>(144,414)</u>	<u>(415,642)</u>	<u>-</u>	<u>(560,056)</u>
Contributions	-	-	-	-
Appropriations for expenditure	<u>167,740</u>	<u>(167,740)</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2022	<u>\$ 1,188,956</u>	<u>\$ 1,965,477</u>	<u>\$ 805,944</u>	<u>\$ 3,960,377</u>

Changes in endowment net assets for the year ended December 31, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time	In Perpetuity	
Endowment net assets, December 31, 2020	<u>\$ 902,184</u>	<u>\$ 2,335,536</u>	<u>\$ 805,944</u>	<u>\$ 4,043,664</u>
Investment return:				
Interest and dividends	30,744	107,050	-	137,794
Net appreciation (realized and unrealized)	81,490	283,758	-	365,248
Investment fees	<u>(5,862)</u>	<u>(20,411)</u>	-	<u>(26,273)</u>
Total investment return	<u>106,372</u>	<u>370,397</u>	<u>-</u>	<u>476,769</u>
Contributions	-	-	-	-
Appropriations for expenditure	<u>157,074</u>	<u>(157,074)</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2021	<u>\$ 1,165,630</u>	<u>\$ 2,548,859</u>	<u>\$ 805,944</u>	<u>\$ 4,520,433</u>

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2022 and 2021

Note 11 – Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis as of December 31, 2022 and 2021 include the following:

	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2022				
Assets				
Money market funds	\$ 263,910	\$ 263,910	\$ -	\$ -
Fixed income funds	3,430,289	3,430,289	-	-
Domestic equity funds	3,671,518	3,671,518	-	-
International equity funds	1,085,660	1,085,660	-	-
Common equity securities	2,586,878	2,586,878	-	-
Total fair value of investments	\$ 11,038,255	\$ 11,038,255	\$ -	\$ -
As of December 31, 2021				
Assets				
Money market funds	\$ 344,224	\$ 344,224	\$ -	\$ -
Fixed income funds	3,983,526	3,983,526	-	-
Domestic equity funds	3,944,381	3,944,381	-	-
International equity funds	1,296,795	1,296,795	-	-
Common equity securities	3,160,796	3,160,796	-	-
Total fair value of investments	\$ 12,729,722	\$ 12,729,722	\$ -	\$ -

Fixed Income Funds

This class of investments seeks to produce income from domestic and international bonds while preserving capital. These investments are valued at the daily closing price as reported on the active market.

Domestic Equity Funds

This class includes investments in mutual funds that hold common stocks in U.S. companies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

International Equity Funds

This class includes investments in mutual funds that hold common stocks of companies in developed countries outside the United States. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Common Equity Securities

Fair values for common equity securities are determined by reference to quoted prices in active markets.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2022 and 2021

Note 11 – Fair Value Measurements (continued)

In accordance with Topic 820, hedge funds and pooled investments, which are measured at net asset value (“NAV”) per share (or its equivalent), have not been classified in the fair value hierarchy. The fair value amounts presented in the following table represent all of the Organization’s assets reported at the fair value presented in the statements of financial position as of December 31, 2022 and 2021 that are valued based primarily on NAV:

	2022	2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	\$ 1,447,264	\$ 1,479,916	\$ -	Annually	90 days
Pooled investments	101,083	119,547	-	Daily*	None
Total fair value of hedge funds and pooled investments	\$ 1,548,347	\$ 1,599,463	\$ -		

*The Organization can withdraw funds daily but can only change investment pools monthly.

Hedge Funds

The hedge fund’s overall objective is to achieve capital appreciation through direct and indirect investments in securities, derivative instruments, and commodities. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Pooled Investments

The pooled investment fund seeks to maintain a balance between investments in equity securities and fixed income securities to provide investors with both interest income and net appreciation while providing some degree of capital preservation.

Note 12 – Donated Materials and Services

During the years ended December 31, 2022 and 2021, the Organization received donated materials and services of \$105,706 and \$89,462, respectively. The Organization generally uses these donations in providing program services to participants. Related expenses are included in supplies in the accompanying statements of functional expenses. The Organization generally values these contributions using local retail value as provided by the donor.

Note 13 – Retirement Plan

The Organization maintains a qualified defined contribution plan for the benefit of all eligible employees. Employees may voluntarily defer a portion of their compensation. The Organization makes a discretionary contribution to plan 3% of participants’ annual compensation which totaled \$54,628 and \$45,444 for the years ended December 31, 2022 and 2021, respectively.

Note 14 – Supplemental Disclosure of Cash Flow Information

For the years ended December 31, 2022 and 2021, the Organization’s cash payments for interest totaled \$107,452 and \$134,897, respectively.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2022 and 2021

Note 15 – Concentrations of Risk

Although the Organization has a policy to maintain a diversified portfolio, investment securities are subject to market and credit risk, including the issuers' ability to meet their obligations, which may be affected by general economic conditions or economic developments in a specific geographic region or industry.

Note 16 – Availability of Resources and Liquidity

As part of its ongoing liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2022 and 2021, the Organization's current unrestricted financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 2,988,874	\$ 3,167,165
Pledges receivable	119,500	134,232
Grants receivable	-	29,728
Other receivables	2,438	2,344
Investment securities	12,586,602	14,329,185
Cash surrender value of life insurance	152,022	147,807
Total financial assets	15,849,436	17,810,461
Amounts not available to be used within one year:		
Investments pledged as collateral	(11,038,255)	(12,729,722)
Donor-restricted endowment funds	(2,771,421)	(3,354,803)
Board-designated endowment funds	(134,471)	(170,608)
Other net assets with donor restrictions	(95,838)	(897,928)
Excluding net assets with purpose restrictions to be met in less than a year	17,300	979,290
Financial assets not available to be used within one year	(14,022,685)	(16,173,771)
Financial assets available to meet general expenditures within one year	\$ 1,826,751	\$ 1,636,690

As of December 31, 2022, investments pledged as collateral totaling \$11,038,255 represents collateral under a note payable to Truist Bank for \$3,343,816.

SUPPLEMENTARY INFORMATION

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2022

<u>Grantor/Pass-Through Grantor/Program Name</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>		
US Department of Treasury/ City of Memphis/ Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>\$ 1,202,605</u>
Total federal awards		<u><u>\$ 1,202,605</u></u>

*See independent auditor's report and accompanying notes to the
schedule of expenditures of federal awards.*

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Schedule of Expenditures of Federal Awards

December 31, 2022

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards of Boys and Girls Clubs of Greater Memphis is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the presentation of the basic financial statements.

Note 2 – Basis of Accounting

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

Note 3 – Indirect Cost Rate

Boys and Girls Clubs of Greater Memphis uses the 10% de minimus indirect cost rate as allowed under the Uniform Guidance for direct funding grants. Indirect costs, for pass-through grants, are set by the grant contract with the City of Memphis.



**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**

Board of Directors
Boys and Girls Clubs of Greater Memphis
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Boys and Girls Clubs of Greater Memphis (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boys and Girls Clubs of Greater Memphis’ 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 Boys and Girls Clubs of Greater Memphis’ internal control. Accordingly, we do not express an opinion on the effectiveness of Boys and Girls Clubs of Greater Memphis’ 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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

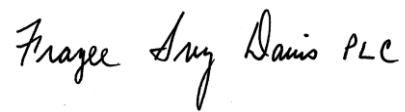
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Frayee Amy Davis PLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
May 18, 2023



**Independent Auditor’s Report on Compliance for the Major Federal Program and
Report on Internal Control Over Compliance in Accordance with the *Uniform Guidance***

Board of Directors
Boys and Girls Clubs of Greater Memphis
Memphis, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Boys and Girls Clubs of Greater Memphis’ compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Boys and Girls Clubs of Greater Memphis’ major federal programs for the year ended December 31, 2022. Boys and Girls Clubs of Greater Memphis’ major federal programs are 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 Greater Memphis complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the 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 (“GAAS”); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (“*Government Auditing Standards*”); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Boys and Girls Clubs of Greater Memphis and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Boys and Girls Clubs of Greater Memphis’ 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 Boys and Girls Clubs of Greater Memphis’ federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Boys and Girls Clubs of Greater Memphis' 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Boys and Girls Clubs of Greater Memphis' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Boys and Girls Clubs of Greater Memphis' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Boys and Girls Clubs of Greater Memphis' 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 Boys and Girls Clubs of Greater Memphis' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Frazier Army Davis PLLC

Memphis, Tennessee
May 18, 2023

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Schedule of Findings and Questioned Costs

For the year ended December 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

The independent auditor’s report on the financial statements of Boys and Girls Clubs of Greater Memphis (the “Organization”) expressed an unmodified opinion.

Internal control over financial reporting:		
• Material weakness(es) identified?	___ Yes	X No
• Significant deficiency(ies) identified?	___ Yes	X None Reported
Noncompliance material to financial statements noted?	___ Yes	X No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	___ Yes	X No
• Significant deficiency(ies) identified?	___ Yes	X None reported
Type of auditor's report issued on compliance for major federal programs [<i>unmodified, qualified, adverse, or disclaimer</i>]:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	X No
Identification of major federal programs:		
CFDA Number(s) 21.027	Name of federal program or cluster	Coronavirus and Local Fiscal Recovery Funds
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000	
Auditee qualified as a low-risk auditee?	___ Yes	X No

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Schedule of Prior Findings and Questioned Costs

For the year ended December 31, 2022

Prior Audit Findings

The prior year audit disclosed no findings that were required to be reported herein in accordance with the *Uniform Guidance*.