

BOYS & GIRLS CLUBS OF COLLIN COUNTY, INC.

Financial Statements

For the Year Ended December 31, 2017

CHARLES O. PAUL

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Boys & Girls Clubs of Collin County, Inc. (the Organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Collin County, Inc. as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Boys & Girls Clubs of Collin County, Inc.'s 2016 financial statements, and our report dated May 22, 2017 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statement from which it has been derived.



**CHARLES O. PAUL, CPA
May 17, 2018**

BOYS & GIRLS CLUBS OF COLLIN COUNTY, INC.
Statement of Financial Position
December 31, 2017
With Summarized Financial Information
At December 31, 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 359,064	\$ 203,196
Unconditional promises to give	40,834	34,943
Other current assets	29,817	5,897
Property and equipment, net of accumulated depreciation	3,801,666	3,852,355
Other assets	4,550	4,750
Restricted cash	48,424	-
Restricted investments	749,006	785,629
	<hr/>	<hr/>
Total assets	<u>\$ 5,033,361</u>	<u>\$ 4,886,770</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 72,169	\$ 53,774
Unspent insurance proceeds	151,594	-
Deferred revenue	16,548	28,632
Notes payable	802,860	891,165
	<hr/>	<hr/>
Total liabilities	<u>1,043,171</u>	<u>973,571</u>
Commitments and contingencies		
Net assets:		
Unrestricted	3,175,202	3,109,961
Temporarily restricted	809,988	798,238
Permanently restricted	5,000	5,000
	<hr/>	<hr/>
Total net assets	<u>3,990,190</u>	<u>3,913,199</u>
Total liabilities and net assets	<u>\$ 5,033,361</u>	<u>\$ 4,886,770</u>

The accompanying notes are an integral part of the financial statements
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BOYS & GIRLS CLUBS OF COLLIN COUNTY, INC.
Statement of Activities
For the Year Ended December 31, 2017
With Summarized Financial Information
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>2016</u>
SUPPORT AND REVENUE:					
Program fees	\$ 557,349	\$ -	\$ -	\$ 557,349	\$532,045
United Way contributions	47,592	-	-	47,592	85,519
Special events, net of \$480,612 in expenses	999,949	-	-	999,949	930,628
Contributions	606,570	-	-	606,570	504,829
Contributions - in-kind	278,092	-	-	278,092	337,476
Bequest	-	-	-	-	782,980
Grants	609,121	-	-	609,121	657,712
Investment income	1,238	4,449	-	5,687	2,722
Realized investment gains	-	1,910	-	1,910	-
Unrealized investment gains	-	5,391	-	5,391	-
Other income	31,695	-	-	31,695	24,992
Assets released from restriction	-	-	-	-	-
	<u>3,131,606</u>	<u>11,750</u>	<u>-</u>	<u>3,143,356</u>	<u>\$3,858,903</u>
Expenses:					
Program services	2,503,366	-	-	2,503,366	2,448,753
Supporting services:					
Administration	220,197	-	-	220,197	224,653
Fundraising	342,802	-	-	342,802	338,688
Total supporting services	<u>562,999</u>	<u>-</u>	<u>-</u>	<u>562,999</u>	<u>563,341</u>
Total expenses	<u>3,066,365</u>	<u>-</u>	<u>-</u>	<u>3,066,365</u>	<u>3,012,094</u>
Change in net assets	65,241	11,750	-	76,991	<u>\$ 846,809</u>
Net assets, beginning of year	<u>3,109,961</u>	<u>798,238</u>	<u>5,000</u>	<u>3,913,199</u>	
Net assets, end of year	<u>\$ 3,175,202</u>	<u>\$ 809,988</u>	<u>\$ 5,000</u>	<u>\$ 3,990,190</u>	

The accompanying notes are an integral part of the financial statements

BOYS & GIRLS CLUBS OF COLLIN COUNTY, INC.
Statement of Cash Flows
For the Year Ended December 31, 2017
With Summarized Financial Information
For the Year Ended December 31, 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 76,991	\$ 846,809
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:		
Assets acquired through in-kind donation	(134,092)	(220,476)
Depreciation	253,248	218,362
Change in promises to give	(5,891)	14,450
Change in other assets	(23,720)	12,476
Change in accounts payable and accrued liabilities	6,311	-
Change in unspent insurance proceeds	151,594	(43,904)
	<u>324,441</u>	<u>827,717</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of land	-	23,000
Increase in restricted cash and investments	(11,801)	(785,629)
Capital expenditures	(68,466)	(43,217)
	<u>(80,267)</u>	<u>(805,846)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from line of credit	(50,000)	50,000
Net payments on notes payable	(38,306)	(36,454)
	<u>(88,306)</u>	<u>13,546</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	155,868	35,417
Cash and cash equivalents, beginning of year	<u>203,196</u>	<u>167,779</u>
Cash and cash equivalents, end of year	<u>\$ 359,064</u>	<u>\$ 203,196</u>
Schedule of non-cash investing and financing activities:		
None		
Supplemental cash flow information:		
Interest received	5,687	\$ 2,722
Interest paid	(44,241)	(43,568)

The accompanying notes are an integral part of the financial statements

BOYS & GIRLS CLUBS OF COLLIN COUNTY, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2017
With Summarized Financial Information
For the Year Ended December 31, 2016

	Program Services					Supporting Services				
	McKinney Branch	Plano Branch	Frisco Branch	Other Programs	Total	General & Administrative	Fund Raising	Total	Total	2016
Salaries	\$ 394,513	\$ 447,523	\$ 420,511	\$ -	\$ 1,262,547	\$ 97,887	\$ 267,175	\$ 365,062	\$ 1,627,609	\$ 1,676,029
Payroll taxes	30,840	35,119	32,858	-	98,817	7,159	19,245	26,404	125,221	128,567
Employee benefits	55,104	51,981	49,888	-	156,973	54,605	6,148	60,753	217,726	190,453
Total salaries and related expenses	480,457	534,623	503,257	-	1,518,337	159,651	292,568	452,219	1,970,556	1,995,049
Professional fees	\$ 13,174	\$ 11,493	\$ 11,932	\$ 425	\$ 37,024	\$ 17,858	\$ 24,712	42,570	\$ 79,594	\$ 56,009
Supplies and program expense	12,478	19,159	20,391	10,102	62,130	4,380	5,197	9,577	71,707	68,366
Telephone	7,730	7,970	8,669	-	24,369	2,477	2,475	4,952	29,321	24,347
Postage and shipping	-	-	-	-	-	692	1,681	2,373	2,373	1,748
Dues and memberships	2,365	2,385	2,010	-	6,760	5	-	5	6,765	7,760
Occupancy	38,816	187,623	42,267	-	268,706	11,712	10,189	21,901	290,607	282,659
Local transportation/travel	28,698	32,831	37,721	1,296	100,546	86	1,832	1,918	102,464	94,587
Conferences and conventions	1,545	1,545	2,295	700	6,085	485	499	984	7,069	1,682
Uniforms and clothing	1,220	1,657	2,017	2,026	6,920	-	-	-	6,920	8,372
Fieldtrips	12,086	10,511	23,166	-	45,763	-	-	-	45,763	51,251
Awards and grants	(30)	113	68	300	451	131	-	131	582	1,056
Equipment repair	3,586	2,385	2,778	-	8,749	1,389	1,318	2,707	11,456	15,159
Bank and merchant fees	4,318	3,769	5,547	-	13,634	1,131	454	1,585	15,219	13,733
Miscellaneous	414	377	446	-	1,237	1,086	355	1,441	2,678	6,099
Dues to Affiliates	3,574	3,574	3,574	-	10,722	-	-	-	10,722	9,816
Equipment rental	4,958	6,017	6,017	-	16,992	2,505	1,522	4,027	21,019	20,547
Insurance	27,837	31,602	29,822	-	89,261	3,015	-	3,015	92,276	89,679
Licenses and permits	662	262	861	-	1,785	-	-	-	1,785	2,245
Interest	-	-	39,676	-	39,676	4,565	-	4,565	44,241	43,568
	163,431	323,273	239,257	14,849	740,810	51,517	50,234	101,751	842,561	798,683
Depreciation	90,045	60,354	93,820	-	244,219	9,029	-	9,029	253,248	218,362
Total	\$ 733,933	\$ 918,250	\$ 836,334	\$ 14,849	\$ 2,503,366	\$ 220,197	\$ 342,802	\$ 562,999	\$ 3,066,365	\$ 3,012,094

The accompanying notes are an integral part of the financial statements

BOYS & GIRLS CLUBS OF COLLIN COUNTY, INC.
Notes to Financial Statements

1. Summary of Significant Accounting Policies

(a) Organization and Operations

The Boys & Girls Clubs of Collin County, Inc. (the "Organization") is a Texas nonprofit corporation incorporated in 1968 under the laws of the State of Texas for the purpose of enhancing the quality of life for the youth of Collin County by providing a diversity of quality programs in the areas of character and leadership development, education and career development, health and life skills, sport fitness, recreation and the arts.

(b) Financial Statement Presentation

For financial reporting purposes, the Organization's net assets are grouped and reported by the following three classifications:

Unrestricted - includes funds that represent resources over which the Board of Directors has discretionary control to carry out operations of the Organization in accordance with its bylaws.

Temporarily Restricted - includes funds that represent resources expendable only for those operating purposes specified by the donor. Resources of this classification originate principally from grants and gifts.

Permanently Restricted - includes funds that have been accepted with donor stipulations that the principal be maintained intact in perpetuity with only the income to be utilized.

(c) Accounts Receivable

The Organization charges fees for certain services/activities. Income from these services/activities is recorded when earned. All services/activities must be paid for by the time the services/activities occur. Any payments deemed to be insufficient funds ("NSF" checks) are recorded as receivables. The organization automatically debits customer's bank accounts for NSF checks. Any NSF checks that cannot be collected through this process after 30 days are charged against an allowance for uncollectible accounts. At December 31, 2017 the Organization had no material accounts receivable that were deemed to be uncollectible.

(d) Income Taxes

The Organization is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and qualifies as a publicly supported Organization under Section 509(a)(1) of the Internal Revenue Code.

BOYS & GIRLS CLUBS OF COLLIN COUNTY, INC.
Notes to Financial Statements

(e) Fixed Assets

Expenditures for furniture and equipment are stated at cost. Donated assets are recorded at their estimated fair market value at the date of contribution. Such donations are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit instructions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the assets are placed into service. The Organization capitalized fixed assets over \$1,000 and with a useful life in excess of one year. Fixed assets are evaluated periodically to determine if an impairment of their value has occurred. It is the opinion of management that no such impairment has occurred.

Depreciation of fixed assets is calculated on the straight-line method over the following useful lives:

Equipment	3-8 years
Buildings	35-40 years

(f) Functional Expenses Allocation

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

(g) Contributions and Grants

Contributions and Grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the restrictions are met in the year of contribution, the amounts of temporarily restricted gifts are listed as unrestricted contributions.

(h) Contributed Materials and Services

A substantial number of volunteers have donated significant amounts of time to the Organization's activities. However, the Organization only recognizes donated services that create or enhance nonfinancial assets, or that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been presented in the financial statements for contributed services, as these amounts are immaterial. The Organization recorded a total of \$144,000 in in-kind contributions related to facility rental and \$134,092 for assets that were donated in 2017.

BOYS & GIRLS CLUBS OF COLLIN COUNTY, INC.
Notes to Financial Statements

(i) Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with maturity of three months or less to be cash equivalents. The Organization places its cash with quality financial institutions and limits its exposure by controlling the cash balances it maintains in any one financial institution. The Organization has never experienced losses from credit risk associated with its cash balances.

(j) Investments

Investments are carried at their value, as determined by quoted market prices. Investment income is included in unrestricted income, unless restricted by a donor.

(k) Use of Estimates

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

(l) Comparative Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

(m) Subsequent Events

Management evaluates subsequent events through the date of the report, which is the date the financial statements were available to be issued.

(n) Accounting Pronouncements

In January 2016, the Financial Accounting Standards Board issued a pronouncement related to accounting for leases. The effect of this change will require that Organizations who enter into leases of more than twelve months record those leases as assets and liabilities. The standard is effective for the Organization's year that ends December 31, 2020. The Organization has not yet assessed the impact of this new accounting standard.

BOYS & GIRLS CLUBS OF COLLIN COUNTY, INC.
Notes to Financial Statements

2. Fixed Assets

The composition of fixed assets at December 31, 2017 is as follows:

Land	\$ 510,435
Buildings and improvements	4,167,440
Equipment	<u>1,464,800</u>
	6,142,675
Less accumulated depreciation	<u>2,341,009</u>
	<u><u>\$3,801,666</u></u>

3. Commitments and Contingencies

Grants and bequests require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of funds to the grantor. Although that remains a possibility, the Board deems such contingency remote since by accepting the gifts and their terms, the Organization has, in essence, accommodated the provisions of the gift.

4. Note Payable

\$250,000 line of credit with a local bank.

The note is due on demand, but if no demand is made it is due September 19, 2018. The note bears interest at The Wall Street Journal prime rate (4.50% at December 31, 2017) and is secured by real estate.

\$ -

Note payable to a local bank. The note is due in monthly installments through August 2018. The note bears interest at 4.819% and is payable in monthly installments of \$1,617.

The note is secured by automotive equipment.

12,572

Note payable to a local bank. The note is due in monthly installments through October 2024. The note bears interest at 4.819% and is payable in monthly installments of \$4,992 with a balloon payment at the end of the note of \$629,672.

The note is secured by the Organization's real estate.

790,288

\$ 802,860

BOYS & GIRLS CLUBS OF COLLIN COUNTY, INC.
Notes to Financial Statements

Maturities of the debt above are as follows:

2018	20,966
2019	21,999
2020	23,083
2021	24,220
2022	25,413
Thereafter	687,179

5. Retirement Plan

In December, 2002, the organization adopted a pension plan for its employees to be known as the Boys and Girls Clubs of Collin County, Inc. Pension Plan. Employees that are 21 and have completed one year of employment are eligible for coverage. Employees become 100% vested after five years of participation. Only employer contributions to the plan are allowed which are calculated at 5% of eligible employee's compensation.

Total amounts contributed by the Organization to the plan above were \$58,783 for the year ended December 31, 2017.

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are comprised of \$809,988 which is restricted for the construction of a camp site. During 2016, the Organization received a bequest, which is included in the restricted balance above along with income that has been earned on the balance. The amount is shown as restricted cash and restricted investments on the Statement of Financial Position. The Will of the donor requires that the balance be expended within ten years or the funds are to be returned to the other heirs. The Organization is attempting to have the living heirs waive their claims to the funds so that they can be expended as the as unrestricted resources.

There were no assets released from restriction during 2017.

Permanently restricted net assets were comprised of funds donated for a permanent endowment fund.

7. Value of Restricted Investments

In accordance with FASB Accounting Standards Codification Section 820, the Organization classifies its financial assets and liabilities into Level 1, which refers to assets and liabilities with quoted prices in an active market; Level 2, which refers to assets and liabilities not traded on an open market but for which other observable inputs are available; and Level 3, which refers to assets and liabilities not traded in active markets which require significant unobservable inputs to value. Currently, all of the Organization's financial assets are classified as Level 1.

BOYS & GIRLS CLUBS OF COLLIN COUNTY, INC.
Notes to Financial Statements

Long-term investments consisted of the following as of December 31, 2017:

	COST	FAIR VALUE
Equity securities	\$540,552	\$546,875
Fixed income securities	188,063	187,349
Hedge funds	10,000	9,907
Commodities	<u>5,000</u>	<u>4,875</u>
Total	<u>\$743,615</u>	<u>\$749,006</u>