

**BOYS & GIRLS CLUBS OF MERCER COUNTY, INC.**

**(a not-for-profit organization)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**Boys & Girls Clubs of Mercer County, Inc.**  
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**June 30, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Boys & Girls Clubs of Mercer County, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Boys & Girls Clubs of Mercer County, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 these 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 & Girls Clubs of Mercer County, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Princeton**

791 Alexander Road, Princeton, NJ 08540  
T +1 609 452 2200  
F +1 609 452 1065

#### **Hamilton**

2279 State Hwy #33, Suite 512, Hamilton, NJ 08690  
T +1 609 807 2200  
F +1 609 981 7373

#### **Newtown**

27 Cambridge Ln, Newtown, PA 18940  
T +1 267 756 2200  
F +1 609 452 1065

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### **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 and state 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 November 19, 2021, on our consideration of Boys & Girls Clubs of Mercer County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 & Girls Clubs of Mercer County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys & Girls Clubs of Mercer County, Inc.'s internal control over financial reporting and compliance.

# Lear & Pannepacker, LLP

Princeton, New Jersey  
November 19, 2021



Accountants and Advisors for Entrepreneurial Minds

**Boys & Girls Clubs of Mercer County, Inc.**  
**Statement of Financial Position**  
**June 30, 2021**

**Assets**

Cash	\$ 1,382,960
Investments	585,491
Grants receivable	309,763
Payroll tax assistance - CARES Act	762,038
Prepaid expenses	28,788
Due from BGCMC Foundation	8,215
Property and equipment, net	4,920,683
Investments – endowment funds	<u>100,000</u>

**Total assets** **\$ 8,097,938**

**Liabilities and net assets**

Liabilities

Accounts payable	\$ 57,583
Grants payable, BGCMC Foundation	60,300
Accrued expenses	192,376
Deferred revenue	54,540
Note payable, PPP	<u>463,875</u>

Total liabilities 828,674

Net assets

Net assets without donor restrictions	6,959,404
Net assets with donor restrictions	<u>309,860</u>

Total net assets 7,269,264

**Total liabilities and net assets** **\$ 8,097,938**

**Boys & Girls Clubs of Mercer County, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2021**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>Revenue, gains, and other support</b>			
Grants	\$ 1,314,777	\$ 63,000	\$ 1,377,777
Contributions	921,233	120,000	1,041,233
Program fees	1,334,260	--	1,334,260
Fundraising events	342,641	--	342,641
Bicycle and computer exchanges	201,057	--	201,057
Rental income	89,671	--	89,671
Membership fees	11,233	--	11,233
Payroll tax assistance - CARES Act	762,038	--	762,038
PPP loan forgiveness	474,247	--	474,247
New markets tax credit income (expense)	( 13,572)	--	( 13,572)
Miscellaneous income	1,500	--	1,500
Investment income	<u>64,675</u>	<u>26,860</u>	<u>91,535</u>
	5,503,760	209,860	5,713,620
Net assets released from restrictions	<u>235,446</u>	( <u>235,446</u> )	<u>--</u>
Total revenue, gains, and other support	5,739,206	( 25,586)	5,713,620
<b>Expenses</b>			
Program services	4,202,880	--	4,202,880
Fundraising	386,638	--	386,638
Management and general	<u>380,866</u>	<u>--</u>	<u>380,866</u>
Total expenses	<u>4,970,384</u>	<u>--</u>	<u>4,970,384</u>
<b>Change in net assets</b>	768,822	( 25,586)	743,236
<b>Net assets – beginning of year</b>	<u>6,190,582</u>	<u>335,446</u>	<u>6,526,028</u>
<b>Net assets – end of year</b>	<u>\$ 6,959,404</u>	<u>\$ 309,860</u>	<u>\$ 7,269,264</u>

See notes to financial statements

**Boys & Girls Clubs of Mercer County, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2021**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 1,649,453	\$ 245,150	\$ 252,134	\$ 2,146,737
Grants to BGCMC Foundation	1,163,307	--	--	1,163,307
Supplies	289,678	13,847	6,276	309,801
Depreciation	293,811	--	--	293,811
Payroll taxes	202,537	17,221	18,369	238,127
Outside contractors	168,053	43,010	20,834	231,897
Utilities and repairs	138,967	--	2,182	141,149
Insurance	118,577	2,951	15,179	136,707
Pension expense	59,825	19,367	18,201	97,393
Employee benefits	16,473	14,528	35,054	66,055
Telephones	38,986	--	3,670	42,656
Transportation and travel	21,144	--	--	21,144
Dues to affiliates	8,644	4,622	4,322	17,588
Special events	--	16,647	--	16,647
Rent	13,885	--	--	13,885
Staff development	7,899	339	2,059	10,297
Advertising	5,380	3,218	--	8,598
Postage	349	5,658	732	6,739
Property taxes	4,312	--	--	4,312
Conferences	<u>1,600</u>	<u>80</u>	<u>1,854</u>	<u>3,534</u>
 Total expenses	 <u>\$ 4,202,880</u>	 <u>\$ 386,638</u>	 <u>\$ 380,866</u>	 <u>\$ 4,970,384</u>

See notes to financial statements

**Boys & Girls Clubs of Mercer County, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2021**

**Cash flows from operating activities**

Change in net assets	\$	743,236
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of PPP loan	(	474,247)
Payroll tax assistance - CARES Act	(	762,038)
Depreciation and amortization		293,811
Investments donated to Boys & Girls Clubs of Mercer County Foundation		816,914
Gain on investments	(	85,619)
Changes in operating assets and liabilities:		
Increase in grants receivable	(	101,531)
Decrease in prepaid expenses		13,818
Increase in due from BGCMC Foundation	(	239,211)
Increase in accounts payable		42,585
Increase in accrued expenses		32,275
Increase in deferred revenue		<u>33,296</u>
Net cash provided by operating activities		313,289
<b>Cash flows from investing activities</b>		
Purchases of investments	(	1,012,074)
Acquisition of property and equipment	(	<u>2,800</u> )
Net cash used in investing activities	(	1,014,874)
<b>Cash flows from financing activities</b>		
Proceeds from PPP loan		<u>463,875</u>
Net cash provided by financing activities		<u>463,875</u>
Change in cash	(	237,710)
Cash at beginning of year		<u>1,620,670</u>
Cash at end of year	\$	<u><u>1,382,960</u></u>

See notes to financial statements



**Boys & Girls Clubs of Mercer County, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

**Note 1 – Summary of significant accounting policies**

Significant accounting policies followed by Boys & Girls Clubs of Mercer County, Inc. (the "Organization") in the preparation of the accompanying financial statements are summarized below:

***General***

Boys & Girls Clubs of Mercer County, Inc. is based in the County of Mercer, New Jersey. The Organization is committed to helping youth of all backgrounds develop the qualities needed to become responsible citizens and leaders, through educational, physical, social, cultural, recreational and prevention programs. The Organization provides a center for children to come after school and over the summer to interact with other children in a constructive atmosphere and operates various after school programs at their facilities in Trenton and Lawrence Township and at schools in Mercer County.

Funds are provided from diversified sources. The State of New Jersey, the County of Mercer, and the City of Trenton all have contracts with the Organization to provide specific programs. Substantial grants and donations come from corporations, foundations, and individuals. Funds are also provided by fundraising events, service fees, investment income, rent from unused space and local bicycle and computer exchange programs.

***Change in reporting entity***

Prior to the year ended June 30, 2021, the Organization presented combined financial statements which included the accounts of the Organization and a related entity, the Boys & Girls Clubs of Mercer County Foundation, Inc. ("the Foundation") which was formed on January 21, 2016. The Foundation was created as part of the New Markets Tax Credit grant received during the year ended June 30, 2016. Although established with its own unique Board of Directors, the Foundation and the Organization have certain related transactions and an overall reciprocal relationship. The two entities file separate informational returns for Federal and New Jersey purposes. In the year ended June 30, 2021, the boards of the Organization and the Foundation determined that combined financial statements would no longer be presented and, accordingly, the accompanying financial statements do not include the accounts of the Foundation. The effect of this change in reporting entity was a reduction in net assets without donor restrictions of \$587,523.

***Basis of presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization uses the following classifications to distinguish among restrictions:

***Net assets without donor restrictions***

Net assets without donor restrictions include all net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Contributions with donor-imposed restrictions that are met during the same year as the contribution is received are included in net assets without donor restrictions.

**Boys & Girls Clubs of Mercer County, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

**Note 1 – Summary of significant accounting policies (continued)**

***Basis of presentation (continued)***

*Net assets with donor restrictions*

Net assets with donor restrictions include donor-restricted contributions which are required to be held in perpetuity, with all or part of the income earned to be used for general or specific purposes. Other contributions are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

***Functional allocation of expenses***

The costs of providing programs and other activities are summarized in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, fundraising, and general areas. Costs are allocated as follows:

- Personnel costs are allocated based on estimated time and effort between program services, management and general, and fundraising.
- Rent and occupancy costs are allocated based on the percentage of space used for program services, management and general, and fundraising.
- Other expenses, including programming and development are based on identification of specific costs, as well as a percentage of occupancy costs.

***Cash***

For purposes of the financial statements, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash consists of various demand accounts and money market accounts. The Organization had no cash equivalents at June 30, 2021.

***Investments***

Investments with readily determinable fair values are measured at fair value based on quoted market prices in the statement of financial position. Investment income or loss (including gains and losses in investments, interest, and dividends, and investment expenses) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

***Concentration of credit and market risk***

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash, cash equivalents, and investments. Investments are maintained at high-quality financial institutions. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is diversified and the dollar amount of those securities is modest in relation to the cash positions.

The demand and money market accounts are insured by the FDIC and/or the National Credit Union Administration. The investment accounts are covered by SPIC insurance.

**Boys & Girls Clubs of Mercer County, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

**Note 1 – Summary of significant accounting policies (continued)**

***Grants receivable***

Grants receivable consists primarily of program fees receivable from private foundations and state and local governments. The Organization uses the allowance method to record grants receivable, and considers the amounts reported to be substantially collectible as of June 30, 2021. Accordingly, no bad debt expense or allowance for doubtful accounts is reflected in the accompanying financial statements. At June 30, 2021, all grants receivable are due within one year.

***Promises to give***

Unconditional promises to give are recognized as contribution revenue in the period received. Promises to give expected to be collected in less than one year are recorded at net realizable value and those expected to be collected in more than one year are discounted to the present value of future cash flows to be recorded at fair value. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization uses the allowance method to record promises to give, and considers the amounts reported to be substantially collectible as of the statement of financial position date. Accordingly, no bad debt expense or allowance for doubtful accounts is reflected in the accompanying financial statements. At June 30, 2021, all unconditional promises to give are due within one year.

***Property and equipment***

Property and equipment are stated at cost. The Organization's policy is to capitalize and depreciate property and equipment expenditures if they are considered to be significant in nature and amount. Depreciation charges with respect to property and equipment have been made by the Organization utilizing the straight-line method over the estimated useful lives of the assets. Estimated useful lives are generally five to seven years for furniture and equipment, five to ten years for transportation equipment and community garden and ten to thirty-nine years for buildings and improvements.

***Compensated absences***

Employees of the Organization are entitled to paid vacation, sick and other days off depending on job classification, length of service and other factors. It is the policy of the Organization that certain unused compensated absences can be carried over to future periods but are not paid to employees upon termination of their employment. Accordingly, no liability has been recorded in the accompanying financial statements.

***Grant and contract revenues***

The Organization accounts for reimbursable and refundable government grants, as well as contract revenues which are exchange transactions, as revenues in the statements of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as guidance. Any excess or deficiency of cash receipts over expenditures incurred is reported as deferred revenue or accounts receivable, respectively. Upon termination, unexpended cash funds received under the terms of grant provisions revert to the grantor. Grants are subject to audits by the grantor.

**Boys & Girls Clubs of Mercer County, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

**Note 1 – Summary of significant accounting policies (continued)**

***Donated facilities, materials and services***

The Organization recognizes donated materials and services to the extent that these items are able to be reasonably valued and provide tangible benefit to the Organization. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its mission. The value of these contributed services is not reflected on the Organization's financial statements since they do not meet the criteria for recognition under U.S. GAAP.

***Income taxes***

The Organization has been classified by the Internal Revenue Service as an organization described under Section 501(c)(3) of the Internal Revenue Code ("the Code") as exempt from federal income taxes under section 501(a) of the Code.

ASC Topic 740 *Accounting for Uncertainty in Income Taxes* clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The guidance also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure.

The Organization's policy is to account for interest and penalties related to unrecognized tax benefits as a component of income tax expense.

***Advertising costs***

The Organization expenses the cost of advertising and promotion as incurred. Advertising expenses amounted to \$8,598 for the year ended June 30, 2021.

***Use of estimates***

Management uses estimates and assumptions in preparing its financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Boys & Girls Clubs of Mercer County, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

**Note 2 – Related party transactions**

The Foundation expanded its operations to raise awareness about the Organization in the community, and provide a critical source of funding to continue the Organization's vital mission. The Foundation builds endowments to for the benefit of the Organization to create a sustainable future for many generations of the Organization's youth.

In the year ended June 30, 2021, the Organization made contributions to the Foundation totaling \$1,163,307, including \$129,852 which was restricted by donors to the Organization and remains donor-restricted by the Foundation. The remaining contributions were restricted by the Organization to provide support to the Organization and related stipulations on the disbursement of funds. \$60,300 of these contributions were paid to the Foundation subsequent to June 30, 2021 and are reflected as grants payable in the accompanying financial statements.

The Organization provides administrative support, including management, fundraising and other support to the Foundation. The value of these services is not reflected in the accompanying financial statements.

**Note 3 – Investments and fair value measurements**

Investments consist of diversified mutual funds held at major brokerage houses and investments managed by the Princeton Area Community Foundation ("PACF").

The fair value measurements accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices in active or non-active markets for similar assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, followed by Level 2 and Level 3 inputs.

*Level 1 fair value measurements*

The fair value of the investments is based on quoted net asset values and stock prices of the shares held by the Organization at year-end.

*Level 2 fair value measurements*

The fair value of the investments is based on quoted net asset values and market prices in active markets for similar assets.

*Level 3 fair value measurements*

The fair value of the investments is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2021.

Investments in funds that are valued using the net asset values (NAV) of the underlying investee fund as a practical expedient have been excluded from the fair value hierarchy and are shown as a separate column in the fair value leveling table. Where the Organization has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) using the practical expedient, such investments have been excluded from the fair value hierarchy.

**Boys & Girls Clubs of Mercer County, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

**Note 3 – Investments and fair value measurements (continued)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds and exchange-traded funds				
Domestic growth	\$ 325,553	\$ --	\$ --	\$ 325,553
Income	145,308	--	--	145,308
Balanced	173,159	--	--	173,159
Other	<u>41,471</u>	<u>--</u>	<u>--</u>	<u>41,471</u>
Total investments	<u>\$ 685,491</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 685,491</u>

Investment income in the accompanying statement of activities includes interest and dividends earned from cash and investment accounts, realized and unrealized gains (losses) and are net of investment expenses. Total investment income for the year ended June 30, 2021 is summarized as follows:

Interest and dividends	\$ 9,395
Gain (loss) on investments	85,619
Investment expenses	<u>( 3,479)</u>
Total investment income	<u>\$ 91,535</u>

**Note 4 – Property and equipment**

The following is a summary of property and equipment at June 30, 2021:

Building and improvements	\$ 5,506,234
Land	963,066
Community garden	222,110
Furniture and equipment	430,664
Transportation equipment	<u>268,132</u>
Total property and equipment	7,390,206
Accumulated depreciation	<u>( 2,469,523)</u>
Property and equipment, net	<u>\$ 4,920,683</u>

Depreciation expense for the year ended June 30, 2021 totaled \$293,811.

**Note 5 – Deferred revenue**

Deferred revenue reflects fees received in advance for the Sports Camp, Teen Travel Program, and Adventure Camp programs.

**Boys & Girls Clubs of Mercer County, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

**Note 5 – Deferred revenue (continued)**

The table below shows activity in deferred membership dues for the year ended June 30, 2021:

Deferred revenue, July 1, 2020	\$ 21,244
Program fees deferred at July 1, 2020, recognized	( 21,244)
Fees received for future programs	<u>54,540</u>
Deferred revenue, June 30, 2021	<u>\$ 54,540</u>

**Note 6 – New Markets Tax Credit**

In December 2015, the Organization and the Foundation entered into a debt transaction to access additional funding through the New Markets Tax Credit (NMTC) program. These funds were used towards the construction of the Organization’s new facility on Spruce Street in Lawrence Township, New Jersey and certain leasehold improvements at the facility on Centre Street in Trenton, New Jersey. The NMTC program allows taxpayers to claim Federal tax credit for qualified equity investments in designated Community Development Entities (CDE). The CDE must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICs). The tax credits are then claimed over a seven year period and equate to 39% of the QLICs. The Organization has partnered with an investor, Community Loan Fund of New Jersey, to utilize the NMTC program.

Community Loan Fund of New Jersey established a special purpose entity, the BGC Mercer Investment Fund, LLC (“Investment Fund”), to raise the capital for the transaction. The Investment Fund was funded with a \$3,689,500 loan (QLICI Loan A) from the Wells Fargo Community Development Enterprise Round 12 Subsidiary 3, LLC (CDE) and a \$1,250,000 term note from Community Loan Fund of New Jersey.

The note agreement states that the Investment Fund will make quarterly interest-only payments of \$17,969 at 5.75% to the holder of the note for one year (four total payments), with quarterly principal and interest payments commencing after the first anniversary of the note agreement date. Quarterly principal and interest payments of \$26,395 will continue until the maturity date in October 2022, at which point a final payment of principal and interest will be due. The note is secured by the physical assets at the Spruce Street and Centre Street locations. The note was repaid in full in the year ended June 30, 2017.

The seven year compliance period for the NMTC will end in October 2022, at which time Community Loan Fund of New Jersey may exit the transaction through the exercise of a put/call agreement which it has entered into with the Organization. Under the agreement, Community Loan Fund of New Jersey may "put" its interest in the Investment Fund to the Organization for a purchase price of \$1,000. In the event that Community Loan Fund of New Jersey has not exercised this put option, the Organization has 90 days to exercise its call option to purchase Community Loan Fund of New Jersey's entire interest in the Investment Fund for a purchase price equal to the appraised value of Community Loan Fund of New Jersey's interest. To exercise the call option, the Organization must be current on all payments under the term note and must not owe any additional amounts to the Investment Fund or Community Loan Fund of New Jersey. The Organization will realize its savings through the exercise of this put or call option, at which time it will control the Investment Fund. No amounts have been recorded in the accompanying financial statements related to these put and call options.

**Boys & Girls Clubs of Mercer County, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

**Note 7 – Scholarship and endowment funds**

*Interpretation of relevant law*

The Board of Directors has designated that long-term assets be held in a manner consistent with the standard of prudence prescribed by state law. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted scholarship fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policies of the organization

*Spending and investment policies*

The Organization has adopted investment and spending policies for scholarship assets that attempt to provide funding to programs supported by its endowment while seeking to maintain the fair value of the original gift as of the gift date. The endowment assets are invested with the advice of investment advisors in funds at those organizations in a manner that is intended to produce favorable results while assuming a reasonable level of investment risk.

**Note 8 – Net assets**

Net assets with donor restrictions at June 30, 2021 were as follows:

Subject to expenditures for specified purpose:	
After school program	\$ 95,000
Career & College Access Program	88,000
Charles Evans Foundation scholarships	<u>26,860</u>
	209,860
Permanent endowments:	
Charles Evans Foundation scholarships	<u>100,000</u>
Total net assets with donor restrictions	<u>\$ 309,860</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended June 30, 2021 as follows:

After school program	\$ 50,000
Career & College Access Program	25,000
COVID-19 Relief & Recovery	35,000
Transferred to BGCMC Foundation	72,446
Summer Camp Education Program	25,000
Outdoor Education	5,000
Time restrictions	<u>23,000</u>
Total released	<u>\$ 235,446</u>



**Boys & Girls Clubs of Mercer County, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

**Note 9 – Liquidity and availability of financial assets**

The Organization manages its liquid resources by focusing on investing excess cash in interest-bearing accounts with reputable financial institutions that maximize earnings potential balanced with the amount of risk the Organization's board of directors has decided can be tolerated. This policy is designed to ensure adequate financial assets are available to meet general expenditures, liabilities, and other obligations as they become due.

The Organization prepares a detailed budget to ensure adequate resources to cover programs. The Organization focuses on timing vendor payments to maximize the time they have access to the cash. The following reflects the Organization's financial assets available to be used for general expenditures within one year of June 30, 2021:

Cash	\$ 1,382,960
Grants receivable	309,763
Investments	<u>685,491</u>
Total financial assets	2,378,214
Less those unavailable for general expenditures within one year, due to:	
Restricted endowment	<u>( 100,000)</u>
Net financial assets	<u>\$ 2,278,214</u>

**Note 10 – Rental income**

The Organization rents its facilities to various local unrelated organizations on a short-term basis.

The Organization also leases space to a tenant under a noncancellable operating lease through August 2022, with two 5-year renewal options. The following is a schedule by years of future minimum rentals under this lease at June 30, 2021:

Year ending June 30:	
2022	\$ 69,791
2023	<u>13,958</u>
	<u>\$ 83,749</u>

Rental income for the year ended June 30, 2021 totaled \$89,671.

**Note 11 – Significant sources of financial support**

The Organization receives a substantial portion of its revenue under a 21st Century grant from the U.S. Department of Education which represented approximately 11% of operating revenue, excluding federal COVID-19-related revenues, for the year ended June 30, 2021 and approximately 24% of total grant receivables as of June 30, 2021.

In the year ended June 30, 2021, the Organization recorded payroll tax support under the CARES Act which represented approximately 13% of the Organization's revenues.

**Boys & Girls Clubs of Mercer County, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

**Note 12 – Operating leases**

The Organization leases facilities to conduct its bike exchange and for storage space, both on a month-to-month basis.

The Organization leases real property from the City of Trenton for a community playground and garden which was placed in service during May 2019, under a noncancellable operating lease expiring in September 2021. Future minimum rental payments due under the lease total \$1 per year through the lease term. The lease agreement provides for annual renewals upon agreement by both parties. The Organization is in the process of renewing this agreement with the City of Trenton.

Rent expense for the year ended June 30, 2021 totaled \$13,885.

**Note 13 – Retirement plan**

The Organization has a defined contribution retirement plan created in accordance with Section 401(k) of the Internal Revenue Code. This Plan is available to full time employees after one continuous year of employment and who have reached 21 years of age with vesting over six years. Employees covered by the Plan may, at their discretion, contribute up to 92% of eligible compensation up to the current 401(k) retirement plan limits. Employer profit sharing contributions to the Plan are discretionary and are made on a calendar year basis.

The Plan requires employer matching contributions to the Plan with each pay period equal to 100% of participants' contributions up to 3% of eligible compensation and 50% of the next 2% of eligible compensation. Total employer contributions to this Plan for the year ended June 30, 2021 totaled \$97,393, including estimated profit sharing for the six months ended June 30, 2021 of \$27,000.

**Note 14 – COVID-19**

In March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. This pandemic event has resulted in significant business disruption and uncertainty in both global and U.S. markets. While management believes the Organization is in an appropriate position to weather the potential short-term effects of these world-wide events, the direct and long-term impact to the Organization and its financial statements is undetermined at this time.

***PPP Loans***

In April 2020, the Organization received a loan of \$474,247, which is guaranteed by the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP). In May 2021 this loan was forgiven and is recognized as income in the accompanying financial statements for the year ended June 30, 2021.

In January 2021, the Organization received a second loan of \$463,875, which is guaranteed by the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP). This loan is forgivable when the Organization expends the funds for allowable expenses as defined by the PPP. Management believes that this loan will be forgiven in the year ending June 30, 2022, at which time, it will be recognized as income.

**Boys & Girls Clubs of Mercer County, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

**Note 14 – COVID-19 (continued)**

***Payroll tax assistance - CARES Act***

The CARES Act established the Employee Retention Tax Credit (ERTC) which provides a refundable payroll tax credit to organizations that were subject to full or partial COVID-19 shutdowns or whose gross receipts declined by a specified percentage when compared to the same quarter in the prior year. The Employee Retention Credit covers a capped amount of wages and health care benefit expenses per employee. The Organization has filed amended payroll tax returns and expects to receive \$694,076 in ERTC refunds for payroll periods through June 30, 2021.

Under the CARES Act, the Organization received credits for unemployment insurance paid prior to June 30, 2021 which were subsequently reimbursed by the New Jersey Department of Labor totalling \$67,962.

**Note 15 – Subsequent events**

The Organization has evaluated subsequent events through November 19, 2021, which is the date the financial statements were available to be issued. No significant events were noted.



## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Boys & Girls Clubs of Mercer County, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boys & Girls Clubs of Mercer County, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2021.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

#### **Princeton**

791 Alexander Road, Princeton, NJ 08540  
T +1 609 452 2200  
F +1 609 452 1065

#### **Hamilton**

2279 State Hwy #33, Suite 512, Hamilton, NJ 08690  
T +1 609 807 2200  
F +1 609 981 7373

#### **Newtown**

27 Cambridge Ln, Newtown, PA 18940  
T +1 267 756 2200  
F +1 609 452 1065

**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**

**(continued)**

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boys & Girls Clubs of Mercer County, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys & Girls Clubs of Mercer County, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Lear & Pannepacker, LLP**

**Princeton, New Jersey**

**November 19, 2021**



**Accountants and Advisors for Entrepreneurial Minds**



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

To the Board of Directors  
Boys & Girls Clubs of Mercer County, Inc.

### **Report on Compliance for Each Major Federal Program**

We have audited Boys & Girls Clubs of Mercer County, Inc.'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 & Girls Clubs of Mercer County, Inc.'s major Federal programs for the year ended June 30, 2021. Boys & Girls Clubs of Mercer County, Inc.'s major Federal programs are 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 & Girls Clubs of Mercer County, Inc.'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 the 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 & Girls Clubs of Mercer County, Inc.'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 & Girls Clubs of Mercer County, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Boys & Girls Clubs of Mercer County, Inc. 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 June 30, 2021.

#### **Princeton**

791 Alexander Road, Princeton, NJ 08540  
T +1 609 452 2200  
F +1 609 452 1065

#### **Hamilton**

2279 State Hwy #33, Suite 512, Hamilton, NJ 08690  
T +1 609 807 2200  
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27 Cambridge Ln, Newtown, PA 18940  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (continued)**

**Report on Internal Control Over Compliance**

Management of Boys & Girls Clubs of Mercer County, Inc. 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 & Girls Clubs of Mercer County, Inc.'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 the 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 & Girls Clubs of Mercer County, Inc.'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

**Lear & Pannepacker, LLP**

**Princeton, New Jersey  
November 19, 2021**



**Accountants and Advisors for Entrepreneurial Minds**

**Boys & Girls Clubs of Mercer County, Inc.**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2021**

<u>Federal Grantor / Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Contract Period</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
U.S. Department of Education--21st Century Community Learning Centers Program, passed through NJ Department of Education	84.287	20-EK53-H05	9/1/2019 to 8/31/2020	\$ 163,433	\$ --
U.S. Department of Education--21st Century Community Learning Centers Program passed through NJ Department of Education	84.287	21-EK56-H05	9/1/2020 to 8/31/2021	<u>323,074</u>	<u>--</u>
Total U.S. Department of Education				486,507	--
U.S. Department of Health and Human Services, Temporary Assistance for Needy Families, passed through NJ Department of Children and Families	93.558	21AKLP	7/1/2020 to 6/30/2021	50,000	50,000
U.S. Department of Health and Human Services, Social Services Block Grant, passed through NJ Alliance of Boys & Girls Clubs	93.667	2021-05166-0100-00	11/1/2020 to 05/30/2021	<u>17,157</u>	<u>--</u>
Total U.S. Department of Health and Human Services				67,157	50,000
U.S. Department of Agriculture, Child and Adult Care Food Program, passed through NJ Division of Food & Nutrition	10.558	2021.1107	10/1/2019 to 9/30/2020	56,832	--
U.S. Department of Agriculture, Child and Adult Care Food Program, passed through NJ Division of Food & Nutrition	10.558	2021.1107	10/1/2020 to 9/30/2021	77,727	--
U.S. Department of Agriculture, Summer Food Service Program for Children, Division of Food & Nutrition	10.559	21200113	10/1/2019 to 9/30/2020	31,898	--
U.S. Department of Agriculture, Summer Food Service Program for Children, Division of Food & Nutrition	10.559	21200113	10/1/2020 to 9/30/2021	<u>3,125</u>	<u>--</u>
Total U.S. Department of Agriculture				\$ 169,582	\$ --

See notes to schedule of expenditures of state and federal awards



**Boys & Girls Clubs of Mercer County, Inc.**  
**Schedule of Expenditures of Federal and State Awards (continued)**  
**Year Ended June 30, 2021**

<u>Federal Grantor / Pass-Through Grantor</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Contract Period</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
U.S. Department of Justice, Juvenile Mentoring Program, passed through Boys & Girls Clubs of America	16.726	2019-MU-FX-0003	1/1/2020 to 12/31/2020	\$ 23,785	\$ --
U.S. Department of Justice, Juvenile Mentoring Program, passed through Boys & Girls Clubs of America	16.726	2020-JU-FX-0029	1/1/2021 to 12/31/2021	13,785	--
U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention - United States Soccer Federation Foundation	16.726	2019-JU-FX-0009	7/1/2020 to 06/30/2021	<u>76,892</u>	<u>--</u>
Total U.S. Department of Justice				114,462	--
NJ Department of Education (passed through Boys & Girls Club of New Jersey)		20E00096	11/1/2019 to 8/31/2020	--	17,239
NJ Department of State - Office of Faith Based Initiatives, 2021 Social Innovation		OFBI21SI-059	7/1/2020 to 6/30/2021	<u>--</u>	<u>12,750</u>
Total Federal and State Awards				<u>\$ 837,708</u>	<u>\$ 79,989</u>

See notes to schedule of expenditures of state and federal awards

**Boys & Girls Clubs of Mercer County, Inc.**  
**Notes to Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2021**

**Note 1 – Basis of presentation**

The accompanying Schedule of Expenditures of Federal and State Awards presents the activities of state and federal grant award programs of Boys & Girls Clubs of Mercer County, Inc. (“the Organization”). The nature of the Organization is described in Note 1 of the general financial statements. All federal awards included on the Schedule of Expenditures of Federal and State Awards are passed through from state agencies and other not-for-profit organizations.

**Note 2 – Basis of accounting**

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the accrual basis of accounting. This basis of accounting is described in Note 1 to the Organization’s general financial statements.

**Note 3 – Indirect costs**

The Organization has not elected to use the 10% de minimus indirect cost rate for the year ended June 30, 2021.

**Note 4 – Subrecipients**

There were no awards passed through to subrecipients for the year ended June 30, 2021.

**Boys & Girls Clubs of Mercer County, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2021**

**Section I – Summary of auditor's results**

**Financial statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

**Federal awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

**Identification of major programs**

21st Century Community Learning Centers Program	Assistance Listing 84.287
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Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial statement audit findings**

There are no financial statement findings reported

**Section III – Major federal awards program audit findings and questioned costs**

There are no federal findings or questioned costs reported