

BOYS AND GIRLS CLUB OF LAWRENCE

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

BOYS AND GIRLS CLUB OF LAWRENCE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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Independent Auditor's Report

The Board of Directors
Boys and Girls Club of Lawrence

Report on the Financial Statements

We have audited the accompanying financial statements of Boys and Girls Club of Lawrence (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Club of Lawrence as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 13, beginning net assets with donor restrictions and net assets without donor restrictions were restated with an increase of \$25,602 and decrease of \$25,602, respectively. Our opinion is not modified with respect to this matter.

Other Matters

Other 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* (CFR) 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2020, on our consideration of the Organization'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 to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boys and Girls Club of Lawrence'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.

Summers, Spencer & Company P.A.

Summers, Spencer & Company, P.A.
Lawrence, Kansas

July 14, 2020

BOYS AND GIRLS CLUB OF LAWRENCE

STATEMENT OF FINANCIAL POSITION

December 31,	2019
ASSETS	
Current assets	
Cash and cash equivalents	\$ 369,269
Grants and contributions receivable	263,494
Fees receivable, net	213,027
Unconditional promises to give, current	300,021
Prepaid expenses	<u>60,862</u>
<i>Total current assets</i>	<u>1,206,673</u>
Unconditional promises to give, long-term	122,561
Property and equipment, net	4,617,591
Beneficial interest in assets held by others	<u>756,900</u>
<i>Total assets</i>	<u><u>\$ 6,703,725</u></u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 57,899
Accrued payroll liabilities	123,938
Current portion of long term debt	<u>363,318</u>
<i>Total current liabilities</i>	545,155
Net assets	
Without donor restrictions	
Undesignated	5,694,338
With donor restrictions	
Purpose restrictions	463,732
Perpetual in nature	<u>500</u>
<i>Total with donor restrictions</i>	<u>464,232</u>
<i>Total net assets</i>	<u>6,158,570</u>
<i>Total liabilities and net assets</i>	<u><u>\$ 6,703,725</u></u>

BOYS AND GIRLS CLUB OF LAWRENCE

STATEMENT OF ACTIVITIES

For the year ended December 31,	2019		
	Net assets without donor restrictions	Net assets with donor restrictions	Total
Support and revenue			
Contributions	\$ 1,638,444	\$ 10,000	\$ 1,648,444
Grants	1,938,011	-	1,938,011
Program fees	1,710,316	-	1,710,316
Change in beneficial interest	145,069	6,627	151,696
Investment return	2,092	-	2,092
Other revenue	12,430	-	12,430
Gain on sale of building	318,455	-	318,455
Amounts released from restriction	409,706	(409,706)	-
<i>Total support and revenue</i>	6,174,523	(393,079)	5,781,444
Expenses			
Youth program services	4,172,394	-	4,172,394
General and administrative	1,251,673	-	1,251,673
Fundraising	82,934	-	82,934
<i>Total expenses</i>	5,507,001	-	5,507,001
Change in net assets	667,522	(393,079)	274,443
Net assets, beginning of year, as restated	5,026,816	857,311	5,884,127
Net assets, end of year	\$ 5,694,338	\$ 464,232	\$ 6,158,570

BOYS AND GIRLS CLUB OF LAWRENCE

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31,	2019			
	Program Services	General and Administrative	Fundraising	Totals
Salaries	\$ 2,208,387	\$ 741,070	\$ 14,821	\$ 2,964,278
Payroll taxes	169,694	56,945	1,139	227,778
Fringe benefits	65,761	22,068	441	88,270
Insurance	40,336	13,446	-	53,782
Professional services	-	116,147	39,903	156,050
Bank charges	41,076	-	415	41,491
Conferences and meetings	47,914	15,972	22,158	86,044
Memberships and subscriptions	-	15,134	-	15,134
Contracted staff	382,652	-	-	382,652
Program supplies and expenses	393,990	-	-	393,990
Office expenses	13,228	4,410	-	17,638
Utilities	20,231	6,789	136	27,156
Vehicle costs	29,559	9,853	-	39,412
Advertising	3,315	1,113	22	4,450
Scholarships	15,419	-	-	15,419
Rent	580,886	194,928	3,899	779,713
Miscellaneous	-	482	-	482
Interest expense	38,212	12,738	-	50,950
Depreciation	121,734	40,578	-	162,312
	\$ 4,172,394	\$ 1,251,673	\$ 82,934	\$ 5,507,001

BOYS AND GIRLS CLUB OF LAWRENCE

STATEMENT OF CASH FLOWS

For the year ended December 31,	2019
Cash flows from operating activities	
Change in net assets	\$ 274,443
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	162,312
Gain on sale of building	(318,455)
Change in beneficial interest	(151,696)
(Increase) decrease in assets:	
Grants and contributions receivable	(163,472)
Fees receivable, net	(106,289)
Increase (decrease) in liabilities:	
Accounts payable	(11,709)
Accrued payroll liabilities	17,460
Net cash used in operating activities	<u>(297,406)</u>
Cash flows from investing activities	
Proceeds from sale of building	429,593
Contributions to beneficial interest	(10,000)
Release of funds from beneficial interest	15,418
Purchase of property and equipment	<u>(75,016)</u>
Net cash provided by investing activities	<u>359,995</u>
Cash flows from financing activities	
Proceeds from contributions restricted to capital campaign	650,083
Payments on long term debt	<u>(1,307,336)</u>
Net cash used in financing activities	<u>(657,253)</u>
Net decrease in cash and cash equivalents	(594,664)
Cash and cash equivalents, beginning of year	<u>963,933</u>
Cash and cash equivalents, end of year	<u><u>\$ 369,269</u></u>
<u>Supplemental Information</u>	
Interest paid	<u><u>\$ 50,950</u></u>

BOYS AND GIRLS CLUB OF LAWRENCE

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of organization

Boys and Girls Club of Lawrence (the Organization), was organized in Douglas County, Kansas in 1972. The purpose of the Organization is to promote the health, social, educational, vocational, character, and leadership development of boys and girls. The Organization is primarily supported through program service fees and grant funds.

Note 2 – Summary of significant accounting policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that will affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Cash and cash equivalents

The Organization considers all cash and invested cash with original maturities not in excess of three months to be cash equivalents.

Beneficial interest in assets held by others

The Organization established a fund held by Douglas County Community Foundation (DCCF). The balance consists of the fund's allocation of the pooled investment account held by DCCF. The Organization records purchases or donations to the fund at the fair value on date of the respective purchase or donation, and recognizes the unrealized gain or loss resulting from the difference between cost and fair value in the statement of activities. Beneficial interest in assets with readily determinable fair values are stated at fair value in the statement of financial position.

BOYS AND GIRLS CLUB OF LAWRENCE

NOTES TO FINANCIAL STATEMENTS

Fair value measurements

The Organization has adopted the provisions of FASB ASC 820-10. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization.

Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree for judgment exercised by the Organization in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that the Organization believes market participants would use in pricing the asset or liability at the measurement date.

BOYS AND GIRLS CLUB OF LAWRENCE

NOTES TO FINANCIAL STATEMENTS

Property and equipment

Fixed assets are recorded at cost, if purchased. Donated fixed assets are reported at estimated fair value at the date of contribution. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The Organization capitalizes property and equipment with a cost over \$500. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Building	10 - 40 years
Furniture and equipment	3 - 15 years
Vehicles	5 years

Revenue recognition

The Organization recognizes revenue from its program revenue fees during the year in which the related services are provided to club members. The performance obligation of delivering the services is simultaneously received and consumed by the member; therefore, the revenue is recognized at the time of service.

Contributions are recognized when cash, or other assets, or an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Revenue with and without restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Fees receivable, net

Fees pledges receivable are valued at their estimated collectible amounts. The Organization uses estimates in computing the allowance for doubtful accounts. No interest accrues on past due receivables. Accounts are written off when deemed uncollectible. As of December 31, 2019, the amount of fees receivable considered doubtful was \$213,027.

In-kind donations

The Organization received donated professional services in the amount of \$376,607 and the donated use of facilities in the amount of \$778,557 for the year ended December 31, 2019. Such amounts, which are based upon information provided by third-party providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions and contracted staff services and rent on the accompanying statement of activities and statement of functional expenses

Income taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code as provided by a determination letter received from the Internal Revenue Service.

The Organization has adopted the provisions of FASB ASC 740-10, Accounting for Income Taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements.

BOYS AND GIRLS CLUB OF LAWRENCE

NOTES TO FINANCIAL STATEMENTS

The standard prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization has not identified any uncertain tax positions.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

Concentration of credit risk

The Organization is subject to credit risk due to bank accounts that are placed in financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to federally insured limits. Amounts in excess of these limits were \$38,910 at December 31, 2019.

Recently adopted accounting guidance

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which provides a robust framework for addressing revenue recognition issues and replaces most of the existing revenue recognition guidance including industry-specific guidance, in current U.S. GAAP. The standard is effective for nonpublic entities for periods beginning after December 15, 2018. Accordingly, the Organization has adopted this guidance as of January 1, 2019. The Organization has analyzed the provisions of the FASB's ASC Topic 606, Revenue from Contracts with Customers, and has concluded that no material changes are necessary to conform with the new standard.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Made. The guidance assists entities in (1) evaluating whether transactions should be accounted for as contributions or as exchange transactions and (2) determining whether a contribution is conditional. The standard is effective for fiscal years beginning after December 31, 2018. Accordingly, the Organization has adopted this guidance as of January 1, 2019 and has concluded that no material changes are necessary to conform with the new standard.

Note 3 – Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of December 31, 2019:

Cash and cash equivalents	\$ 369,269
Grants and contributions receivable	263,494
Fees receivable, net	213,027
Unconditional promises to give, current	<u>300,021</u>
Total financial assets available within one year	1,145,811
Less those generally unavailable for expenditures due to:	
Donor-imposed restrictions	<u>(41,650)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,104,161</u>

The Organization regularly monitors liquidity to meet its operating needs, commitments and obligations, while striving to maximize the investments of its available funds. For purposes of analyzing resources available to meet general expenditures over the next 12 months, the Organization considers all expenditures related to its ongoing mission. The Organization anticipates collecting sufficient revenue from grants and other sources to cover general expenditures not covered by donor-restricted resources.

BOYS AND GIRLS CLUB OF LAWRENCE

NOTES TO FINANCIAL STATEMENTS

Note 4 – Unconditional promises to give

The Organization completed a capital campaign to construct the Center for Great Futures building. The building was completed in 2018. As part of the campaign the Organization received capital campaign pledges restricted to construction of the building which were recorded as unconditional promises to give. Management believes the carrying value of all pledges approximates fair value.

Total unconditional promises to give are due as follows:

Amounts due in:	
Less than one year	\$ 314,839
One to five years	<u>128,976</u>
Gross unconditional promise to give	<u>443,815</u>
Less:	
Unamortized discount	(6,500)
Allowance on uncollectible pledges	<u>(14,733)</u>
	<u>\$ 422,582</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2% for the year ended December 31, 2019, with an additional specific allowance for those who are past due and collectability is in question.

Note 5 – Functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, utilities, depreciation, interest and insurance, which are allocated on a square footage basis, as well as salaries, benefits, payroll taxes, conferences and meetings, memberships and subscriptions, office expenses, professional services, vehicle costs, advertising and bank charges, which are allocated on the basis of estimates of direct service hours.

Note 6 – Property and equipment

Property and equipment include the following as of December 31, 2019:

Building	\$ 4,707,554
Furniture and equipment	153,847
Vehicles	101,587
Less: Accumulated amortization	<u>(345,397)</u>
	<u>\$ 4,617,591</u>

Depreciation expense for the year ended December 31, 2019 was \$162,312.

BOYS AND GIRLS CLUB OF LAWRENCE

NOTES TO FINANCIAL STATEMENTS

Note 7 – Fair value disclosure

As discussed in Note 2, the Organization has a beneficial interest in the DCCF pooled investment fund. The investment policy governing the underlying investments is established by the Board of the Douglas County Community Foundation. These assets are measured at fair value on a recurring basis, and at December 31, 2019 are classified as Level 3 in the fair value hierarchy. During 2019, management became aware that the pooled investments of DCCF should be measured at fair value and classified as Level 3. The transfer to Level 3 is shown in the reconciliation below.

Unobservable inputs reflect DCCF's assumptions that market participants would use in pricing the pooled investments, developed on the best information available in the circumstances, including assumptions about risk. Inputs may include market price information, volatility statistics, specific broad credit data, liquidity statistics, and other factors.

The following is a reconciliation of the activity related to the Level 3 investments for the year ended December 31, 2019:

December 31, 2018	\$ -
Transfers into Level 3	966,587
Contributions/additions	211,532
Total interest/dividend income and gains/losses	151,696
Grants/distributions	(564,195)
Fees	(8,720)
December 31, 2019	<u>\$ 756,900</u>

Unconditional promises to give that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Organization elected the fair value option in accordance with generally accepted accounting principles. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in period subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates.

Unconditional promises to give are measured in the aggregate using present value techniques that consider historical trends of collection, the type of donor, general economic conditions in the geographic area in which the majority of the Organization's donors live, the policies concerning enforcement of promises to give, and market interest rate assumptions (currently 2%). The change in the fair value of the unconditional promises to be collected in more than one year is reported as contribution revenue.

The table below presents information about unconditional promises to give cash at December 31, 2019:

	<u>2019</u>
Promised cash flows	\$ 443,815
Carrying amount (fair value estimate)	\$ 422,582
Measurement basis	Level 3
Contribution revenue	\$ 18,701
Total changes included in statement of activities	\$ 18,701

BOYS AND GIRLS CLUB OF LAWRENCE

NOTES TO FINANCIAL STATEMENTS

Fair value of assets measured on a recurring basis as of December 31, 2019 are as follows:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Beneficial interest in assets held by others	\$ -	\$ -	\$ 756,900	\$ 756,900
Unconditional promises to give	-	-	422,582	422,582
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,179,482</u>	<u>\$ 1,179,482</u>

Note 8 – Compensated absences

The Organization provides for sick and vacation leave. Sick leave accrues at one full day per month for salaried full-time staff and one-half day per month for salaried staff working 30 hours or less per week. Unused sick leave is not paid to the employee at the time of termination. Vacation leave accrues as follows: 10 days per year for the first five years, 15 days per year for the following years. Unused vacation time is forfeited at the end of each fiscal year. Unused vacation time is paid at the time of termination. No provision is made for compensated absences in these financial statements.

Note 9 – Long term debt

On November 15, 2018, the Organization entered into a note payable with Bank Midwest for the purpose of partially funding the cost of the Organization’s new building that was completed in August 2018. At December 31, 2019, the outstanding balance on the note was \$363,318. The interest rate on the note is 5.75% and is payable in monthly installments of \$32,639 with an original final maturity of November 15, 2023. In 2019, the Organization paid down the principal in the amount of \$1,307,336. As a result, the note will be fully paid off in 2020 based on the current payment schedule of \$32,639 per month.

Note 10 – Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2019:

Purpose restrictions	
Time restriction of capital campaign pledges	\$ 422,582
Scholarships	41,150
	<u>463,732</u>
Perpetual in nature	500
Net assets with donor restrictions	<u>\$ 464,232</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows:

Satisfaction of purpose restrictions	
Capital campaign	\$ 390,381
Scholarships	15,419
Art endowment	3,906
	<u>\$ 409,706</u>

Note 11 – Retirement plan

The Organization participates in a SIMPLE IRA. The Organization will match up to 3% of an employee’s income to a SIMPLE IRA retirement plan for all eligible employees. An eligible employee is an employee who is reasonably expected to receive at least \$5,000 in compensation for two consecutive calendar years. In 2019, the Organization contributed \$28,645 in employer match contributions.

BOYS AND GIRLS CLUB OF LAWRENCE

NOTES TO FINANCIAL STATEMENTS

Note 12 – Risk management

The Organization is exposed to various risks of loss related to limited torts, theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the prior year.

Note 13 – Prior period adjustment

During 2019, it was determined that net assets with donor restrictions for the purpose of providing scholarships were misclassified as of December 31, 2018. This misclassification caused an understatement of net assets with donor restrictions of \$25,602 and an overstatement of net assets without donor restrictions of \$25,602.

Note 14 – Recent accounting pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*, which, among other things, requires the recognition of lease assets and lease liabilities for operating leases on the statement of financial position for lessees, and the disclosure of key information about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2020. Early application is permitted. The standard will need to be applied retrospectively in the year adopted. It is management's responsibility to ensure appropriate adoption of ASU 2016-02.

Note 14 – Subsequent events

Management has evaluated subsequent events through July 14, 2020, the date which the financial statements were available to be issued.

As a result of significant disruption in the U.S. economy due to the outbreak of the COVID-19 coronavirus in 2020, uncertainties have arisen which are likely to negatively impact future operating results. The duration and extent to which COVID-19 may impact financial performance is unknown at this time

*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 of Boys and Girls Club of Lawrence:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boys and Girls Club of Lawrence. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 July 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boys and Girls Club of Lawrence's internal control over financial reporting (internal control) to determine the 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 Club of Lawrence's internal control. Accordingly, we do not express an opinion on the effectiveness of Boys and Girls Club of Lawrence's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys and Girls Club of Lawrence'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 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 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.

Summers, Spencer & Company P.A.

Summers, Spencer & Company, P.A.
Lawrence, Kansas

July 14, 2020

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 and Girls Club of Lawrence:

Report on Compliance for the Major Federal Program

We have audited Boys and Girls Club of Lawrence's 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 Club of Lawrence's major federal program for the year ended December 31, 2019. Boys and Girls Club of Lawrence's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Boys and Girls Club of Lawrence's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boys and Girls Club of Lawrence's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Boys and Girls Club of Lawrence's compliance.

Opinion on Each Major Federal Program

In our opinion, Boys and Girls Club of Lawrence 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, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

Boys and Girls Club of Lawrence's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Boys and Girls Club of Lawrence's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Boys and Girls Club of Lawrence is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Boys and Girls Club of Lawrence's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boys and Girls Club of Lawrence's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

Boys and Girls Club of Lawrence's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Boys and Girls Club of Lawrence's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Summers, Spencer & Company P.A.

Summers, Spencer & Company, P.A.
Lawrence, Kansas

July 14, 2020

BOYS AND GIRLS CLUB OF LAWRENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Boys and Girls Club of Lawrence were prepared in accordance with U.S. GAAP.
2. No material weaknesses or significant deficiencies were identified in the design or operation of internal control over financial reporting.
3. No instances of noncompliance material to the financial statements of Boys and Girls Club of Lawrence, which would require to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Significant deficiencies disclosed during the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for each major federal program for Boys and Girls Club of Lawrence expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
7. The program tested as a major program was: CFDA No. 93.558 Temporary Assistance for Needy Families.
8. The threshold for distinguishing Type A and Type B programs was \$750,000 for major Federal programs.
9. Boys and Girls Club of Lawrence was determined to be a low-risk auditee.

BOYS AND GIRLS CLUB OF LAWRENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINDINGS – FINANCIAL STATEMENTS

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM

2019-001 Written Procedures of Internal Control over Compliance (Significant Deficiency)

Federal Agency: Department of Health and Human Services
Program Name: Temporary Assistance for Needy Families
CFDA Number: 93.558
Award period: Year ended December 31, 2019

Criteria: According to 2 CFR 200, Subparts D and E an Organization is required to maintain written policies for the internal control over compliance of federal awards.

Condition: The Organization does not maintain these written policies for the internal control over compliance of federal awards.

Cause: The Organization's policies and procedures were not designed to include written policies for the internal control over compliance of federal awards.

Effect: The Organization's lack of written policies for the internal control over compliance of federal awards increases the risk of noncompliance of its major federal program.

Recommendation: We recommend that the Organization develop written policies for the internal control over compliance of federal awards.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and plans to develop proper written policies for the internal control over compliance of federal awards.

2019-002 Controls Over Compliance of Required Reports (Significant Deficiency)

Federal Agency: Department of Health and Human Services
Program Name: Temporary Assistance for Needy Families
CFDA Number: 93.558
Award period: Year ended December 31, 2019

Compliance Requirement: Reporting

Criteria: According to 2 CFR 200, Subpart D, an Organization must monitor its activities under its federal awards to assure that compliance with applicable Federal requirements and performance expectations are being achieved. This includes submitting the required grant reports timely and maintaining controls over the compliance of grant reporting requirements.

Condition: The Organization does not maintain controls over the compliance of grant reporting requirements.

Cause: The Organization's policies and procedures were not designed to include controls over the compliance of grant reporting requirements.

Effect: The Organization's lack of written policies and procedures to include controls over the compliance of grant reporting requirements increases the risk of noncompliance of its major federal program.

Recommendation: We recommend that the Organization develop and maintain policies and procedures that include controls over the compliance of grant reporting requirements.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and plans to develop controls over the compliance of grant reporting requirements.

**BOYS AND GIRLS CLUB OF LAWRENCE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

PRIOR YEAR AUDIT FINDINGS

None.

SUPPLEMENTARY INFORMATION

BOYS AND GIRLS CLUB OF LAWRENCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor</i>	<i>Federal Expenditures</i>
Department of Health and Human Services			
Temporary Assistance for Needy Families (TANF) State Programs Cluster			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	Kansas Alliance of Boys and Girls Club	\$ 412,081
Temporary Assistance for Needy Families (TANF) State Programs	93.558	Kansas Alliance of Boys and Girls Club	133,716
Temporary Assistance for Needy Families (TANF) State Programs	93.558	Kansas Alliance of Boys and Girls Club	<u>69,841</u>
Total Temporary Assistance for Needy Families (TANF) State Programs Cluster			<u>615,638</u>
<i>Total Department of Health and Human Services</i>			<u>615,638</u>
Corporation for National and Community Service			
State Commissions			
State Commissions	94.003	Kansas Department of Education	<u>1,701</u>
Total State Commissions			1,701
AmeriCorps			
AmeriCorps	94.006	Kansas Department of Education	<u>371,139</u>
Total AmeriCorps			371,139
Training and Technical Assistance			
Training and Technical Assistance	94.009	Kansas Department of Education	<u>2,356</u>
Total Training and Technical Assistance			<u>2,356</u>
<i>Total Corporation for National and Community Service</i>			<u>375,196</u>
United States Department of Justice			
Juvenile Mentoring Program			
Juvenile Mentoring Program	16.726	Boys and Girls Club of America	<u>36,643</u>
Total Juvenile Mentoring Program			<u>36,643</u>
<i>Total United States Department of Justice</i>			<u>36,643</u>
Department of Education			
Twenty-First Century Community Learning Centers			
Twenty-First Century Community Learning Centers	84.287	Kansas Department of Education	<u>457,000</u>
Total Twenty-First Century Community Learning Centers			<u>457,000</u>
<i>Total Department of Education</i>			<u>457,000</u>
United States Department of Agriculture			
Child and Adult Care Food Program			
Child and Adult Care Food Program	10.558	Kansas Department of Education	<u>60,516</u>
Total Child and Adult Care Food Program			<u>60,516</u>
<i>Total United States Department of Agriculture</i>			<u>60,516</u>
Total Expenditures of Federal Awards			<u>\$ 1,544,993</u>

No awards were passed through to subrecipients.

BOYS AND GIRLS CLUB OF LAWRENCE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 – Basis of presentation

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

Note 2 – Summary of significant accounting policies

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 – De minimis indirect cost rate

In accordance with Section 2 U.S. *Code of Federal Regulations* Part 200.412 the Organization is allowed to elect to use the ten percent de minimis indirect cost rate. The Organization did not elect to use the 10% de minimis indirect cost rate.