

**BOYS & GIRLS CLUBS OF MERCER COUNTY, INC.
AND AFFILIATE
(a not-for-profit organization)**

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
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June 30, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of Boys & Girls Clubs of Mercer County, Inc. (a not-for-profit organization) and Affiliate, which comprise the combined statements of financial position as of June 30, 2020 and 2019, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Mercer County, Inc. and Affiliate as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT (continued)

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined 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 combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 December 10, 2020, 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
December 10, 2020

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Combined Statements of Financial Position
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 1,700,400	\$ 1,353,720
Investments	537,909	111,015
Grants receivable	208,232	179,747
Unconditional promises to give	--	10,000
Prepaid expenses	42,606	73,216
Property and equipment, net	5,211,694	5,363,763
Investments – endowment funds	<u>143,600</u>	<u>143,600</u>
Total assets	\$ 7,844,441	\$ 7,235,061
Liabilities and net assets		
Accounts payable	\$ 75,298	\$ 57,200
Accrued expenses	160,101	161,002
Deferred revenue	21,244	145,752
Note payable, PPP	<u>474,247</u>	<u>--</u>
Total liabilities	730,890	363,954
Net assets		
Net assets without donor restrictions		
Undesignated	6,203,963	6,407,211
Board designated	574,142	101,950
Net assets with donor restrictions	<u>335,446</u>	<u>361,946</u>
Total net assets	<u>7,113,551</u>	<u>6,871,107</u>
Total liabilities and net assets	\$ 7,844,441	\$ 7,235,061

See notes to combined financial statements

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Combined Statement of Activities
Year Ended June 30, 2020**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenue, gains, and other support			
Grants	\$ 1,335,894	\$ 45,000	\$ 1,380,894
Contributions	842,169	118,000	960,169
Program fees	1,524,919	--	1,524,919
Fundraising events	292,352	--	292,352
Bicycle and computer exchanges	140,835	--	140,835
Rental income	152,162	--	152,162
Membership fees	43,069	--	43,069
Gain on disposal of assets	457	--	457
Miscellaneous income	4,142	--	4,142
Investment income	<u>17,903</u>	<u>--</u>	<u>17,903</u>
	4,353,902	163,000	4,516,902
Net assets released from restrictions	<u>189,500</u>	<u>(189,500)</u>	<u>--</u>
Total revenue, gains, and other support	4,543,402	(26,500)	4,516,902
Expenses			
Program services	3,531,082	--	3,531,082
Fundraising	380,822	--	380,822
Management and general	<u>362,554</u>	<u>--</u>	<u>362,554</u>
Total expenses	<u>4,274,458</u>	<u>--</u>	<u>4,274,458</u>
Change in net assets	268,944	(26,500)	242,444
Net assets – beginning of year	<u>6,509,161</u>	<u>361,946</u>	<u>6,871,107</u>
Net assets – end of year	<u>\$ 6,778,105</u>	<u>\$ 335,446</u>	<u>\$ 7,113,551</u>

See notes to combined financial statements

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Combined Statement of Activities
Year Ended June 30, 2019**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenue, gains (losses), and other support			
Grants	\$ 1,238,453	\$ 52,000	\$ 1,290,453
Contributions	513,472	166,346	679,818
Program fees	1,613,447	--	1,613,447
Fundraising events	227,194	--	227,194
Bicycle and computer exchanges	120,747	--	120,747
Rental income	107,178	--	107,178
Membership fees	47,959	--	47,959
Loss on disposal of assets	(11,813)	--	(11,813)
Miscellaneous income	8,157	--	8,157
Investment income	<u>16,952</u>	<u>--</u>	<u>16,952</u>
	3,881,746	218,346	4,100,092
Net assets released from restrictions	<u>476,151</u>	<u>(476,151)</u>	<u>--</u>
Total revenue, gains (losses), and other support	4,357,897	(257,805)	4,100,092
Expenses			
Program services	3,649,302	--	3,649,302
Fundraising	423,128	--	423,128
Management and general	<u>377,089</u>	<u>--</u>	<u>377,089</u>
Total expenses	<u>4,449,519</u>	<u>--</u>	<u>4,449,519</u>
Change in net assets	(91,622)	(257,805)	(349,427)
Net assets – beginning of year	<u>6,600,783</u>	<u>619,751</u>	<u>7,220,534</u>
Net assets – end of year	<u>\$ 6,509,161</u>	<u>\$ 361,946</u>	<u>\$ 6,871,107</u>

See notes to combined financial statements

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Combined Statement of Functional Expenses
Year Ended June 30, 2020**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 1,805,741	\$ 230,547	\$ 253,686	\$ 2,289,974
Supplies	425,561	27,145	7,599	460,305
Depreciation	294,011	--	--	294,011
Outside contractors	202,490	35,468	14,752	252,710
Payroll taxes	207,788	23,079	17,055	247,922
Transportation and travel	178,185	--	550	178,735
Insurance	123,918	14,339	13,451	151,708
Utilities and repairs	133,210	666	665	134,541
Pension expense	52,060	12,115	18,412	82,587
Employee benefits	21,704	14,339	23,888	59,931
Telephones	41,863	2,226	2,225	46,314
Dues to affiliates	9,162	4,580	4,581	18,323
Rent	12,485	--	--	12,485
Special events	--	12,181	--	12,181
Conferences	7,414	398	3,498	11,310
Advertising	9,943	880	--	10,823
Staff development	3,768	891	1,790	6,449
Postage	600	1,968	402	2,970
Equipment	1,179	--	--	1,179
 Total expenses	 <u>\$ 3,531,082</u>	 <u>\$ 380,822</u>	 <u>\$ 362,554</u>	 <u>\$ 4,274,458</u>

See notes to combined financial statements

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Combined Statement of Functional Expenses
Year Ended June 30, 2019**

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 1,813,752	\$ 252,201	\$ 239,831	\$ 2,305,784
Supplies	457,220	12,566	13,664	483,450
Depreciation	267,190	--	--	267,190
Outside contractors	228,921	4,801	37,246	270,968
Payroll taxes	160,762	29,022	16,843	206,627
Transportation and travel	217,798	423	3,848	222,069
Insurance	132,192	5,181	8,995	146,368
Utilities and repairs	138,520	5,750	6,000	150,270
Pension expense	89,296	22,041	20,579	131,916
Employee benefits	28,678	38,008	18,116	84,802
Telephones	40,845	3,332	3,482	47,659
Dues to affiliates	8,563	4,300	4,300	17,163
Rent	13,378	--	--	13,378
Special events	--	34,483	--	34,483
Conferences	4,035	1,500	1,500	7,035
Advertising	31,874	5,449	--	37,323
Staff development	12,943	434	1,479	14,856
Postage	693	3,637	931	5,261
Equipment	2,642	--	--	2,642
Miscellaneous expenses	--	--	275	275
 Total expenses	 <u>\$ 3,649,302</u>	 <u>\$ 423,128</u>	 <u>\$ 377,089</u>	 <u>\$ 4,449,519</u>

See notes to combined financial statements

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Combined Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 242,444	\$(349,427)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	294,011	267,190
(Gain) loss on disposal of assets	(457)	11,813
Loss on investments	6,817	661
Changes in operating assets and liabilities:		
Grants receivable	(28,485)	55,596
Unconditional promises to give	10,000	110,000
Prepaid expenses	30,610	(40,183)
Accounts payable	18,098	41,680
Accrued expenses	(901)	(20,163)
Deferred revenue	<u>(124,508)</u>	<u>(18,526)</u>
Net cash provided by operating activities	447,629	58,641
Cash flows from investing activities		
Purchases of investments	(433,711)	(2,190)
Acquisition of property and equipment	(141,942)	(210,307)
Security deposits	--	1,050
Proceeds from disposal of assets	<u>457</u>	<u>--</u>
Net cash used in investing activities	(575,196)	(211,447)
Cash flows from financing activities		
Proceeds from PPP loan	<u>474,247</u>	<u>--</u>
Net cash provided by financing activities	<u>474,247</u>	<u>--</u>
Change in cash	346,680	(152,806)
Cash at beginning of year	<u>1,353,720</u>	<u>1,506,526</u>
Cash at end of year	<u>\$ 1,700,400</u>	<u>\$ 1,353,720</u>

See notes to combined financial statements

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Notes to Combined Financial Statements
Years Ended June 30, 2020 and 2019**

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 combined 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 to 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 sites in Trenton and Lawrence Township and at the 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.

Combined financial statements

The accompanying combined financial statements include 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 had certain related transactions during the years ended June 30, 2020 and 2019 and an overall reciprocal relationship that necessitated the presentation of combined financial statements. Activity for the Foundation is reported in the Supplemental Information section to these combined financial statements. The two entities file separate tax returns for Federal and New Jersey purposes.

Basis of presentation

The accompanying combined 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. and Affiliate
Notes to Combined Financial Statements
Years Ended June 30, 2020 and 2019**

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, 2020 and 2019.

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) 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. and Affiliate
Notes to Combined Financial Statements
Years Ended June 30, 2020 and 2019**

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, 2020 and 2019. Accordingly, no bad debt expense or allowance for doubtful accounts is reflected in the accompanying combined financial statements. At June 30, 2020, 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 combined financial statements. At June 30, 2020 and 2019, respectively, 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 combined 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. and Affiliate
Notes to Combined Financial Statements
Years Ended June 30, 2020 and 2019**

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 and its affiliate have 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 \$10,823 and \$37,323 for the years ended June 30, 2020 and 2019, respectively.

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.

Reclassifications

Certain amounts previously reported in the financial statements for the year ended June 30, 2019 have been reclassified to conform to the June 30, 2020 classifications.

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Notes to Combined Financial Statements
Years Ended June 30, 2020 and 2019**

Note 2 – Adoption of new accounting pronouncement

During the year ended June 30, 2020, the Organization adopted the provisions of ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made issued by the Financial Accounting Standards Board. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. Management has analyzed the provisions of ASU 2018-08 and has concluded that no changes are necessary to conform with the new standard.

During the year ended June 30, 2020, the Organization adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), Revenue from Contracts with Customers (Topic 606). Management has analyzed the provisions of Topic 606 and has concluded that no changes are necessary to conform with the new standard.

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, 2020 and 2019.

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. and Affiliate
Notes to Combined Financial Statements
Years Ended June 30, 2020 and 2019

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 tables set forth, by level within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2020 and 2019:

	<u>2020</u>			
	Level 1	Level 2	Level 3	Total
Mutual funds and exchange-traded funds				
Domestic growth	\$ 166,522	\$ --	\$ --	\$ 166,522
Income	158,953	--	--	158,953
Balanced	50,070	--	--	50,070
Other	16,405	--	--	16,405
Domestic common stocks	56,286	--	--	56,286
Investments measured at net asset value				
Managed investment accounts	--	--	--	233,273
Total investments	<u>\$ 448,236</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 681,509</u>
	<u>2019</u>			
	Level 1	Level 2	Level 3	Total
Mutual funds and exchange-traded funds				
Domestic growth	\$ 47,951	\$ --	\$ --	\$ 47,951
Income	16,400	--	--	16,400
Balanced	103,751	--	--	103,751
Other	11,860	--	--	11,860
Investments measured at net asset value				
Managed investment accounts	--	--	--	74,653
Total investments	<u>\$ 179,962</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 254,615</u>

Investment income is comprised of interest and dividends earned from cash and investment accounts. Gains (losses) are reported for the change in the value of the remaining investments in the accounts. Total investment income for the years ended June 30, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 24,720	\$ 17,613
Gain (loss) on investments	(<u>6,817</u>)	(<u>661</u>)
Total investment income	<u>\$ 17,903</u>	<u>\$ 16,952</u>

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Notes to Combined Financial Statements
Years Ended June 30, 2020 and 2019**

Note 4 – Property and equipment

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

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 5,506,234	\$ 5,479,637
Land	963,066	963,066
Community garden	222,110	222,110
Furniture and equipment	427,864	425,069
Transportation equipment	<u>268,132</u>	<u>232,881</u>
Total property and equipment	<u>7,387,406</u>	<u>7,322,763</u>
Accumulated depreciation	<u>(2,175,712)</u>	<u>(1,959,000)</u>
Property and equipment, net	<u>\$ 5,211,694</u>	<u>\$ 5,363,763</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$294,011 and \$267,190, respectively.

Note 5 – Deferred revenue

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

Note 6 – New Markets Tax Credit

In December 2015, the Organization 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 (QLICIs). The tax credits are then claimed over a seven year period and equate to 39% of the QLICIs. 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.

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Notes to Combined Financial Statements
Years Ended June 30, 2020 and 2019**

Note 6 – New Markets Tax Credit (continued)

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 combined financial statements related to these put and call options.

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 consultants at Merrill Lynch, Morgan Stanley, and at the Princeton Area Community Foundation in funds at those organizations in a manner that is intended to produce favorable results while assuming a reasonable level of investment risk.

Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Notes to Combined Financial Statements
Years Ended June 30, 2020 and 2019

Note 8 – Net assets

Net assets with donor restrictions (both internally generated by the Board and externally by donor stipulations) for the years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditures for specified purpose:		
After school program	\$ 50,000	\$ 122,000
Career & College Access Program	25,000	--
Summer Camp Education Program	25,000	--
Jeremy Peterson Scholarship fund	28,846	28,846
Outdoor Education	5,000	--
COVID-19 Relief & Recovery	35,000	--
Teen programs	--	62,500
Run for club kids - financial literacy	--	5,000
	<u>\$ 168,846</u>	<u>\$ 218,346</u>
Subject to the passage of time:		
Promises to give, without donor restrictions, but which are unavailable until due	\$ 23,000	\$ --
	<u>\$ 23,000</u>	<u>\$ --</u>
Permanent endowments:		
Scholarship - Herb Moore	\$ 43,600	\$ 43,600
Charles Evans Foundation scholarships	100,000	100,000
	<u>\$ 143,600</u>	<u>\$ 143,600</u>
Total net assets with donor restrictions	<u>\$ 335,446</u>	<u>\$ 361,946</u>
Net assets without donor restrictions included board designated net assets, as follows:		
Board designated PACF	\$ 41,950	\$ 41,950
College access & teen endowment	180,287	60,000
Outdoor education	47,986	--
Spruce Street capital improvements	144,970	--
Foundation endowment	158,949	--
Total board designated net assets	<u>\$ 574,142</u>	<u>\$ 101,950</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 years ended June 30, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
After school program	\$ 122,000	\$ 74,000
Job ready - career launch	--	32,500
Fund A Dream / scholarships	--	15,557
Teen programs	62,500	--
Run for club kids - financial literacy	5,000	--
Summer camp	--	2,500
Community garden	--	228,594
Time restrictions	--	123,000
Total released	<u>\$ 189,500</u>	<u>\$ 476,151</u>

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Notes to Combined Financial Statements
Years Ended June 30, 2020 and 2019**

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, 2020:

Cash	\$ 1,700,400
Grants receivable	208,232
Investments	<u>681,509</u>
 Total financial assets	 2,590,141
 Less those unavailable for general expenditures within one year, due to:	
Restricted endowment	(143,600)
Board designations	<u>(574,142)</u>
 Net financial assets	 <u>\$ 1,872,399</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 noncancelable 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, 2020:

Year ending June 30:

2021	\$ 69,791
2022	69,791
2023	<u>13,958</u>
	<u>\$ 153,540</u>

Rental income for the years ended June 30, 2020 and 2019 totaled \$152,162 and \$107,178, respectively.

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 10% and 12% of total revenue for the years ended June 30, 2020 and 2019, respectively, and approximately 44% and 26% of total receivables as of June 30, 2020 and 2019, respectively.

**Boys & Girls Clubs of Mercer County, Inc. and Affiliate
Notes to Combined Financial Statements
Years Ended June 30, 2020 and 2019**

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.

Rent expense for the years ended June 30, 2020 and 2019 totaled \$12,485 and \$13,378, respectively.

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.

Effective January 1, 2019, the Plan was amended to require 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 years ended June 30, 2020 and 2019 totaled \$82,587 and \$165,072, respectively, including estimated profit sharing for the six months ended June 30, 2020 and 2019 of \$27,000 and \$36,000, respectively.

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.

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). This loan is forgivable when the Organization expends the funds for allowable expenses as defined by the PPP, with the exception of \$10,000 in accordance with the terms of the EIDL grant explained in the following paragraph. Management believes that the majority of the forgivable portion of this loan will be forgiven in the year ending June 30, 2021, at which time, it will be recognized as income. The remaining \$10,000 balance will be due over a two year period in accordance with the terms of the PPP.

In May 2020, the Organization received a \$10,000 grant under the SBA's Economic Injury Disaster Loan (EIDL) program. This is included in grant revenue in the accompanying financial statements for the year ended June 30, 2020. Under the terms of this grant, the forgivable portion of the PPP loan is reduced by these grant proceeds.

Note 15 – Subsequent events

The Organization has evaluated subsequent events through December 10, 2020, 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 combined financial statements of Boys & Girls Clubs of Mercer County, Inc., which comprise the combined statement of financial position as of June 30, 2020, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated December 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined 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 combined 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 combined 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.

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

Purpose of this Report

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

Lear & Pannepacker, LLP

**Princeton, New Jersey
December 10, 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
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, 2020. 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, 2020.

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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
December 10, 2020**

Boys & Girls Clubs of Mercer County, Inc.
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2020

<u>Federal Grantor / Pass-Through Grantor</u>	<u>Federal CFDA 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	19E00017	9/1/2018 to 8/31/2019	\$ 123,076	\$ --
U.S. Department of Education–21st Century Community Learning Centers Program passed through NJ Department of Education	84.287	21-9087	9/1/2019 to 8/31/2020	<u>327,425</u>	<u>--</u>
Total U.S. Department of Education				450,501	--
U.S. Department of Health and Human Services, Temporary Assistance for Needy Families, passed through NJ Department of Children and Families	93.558	20KLP	7/1/2019 to 6/30/2020	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	2020-05166-0134-00	1/1/2020 to 6/30/2020	<u>20,000</u>	<u>--</u>
Total U.S. Department of Health and Human Services				70,000	50,000
U.S. Department of Agriculture, Child and Adult Care Food Program, passed through NJ Division of Food & Nutrition	10.558	19.21.1107	10/1/2018 to 9/30/2019	5,970	--
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	99,176	--
U.S. Department of Agriculture, Summer Food Service Program for Children, Division of Food & Nutrition	10.559	19-11-4231	10/1/2018 to 9/30/2019	84,153	--
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	<u>3,883</u>	<u>--</u>
Total U.S. Department of Agriculture				\$ 193,182	\$ --

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, 2020

<u>Federal Grantor / Pass-Through Grantor</u>	<u>Federal CFDA 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	OJP 2018-44097	2/1/2019 to 12/31/2019	\$ 15,743	\$ --
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	5,815	--
U.S. Department of Justice, Juvenile Accountability Block Grants passed through Mercer County–Juvenile Justice Commission	16.523	2019-65	1/1/2019 to 12/31/2019	27,730	--
U.S. Department of Justice, Juvenile Accountability Block Grants passed through Mercer County–Juvenile Justice Commission	16.523	2019-65	1/1/2020 to 12/31/2020	<u>13,500</u>	<u>--</u>
Total U.S. Department of Justice				62,788	--
NJ Department of Education (passed through Boys & Girls Club of New Jersey)	19E00103		11/1/18 to 8/31/2019	--	9,854
NJ Department of Education (passed through Boys & Girls Club of New Jersey)	20E00096		11/1/19 to 8/31/2020	--	4,656
U.S. Small Business Administration Economic Disaster Recovery Loan program	59.008		6/4/2020	<u>10,000</u>	<u>--</u>
Total Federal and State Awards				<u>\$ 786,471</u>	<u>\$ 64,510</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, 2020

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, 2020.

Boys & Girls Clubs of Mercer County, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

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?

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	CFDA No. 84.287
---	-----------------

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



Lear & Pannepacker, LLP

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the combined financial statements of Boys & Girls Clubs of Mercer County, Inc. and Affiliate as of and for the year ended June 30, 2020, and have issued our report thereon dated December 10, 2020 which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole.

The supplemental statements of financial position, activities and cash flows of Boys & Girls Clubs of Mercer County Foundation, Inc. are presented for the purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Lear & Pannepacker, LLP

Princeton, New Jersey
December 10, 2020

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Boys & Girls Clubs of Mercer County Foundation, Inc.
Supplemental Statement of Financial Position
June 30, 2020

Assets

Cash	\$ 79,730
Investments	276,797
Due from Boys & Girls Clubs of Mercer County	<u>230,996</u>
Total assets	\$ <u>587,523</u>

Net assets

Net assets without donor restrictions	
Undesignated	\$ 55,331
Board designated	<u>532,192</u>
Total net assets	\$ <u>587,523</u>

Boys & Girls Clubs of Mercer County Foundation, Inc.
Supplemental Statement of Activities
Year Ended June 30, 2020

Revenue, gains, and other support	
Rental income	\$ 175,276
Membership fees	11,890
Grants from Boys & Girls Clubs of Mercer County	532,192
Fundraising events	773
Contributions	8,213
Investment income	<u>3,316</u>
Total revenue, gains, and other support	731,660
Expenses	
Grants to Boys & Girls Clubs of Mercer County	91,264
Interest expense	71,881
Professional fees	1,400
Office supplies	<u>225</u>
Total expenses	<u>164,770</u>
Change in net assets	566,890
Net assets without donor restrictions – beginning of year	<u>20,633</u>
Net assets without donor restrictions – end of year	\$ <u>587,523</u>

Boys & Girls Clubs of Mercer County Foundation, Inc.
Supplemental Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities

Change in net assets	\$ 566,890
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized gain on investments	(2,872)
Changes in operating assets and liabilities:	
Due to (from) Boys & Girls Clubs of Mercer County	<u>(264,010)</u>
Net cash provided by operating activities	300,008

Cash flows from investing activities

Purchases of investments	<u>(273,925)</u>
Net cash used in investing activities	<u>(273,925)</u>
Change in cash	26,083
Cash at beginning of year	<u>53,647</u>
Cash at end of year	<u>\$ 79,730</u>

Supplemental disclosure of cash flow information

Cash paid for the year for interest	<u>\$ 71,881</u>
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