

Financial Statements

BOYS AND GIRLS CLUB
OF THE SMOKY MOUNTAINS

Year Ended December 31, 2024

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INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors
Boys and Girls Club of
the Smoky Mountains
Seymour, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Boys and Girls Club of the Smoky Mountains, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Club of the Smoky Mountains as of December 31, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys and Girls Club of the Smoky Mountains and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Club of the Smoky Mountains' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the financial statements. The other information as listed in the table of contents does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by the Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2025, on our consideration of Boys and Girls Club of the Smoky Mountains' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boys and Girls Club of the Smoky Mountains' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys and Girls Club of the Smoky Mountains' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The signature is written in a cursive, flowing style.

July 3, 2025

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

STATEMENT OF FINANCIAL POSITION

December 31, 2024

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	302,889
Grants receivable		178,244
Employee retention tax credit receivable		338,645
Current portion of long-term pledges receivable		<u>112,585</u>

TOTAL CURRENT ASSETS 932,363

INVESTMENTS 5,043,340

LONG-TERM PLEDGES RECEIVABLE,

net of present value discount 168,081

PROPERTY AND EQUIPMENT

Land lease	\$	620,000
Building		9,637,415
Leasehold improvements		716,513
Vehicles		611,107
Furniture and equipment		683,753
Computer		<u>136,263</u>
		12,405,051
Accumulated depreciation		<u>(3,105,540)</u>
		9,299,511

OTHER ASSETS

Right-of-use asset - office lease	467,689
Beneficial interest in assets held by others	481,215
Cash surrender value of life insurance	<u>27,289</u>
	<u>976,193</u>

\$ 16,419,487

See the accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable	\$	53,880
Accrued salaries and wages		55,112
Current portion of long-term lease		<u>22,710</u>

TOTAL CURRENT LIABILITIES 131,700

LONG-TERM LEASE,

net of current portion 444,976

TOTAL LIABILITIES 576,676

NET ASSETS

Without donor restrictions	\$ 15,095,767	
With donor restrictions	<u>747,042</u>	<u>15,842,809</u>
		<u>\$ 16,419,487</u>

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 1,382,060	\$ 2,221,144	\$ 3,603,204
Grants	3,031,142	0	3,031,142
Special events, net of direct expenses	405,621	0	405,621
Donated materials and use of facilities	188,699	0	188,699
	<u>5,007,522</u>	<u>2,221,144</u>	<u>7,228,666</u>
Revenue:			
Childcare fees	850,044	0	850,044
Investment income	153,155	0	153,155
Other income	10,211	0	10,211
	<u>1,013,410</u>	<u>0</u>	<u>1,013,410</u>
	6,020,932	2,221,144	8,242,076
Net assets released from restrictions	<u>2,298,986</u>	<u>(2,298,986)</u>	<u>0</u>
TOTAL SUPPORT AND REVENUE	8,319,918	(77,842)	8,242,076
EXPENSES			
Program services	4,729,785	0	4,729,785
Management and general	342,454	0	342,454
Fundraising	125,731	0	125,731
TOTAL EXPENSES	5,197,970	0	5,197,970

See the accompanying notes to the financial statements.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

STATEMENT OF ACTIVITIES

(continued)

Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Totals
OTHER CHANGES IN NET ASSETS			
Change in beneficial interest held by others	49,282	0	49,282
Unrealized gain on investments	86,487	0	86,487
	<u>135,769</u>	<u>0</u>	<u>135,769</u>
CHANGE IN NET ASSETS	3,257,717	(77,842)	3,179,875
NET ASSETS AT THE BEGINNING OF THE YEAR, as restated	<u>11,838,051</u>	<u>824,883</u>	<u>12,662,934</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 15,095,767</u>	<u>\$ 747,042</u>	<u>\$ 15,842,809</u>

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2024

CASH PROVIDED(USED) BY OPERATING ACTIVITIES

Change in net assets		\$ 3,179,876
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 296,364	
Unrealized (gain) on investments	(86,487)	
Amortization of right of use asset	22,205	
Long-term pledges restricted for capital improvement	(2,200,800)	
Change in discount on pledges receivable	(2,716)	
(Increase)decrease in:		
Cash surrender value	416	
Employee retention tax credit receivable	(26,511)	
Grants receivable	23,093	
Increase(decrease) in:		
Accounts payable	27,938	
Accrued salaries	11,162	
Long-term lease	(22,205)	(1,957,541)

NET CASH PROVIDED BY OPERATING ACTIVITIES

1,222,335

CASH PROVIDED(USED) BY INVESTING ACTIVITIES

Purchase of property and equipment	(3,134,491)
(Increase) in beneficial interest held by others	(33,942)
(Increase) in investments	(1,909,785)

NET CASH (USED) BY INVESTING ACTIVITIES

(5,078,218)

See the accompanying notes to the financial statements.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

STATEMENT OF CASH FLOWS

(continued)

Year Ended December 31, 2024

CASH PROVIDED(USED) BY FINANCING ACTIVITIES

Cash received from long-term pledges
restricted for capital improvement

2,262,203

NET (DECREASE) IN CASH

(1,593,680)

CASH AT THE BEGINNING OF THE YEAR

1,896,569

CASH AT THE END OF THE YEAR

\$ 302,889

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 2,022,344	\$ 236,759	\$ 105,118	\$ 2,364,221
Payroll taxes	149,719	17,528	7,782	175,029
Employee benefits	213,465	24,991	11,096	249,552
Workers' compensation	29,115	3,409	1,513	34,037
Unemployment insurance	4,277	501	222	5,000
Professional fees	149,511	24,475	0	173,986
Insurance	112,333	0	0	112,333
Facilities rent	150,544	17,600	0	168,144
Utilities	145,109	0	0	145,109
Repair and maintenance	118,867	0	0	118,867
Scholarships	8,056	0	0	8,056
Supplies	348,822	0	0	348,822
Food	789,873	0	0	789,873
Telephone	19,799	0	0	19,799
Postage	1,583	0	0	1,583
Printing	5,313	0	0	5,313
Dues	73,497	0	0	73,497
Equipment rental	13,293	0	0	13,293
Vehicle	59,219	0	0	59,219
Training and conferences	18,683	0	0	18,683
Bank charges	0	17,193	0	17,193
Depreciation	296,364	0	0	296,364
	<u>\$ 4,729,785</u>	<u>\$ 342,454</u>	<u>\$ 125,731</u>	<u>\$ 5,197,970</u>

See the accompanying notes to the financial statements.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2024

NOTE A - DESCRIPTION OF ORGANIZATION

Boys and Girls Club of the Smoky Mountains (the Club) is a local member club of the Boys and Girls Club of America. The Club was formed in 1992 to promote health, social, educational, vocational and character development of young people in Sevier County, Tennessee. The Club operates five clubs which provide afterschool, summer, and teen programs to area youth.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions they may undertake in the future, actual results could differ from those estimates. Estimates are used when accounting for fair value of pledges, allowances for uncollectible receivables, depreciation, amortization, allocation of expenses, and contingencies, among others.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits. For purposes of the statement of cash flows, the Club considers cash on deposit with financial institutions and all cash investments with original maturities of three months or less to be cash and cash equivalents.

Pledges Receivable

Unconditional pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the pledge is received. The discount rate at December 31, 2024 was 2.5%. Amortization of the discount is included in contributions. Conditional promises to give are not recorded as support until such time as the conditions are substantially met.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at the estimated fair value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from five to thirty-nine years. The Club capitalizes property and equipment purchases that cost \$500 or more and have useful life of five years or more. Depreciation expense for the year ended December 31, 2024 was \$276,364.

Support and Revenue

Program fees are charged at the beginning of each semester (fall, spring and summer) and are recorded as revenue when care is provided.

Contributions are recorded as support when cash or other assets are received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets that are designated for future periods or restricted by the donor for specific purposes are reported support with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Restricted grants and contributions whose restrictions are met in the same reporting period as they are received are reported as unrestricted support.

Contributions of property and equipment and other long-lived assets with explicit restrictions that specify how the assets are to be used, including cash contributed to acquire such assets, are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained; the expiration of donor restrictions is reported when the donated or acquired assets are placed in service.

Income Tax Status

The Club is exempt from federal income taxes under section 501(c)(3) of the U.S. Internal Revenue Code, except on unrelated business income. The Club's income tax filings are open and subject to examination by the Internal Revenue Service generally for three years after they are filed. However, the Club is not currently under audit nor has the Club been contacted by this jurisdiction. The Club believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

Functional Expense Allocation

The costs of providing various programs and other activities are summarized on a functional basis in the statement of activities. Costs are charged to program services, management and general and fundraising functions based on direct expenses incurred. Salaries and related expenses are allocated based on an analysis of time spent on program services and supporting services. Rent is allocated based on the use of space.

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Club had the following financial assets available at December 31, 2024:

Cash	\$ 302,889
Grants receivable	178,244
Employee retention tax credit receivable	338,645
Pledges receivable	280,666
Investments	5,043,340
Beneficial interest in assets held by others	481,215
Cash surrender value of life insurance	<u>27,289</u>
	<u>\$ 6,652,288</u>

Financial assets available to meet cash needs for general expenditures within one year at December 31, 2024 were as follows:

Financial assets at December 31, 2024	\$ 6,652,288
Less beneficial interest in assets held by others	(481,215)
Less cash surrender value of life insurance	(27,289)
Less those unavailable for general expenditures within one year due to purpose or time restrictions by donor	<u>(292,041)</u>
Financial assets available to meet cash needs for general expenditures within one year	5,851,743
Less board designated endowments	<u>(1,113,542)</u>
Available for operating expenses as needed	<u>\$ 4,738,201</u>

As part of its liquidity management, the Club structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

NOTE D - INVESTMENTS

Investments, measured at fair value, at December 31, 2024 consisted of the following:

Equities	\$ 649,081
Bonds	4,360,946
Real estate assets	<u>33,313</u>
	<u>\$ 5,043,340</u>

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Financial Accounting Standards Board's Accounting Standards Codification 820, *Fair Value Measurement*, are described as follows:

Level 1: Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Club has the ability to access.

Level 2: Inputs to valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The following table presents the Club's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2024:

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

Description	12/31/2024	Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 649,081	\$ 649,081	\$ 0	\$ 0
Bonds	4,360,946	4,360,946	0	0
Real estate assets	<u>33,313</u>	<u>0</u>	<u>33,313</u>	<u>0</u>
	<u>\$ 5,043,340</u>	<u>\$ 5,010,027</u>	<u>\$ 33,313</u>	<u>\$ 0</u>

Investment income for the year ended December 31, 2024 consisted of the following:

Interest and dividends	\$ 155,302
Expenses	<u>(2,147)</u>
	<u>\$ 153,155</u>

NOTE E - PLEDGES RECEIVABLE

Pledges receivable are recorded at the present value of estimated future cash flows using a discount rate of 2.5%. Unconditional pledges receivable at December 31, 2024 were as follows:

Amounts due in:	
Less than one year	\$ 112,585
One to five years	180,741
Less discount to present value	<u>(12,659)</u>
	<u>168,081</u>
Net pledges receivable restricted for capital additions	<u>\$ 280,667</u>

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

NOTE F – LEASE OBLIGATIONS

In January 2023, the Club entered into a lease agreement with the City of Sevierville, Tennessee (Sevierville), whereby the Club will lease land from Sevierville for the Club's Sevierville facility for a period of twenty-five years. The Club will pay \$25 annually to Sevierville for the lease of the land. The land lease with Sevierville terminates on January 9, 2048. The value of the land lease is recorded as a contribution on the accompanying statement of activities.

In April 2014, the Club entered into a lease agreement with the City of Pigeon Forge, Tennessee (Pigeon Forge), whereby the Club will lease land from Pigeon Forge for the Club's Pigeon Forge facility for a period of twenty years. The Club will pay \$25 annually to Pigeon Forge for the lease of the land. The land lease with Pigeon Forge terminates on November 30, 2034 and has an option to renew for periods of five years.

In May 2005, the Club entered into a lease agreement with the Sevier County Board of Education (the Board), whereby the Club will lease land from the Board for the Club's Gatlinburg facility for a period of twenty-nine years. The Club will pay \$1 annually to the Board for the lease of the land. The land lease with the Board terminates on December 31, 2034 and has an option to renew for a period of twenty-five years.

In July 2022, the Club entered into a lease agreement with Sevier County Board of Education, whereby the Club will lease land from the board for the Club's Kodak facility for a period of fifty years. The Club will pay \$1 annually to the board for the lease of the land. The land lease with the board terminates on July 12, 2072.

Accounting principles generally accepted in the United States of America require that the receipt of a commitment for the free use of facilities be recorded as a donor-restricted contribution and an asset, calculated at the net present value of the future rental value over the term of the lease, not to exceed the total fair value of the asset being used. The resulting asset is amortized over the term of the lease, with the related amortization being reported as net assets released from restrictions and lease expense in the statement of activities.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

The future rental value of the land leases are included in property and equipment in the accompanying financial statements as follows:

City of Sevierville, Tennessee	\$ 125,000
City of Pigeon Forge, Tennessee	100,000
Sevier County Board of Education:	
Gatlinburg	145,000
Pigeon Forge	<u>250,000</u>
	<u>\$ 620,000</u>

Amortization of the land leases totaled \$165,000 at December 31, 2024.

The Club leases office space under an operating lease with an initial term of five years with an option to extend for three successive terms of five years. The remaining lease term used to compute the value of the right-of-use asset and the lease liability includes the additional fifteen years because the Club is reasonably certain to extend the lease. The right-of-use asset and lease liability values were computed using a discount rate of 2.25%.

The following summarizes amounts included in the statement of financial position for operating leases as of December 31, 2024:

Operating lease right-of-use assets	<u>\$ 467,689</u>
Current portion of long-term lease	\$ 22,710
Long-term lease, net of current portion	<u>444,976</u>
Total lease liability	<u>\$ 467,689</u>

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

The maturities of lease liabilities as of December 31, 2024 are as follows:

Year Ending <u>December 31:</u>	
2025	\$ 33,000
2026	33,000
2027	33,000
2028	33,000
2029	33,000
Thereafter	<u>398,750</u>
Total lease payments	563,750
Less: interest	<u>(96,059)</u>
Present value of lease liability	<u>\$ 467,689</u>

Operating lease expense for the year ended December 31, 2024 was \$35,200. Operating lease expense is included with facilities rent expense on the statement of functional expense which include donated use of facilities as described in Note M.

NOTE G - PENSION PLAN

The Club provides a 401(k) retirement plan to eligible employees. Employees 21 years of age or older before the plan entry date and have completed 1,000 hours of work annually and one year of service can enroll in the plan on January 1st or July 1st whichever is closer. The Club contributes 3% of gross annual pay. Additionally, the Club matches employee contributions up to 4% of pay. Employees are 100% vested in Club contributions after 3 years from the employee's date of hire. Pension expense for the year ended December 31, 2024 was \$81,986.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2024 consisted of the following:

Pledges receivable	\$ 280,666
Land lease	455,000
Student groups and clubs	<u>11,375</u>
	<u>\$ 747,042</u>

NOTE I - NET ASSETS RELEASED FROM RESTRICTIONS

During the year ended December 31, 2024, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

Capital improvement on Kodak building	\$ 2,262,209
Land lease	20,000
Student groups and clubs	<u>16,776</u>
	<u>\$ 2,298,986</u>

NOTE J - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Club to concentrations of credit risk consist primarily of cash and cash equivalents and pledges receivable. Cash and cash equivalents are maintained in demand deposit accounts which, at times, may exceed federally insured limits. The Club has not experienced any losses and does not believe it is exposed to any significant credit risk on such accounts. By their nature, all such financial instruments involve risk, including the credit risk of nonperformance by counterparties. Exposure to credit risk is managed through various monitoring procedures. At December 31, 2024, the Club had no major concentrations of credit risk except for uninsured bank deposits that go beyond normal FDIC coverage and pledges receivable. Approximately 56% of unconditional promises to give at December 31, 2024 were due from two contributors.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

NOTE K - ENDOWMENT

The Club has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor restricted endowment funds absent explicit donor stipulations to the contrary up to 5% of its average endowment balance, based on a three-year rolling average. In the absence of donor restrictions, the net appreciation on a donor restricted endowment fund is spendable under SPMIFA. The Club donors have not placed any restrictions on the use of investment income or net appreciation resulting from the endowment funds.

The Board of Directors has determined that no contributions to the endowment fund are subject to the restrictions found in SPMIFA and the Board of Directors has the ability to distribute the original principal of any trust or separate gift, devise, bequest, or fund as the Board of Directors in its sole discretion shall determine. As a result of the ability to distribute the original principal and the determination that all contributions were received without donor imposed restrictions, all contributions are classified as unrestricted net assets for financial statement purposes.

Return Objectives and Risk Parameters

The Club has adopted investment and spending policies for endowment assets that attempt to provide long-term growth as well as meet current income needs. The Club expects its endowment funds, over time, to provide an average rate of return of to exceed inflation plus spending. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Club relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Club targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Club has a policy of appropriating for distribution each year 4.5% of the funds average market value over trailing three year ending balances. Accordingly, over the long-term, the Club expects the current spending policy to allow its endowment to grow annually. This is consistent with the Club's objective to provide real growth of endowment funds through new gifts and investment returns.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

Changes in endowment net assets for the year ended December 31, 2024 were as follows:

Endowment net assets at January 1, 2024	\$ 1,514,989
Contributions	2,660
Investment returns	
Investment income	24,469
Realized and unrealized gains	129,616
Investment expenses	(9,185)
Distributions	<u>(67,792)</u>
Endowment net assets at December 31, 2024	<u>\$ 1,594,757</u>

Endowment net assets are presented in the accompanying financial statements as follows:

Cash	\$ 28,632
Investments	1,084,910
Beneficial interest in assets held by others	<u>481,215</u>
	<u>\$ 1,594,757</u>

A portion of the Club's endowment funds are held and administered by East Tennessee Foundation for the benefit of the Club with income distributed to the Club annually. The Club has granted East Tennessee Foundation variance power, which is defined as the power to modify any restriction or condition on the distribution of funds for the specified charitable purpose or to a specified organization in the sole judgement of the foundation's board, such restrictions or conditions become, in effect unnecessary, undesirable, impracticable, incapable of fulfillment, or inconsistent with the charitable needs of the community served. Assets held by East Tennessee Foundation for the benefit of the Club are recorded in the accompanying statement of financial position as beneficial interest in assets held by others.

NOTE L - RELATED PARTY TRANSACTIONS

During the normal course of business the Club purchases various services from companies associated with its board of directors. The Club also receives contributions from its board of directors and from companies associated with board members.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

NOTE M - DONATED MATERIAL AND USE OF FACILITIES

Donated materials and use of facilities are recorded in the financial statements at estimated fair value. Donated material and use of facilities for the year ended December 31, 2024 were as follows:

Program Services:	
Supplies	\$ 49,755
Rent	132,944
Vehicle	<u>6,000</u>
	<u>\$ 188,699</u>

NOTE N - RESTATEMENT

Net assets at December 31, 2023 have been restated to correct reported grants receivable.

	Net assets without donor <u>Restrictions</u>	Net assets with donor <u>Restrictions</u>	<u>Total</u>
Net assets at December 31, 2023, as originally stated	\$ 11,525,912	\$ 824,883	\$ 12,350,796
Unrecorded employee retention tax credit receivable	<u>312,134</u>	<u>0</u>	<u>312,134</u>
Net assets at December 31, 2023, as restated	<u>\$ 11,838,051</u>	<u>\$ 824,883</u>	<u>\$ 12,662,934</u>

The restatement to correct employee retention tax credit receivable had no effect on the previously reported change in net assets for the year ended December 31, 2024. The tax credit related to payroll taxes paid during the years December 31, 2020 and 2021. The Club received payment from the Internal Revenue Service in January 2025.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2024

NOTE O - SUBSEQUENT EVENTS

The Club has evaluated subsequent events through July 3, 2025, the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements other than as noted below.

SUPPLEMENTARY INFORMATION

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2024

<u>Grantor Pass-Through Grantor</u>	<u>Assistance Listing Number/ Contract Number</u>	<u>Program Title</u>	<u>Expenditures</u>
U.S. Department of Treasury/ Tennessee Department of Finance	21.207	Coronavirus State and Local Fiscal Recovery Fund	\$ 1,252,807
U.S. Department of Agriculture/ Tennessee Department of Human Services	10.558	Child and Adult Care Food Program	675,235
Child Nutrition Cluster: U.S. Department of Agriculture/ Tennessee Department of Human Services	10.559	Summer Food Service Program for Children	528,106
U.S. Department of Education/ Boys and Girls Club of America	84.287	21 st Century Community Learning Centers	217,858
U.S. Department of Justice/ Boys and Girls Club of America	16.726	Juvenile Mentoring Program	<u>72,398</u>
			<u>\$ 2,746,404</u>

See the accompanying independent accountants' audit report.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

EXPENDITURES OF FEDERAL AWARDS

(continued)

Year ended December 31, 2024

BASIS OF PRESENTATION

This schedule summarizes the expenditures of Boys and Girls Club of the Smoky Mountains under programs of the federal government for the year ended December 31, 2024. This schedule is presented using the accrual basis of accounting. This schedule presents only a portion of the operations of Boys and Girls Club of the Smoky Mountains, is not intended, and does not present the net assets or changes in net assets of Boys and Girls Club of the Smoky Mountains.

OUTSTANDING LOAN BALANCE

Boys and Girls Club of the Smoky Mountains had no federal loans outstanding at December 31, 2024

INDIRECT COST RATE

Boys and Girls Club of the Smoky Mountains has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER INFORMATION

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

PRINCIPAL OFFICIALS

December 31, 2024

Tim Richmer, President
Mignonne Coykendall, Vice-President
Kevin Ownby, Secretary
Nick Miller, Treasurer
Jim Arwood, Director
Maggie Atchely, Director
Katherine Blalock, Director
Rhett Bolling, Director
David Bounds, Director
Jim Bruce, Director
Eric Bradley, Director
Haley Davis, Director
Eddie De Amorim, Director
Fran Delozier, Director
Wes Farragut, Director
Laurie Faulkner, Director
Eric Gann, Director
Robert Hall, Director
Patrick Harrell, Director
Gary Helton, Director
Michael Hodges, Director
Heather Jagels, Director
Brian Jensen, Director
Brian Joslin, Director
Michael McCroskey, Director
Linda Ogle, Director
Julie Oliver, Director
Jackie Ownby, Director
Kevin Perkey, Director
Cortney Pierce, Director
Davis Rader, Director
Jeff Rader, Director
David Ratliff, Director
David Reller, Director
Gigi Simonis, Director

See the accompanying independent accountants' audit report.

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

PRINCIPAL OFFICIALS

(continued)

December 31, 2024

Barry Shular, Director
Cynthia Shular, Director
Katie Sidwell, Director
Jessica Smelcer, Director
Brad Smith, Director
Bill Smolnycki, Director
Becky Loomis Snyder, Director
Bryan Tarkington, Director
Jon Tate, Director
Laurie Taylor, Director
Jana Thomasson, Director
Beth Urquhart, Director
Lee Wertheim, Director
Jessica Will, Director

Mark Ross, Chief Executive Officer (January 1, 2024 to December 31, 2024)

Melissa Dover, Interim Chief Executive Officer (January 1, 2025 to present)

INTERNAL CONTROL

AND

COMPLIANCE

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

Board of Directors
Boys and Girls Club
of the Smoky Mountains
Seymour, Tennessee

We have audited, 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, the financial statements of Boys and Girls Club of the Smoky Mountains, which comprise the statement of financial position as of December 31, 2024 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 3, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boys and Girls Club of the Smoky Mountains' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boys and Girls Club of the Smoky Mountains' internal control. Accordingly, we do not express an opinion on the effectiveness of Boys and Girls Club of the Smoky Mountains' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Boys and Girls Club of the Smoky Mountains' 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 limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys and Girls Club of the Smoky Mountains' financial statements are free of 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 and Girls Club of the Smoky Mountains' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys and Girls Club of the Smoky Mountains' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mitchell Emert & Hill". The script is cursive and fluid, with the ampersand clearly visible between the two names.

July 3, 2025

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Boys and Girls Club
of the Smoky Mountains
Seymour, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Boys and Girls Club of the Smoky Mountains' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Boys and Girls Club of the Smoky Mountains' major federal programs for the year ended December 31, 2024. Boys and Girls Club of the Smoky Mountains' major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

In our opinion, Boys and Girls Club of the Smoky Mountains complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Boys and Girls Club of the Smoky Mountains' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Boys and Girls Club of the Smoky Mountains' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Boys and Girls Club of the Smoky Mountains' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Boys and Girls Club of the Smoky Mountains' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Boys and Girls Club of the Smoky Mountains' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Boys and Girls Club of the Smoky Mountains' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Mitchell Emert + Hill

July 3, 2025

BOYS AND GIRLS CLUB OF THE SMOKY MOUNTAINS

FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

SUMMARY OF AUDIT RESULTS

1. The Independent Accountants' Audit Report expresses an unmodified opinion on the financial statements of Boys and Girls Club of the Smoky Mountains.
2. No significant deficiencies or material weaknesses in internal control over financial reporting were reported.
3. No instances of noncompliance material to the financial statements were disclosed.
4. No significant deficiencies or material weaknesses in internal control over major federal programs were reported.
5. The Independent Accountants' Report on Compliance for Each Major Program and on Internal Control Over Compliance as Required by the Uniform Guidance expresses an unmodified opinion on Boys and Girls Club of the Smoky Mountains compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its major federal programs.
6. No findings or questioned costs were disclosed which would be required to be reported in accordance with the Uniform Guidance (2 CFR 200.516(a)).

7. The following programs were tested as major programs:

<u>Program Name</u>	<u>Assistance Listing No.</u>
Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Boys and Girls Club of the Smoky Mountains was determined to be a low-risk auditee.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were disclosed which would be required to be reported in accordance with the Uniform Guidance.