



Boys & Girls Clubs of Collin County, Inc.

**Financial Statements
December 31, 2019**

Boys & Girls Clubs of Collin County, Inc.
Contents

Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



Independent Auditors' Report

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Correction of Error

As discussed in Note 2 to the financial statements, certain errors as of December 31, 2018 were discovered by management of Boys & Girls Clubs of Collin County, Inc. during the current year. Accordingly, the amount reported for net assets with donor restrictions and total net assets at December 31, 2018 has been restated in the financial statements now presented to correct the errors. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "Sutton Frost Cary".

A Limited Liability Partnership

Arlington, Texas

June 22, 2020

Boys & Girls Clubs of Collin County, Inc.
Statement of Financial Position
December 31, 2019

Assets

Cash and cash equivalents	\$	238,477
Grants receivable		60,404
Prepaid expenses		30,211
Investments		902,697
Other assets		5,750
Property and equipment, net		4,098,944
Assets restricted for capital expenditures:		
Cash and cash equivalents		203,997
Pledges receivable, net		483,875
Assets restricted for endowment:		
Cash and cash equivalents		5,000
Total assets	\$	6,029,355

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$	129,100
Accrued expenses		142,034
Grant refund payable		12,455
Refundable advance		902,697
Notes payable		977,603
Total liabilities		2,163,889
Net assets:		
Net assets without donor restrictions		2,992,576
Net assets with donor restrictions		872,890
Total net assets		3,865,466
Total liabilities and net assets	\$	6,029,355

See notes to financial statements.

Boys & Girls Clubs of Collin County, Inc.
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Program fees	\$ 615,163	\$ -	\$ 615,163
Contributions	821,027	753,550	1,574,577
Grant support	650,199	22,417	672,616
Special events (net of direct costs of \$561,220)	871,454	-	871,454
In-kind contributions	159,000	-	159,000
Miscellaneous	20,191	-	20,191
Net assets released from restrictions	150,808	(150,808)	-
Total revenue and support	3,287,842	625,159	3,913,001
Expenses:			
Program services:			
McKinney Branch	783,595	-	783,595
Plano Branch	944,129	-	944,129
Frisco Branch	994,838	-	994,838
Other programs	18,126	-	18,126
Total program services	2,740,688	-	2,740,688
Supporting services:			
General and administrative	275,657	-	275,657
Fundraising	487,783	-	487,783
Total expenses	3,504,128	-	3,504,128
Change in net assets	(216,286)	625,159	408,873
Net assets at beginning of year, as restated	3,208,862	247,731	3,456,593
Net assets at end of year	\$ 2,992,576	\$ 872,890	\$ 3,865,466

See notes to financial statements.

Boys & Girls Clubs of Collin County, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services					Supporting Services			Total Expenses
	McKinney Branch	Plano Branch	Frisco Branch	Other Programs	Total	General and Administrative	Fundraising	Total	
Salaries	\$ 409,191	\$ 448,299	\$ 489,517	\$ -	\$ 1,347,007	\$ 159,399	\$ 345,261	\$ 504,660	\$ 1,851,667
Payroll taxes	31,501	34,069	37,843	-	103,413	11,913	24,926	36,839	140,252
Employee benefits	51,622	49,419	73,093	-	174,134	49,455	23,205	72,660	246,794
Total payroll related expense	492,314	531,787	600,453	-	1,624,554	220,767	393,392	614,159	2,238,713
Professional fees	15,666	26,052	20,342	3,695	65,755	6,945	22,594	29,539	95,294
Supplies and program	28,769	22,998	22,340	13,015	87,122	9,893	9,927	19,820	106,942
Telephone	8,007	9,761	9,452	-	27,220	2,202	2,207	4,409	31,629
Postage and shipping	24	77	93	-	194	478	2,390	2,868	3,062
Dues and memberships	2,467	2,592	2,542	-	7,601	375	181	556	8,157
Occupancy	54,892	195,738	60,688	-	311,318	15,382	14,392	29,774	341,092
Local transportation/travel	28,924	45,646	39,309	1,276	115,155	2,466	1,661	4,127	119,282
Conferences and conventions	1,936	2,256	2,511	-	6,703	808	708	1,516	8,219
Uniforms and clothing	2,313	2,029	1,919	-	6,261	-	-	-	6,261
Fieldtrips	12,134	13,566	32,092	140	57,932	-	-	-	57,932
Awards and grants	73	167	-	-	240	253	-	253	493
Equipment repair	3,853	3,363	3,830	-	11,046	-	140	140	11,186
Bank and merchant fees	6,482	5,662	7,414	-	19,558	384	-	384	19,942
Miscellaneous	474	1,485	1,246	-	3,205	471	304	775	3,980
Depreciation	81,487	41,159	108,308	-	230,954	6,733	(584)	6,149	237,103
Special event	-	-	-	-	-	-	561,220	561,220	561,220
Dues to affiliates	3,809	3,809	3,809	-	11,427	-	-	-	11,427
Equipment rental	7,253	3,331	3,331	-	13,915	3,451	3,451	6,902	20,817
Insurance	32,123	32,356	35,570	-	100,049	3,181	-	3,181	103,230
Licenses and permits	595	295	395	-	1,285	20	20	40	1,325
Bad debt	-	-	-	-	-	-	37,000	37,000	37,000
Interest	-	-	39,194	-	39,194	1,848	-	1,848	41,042
Total expenses by function	783,595	944,129	994,838	18,126	2,740,688	275,657	1,049,003	1,324,660	4,065,348
Less expenses not included in operating expenses on the statement of activities									
Direct costs of special events	-	-	-	-	-	-	561,220	561,220	561,220
Total operating expenses included in the expense section on the statement of activities	\$ 783,595	\$ 944,129	\$ 994,838	\$ 18,126	\$ 2,740,688	\$ 275,657	\$ 487,783	\$ 763,440	\$ 3,504,128

See notes to financial statements.

Boys & Girls Clubs of Collin County, Inc.
Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ 408,873
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	237,103
Realized and unrealized gain on investments	(144,359)
Allowance for doubtful accounts - pledges receivable restricted for capital expenditures	37,000
Amortization of discount - pledges receivable restricted for capital expenditures	13,164
Contributions restricted for capital expenditures	(681,500)
Changes in assets and liabilities:	
Grants receivable	(60,404)
Prepaid expenses	2,177
Other assets	(1,200)
Accounts payable	(10,760)
Accrued expenses	16,721
Grant refund payable	12,455
Refundable advance	165,645
Net cash used by operating activities	(5,085)
Cash flows from investing activities:	
Purchases of property and equipment	(298,172)
Purchases of investments	(654,499)
Proceeds from sales of investments	633,213
Net cash used by investing activities	(319,458)
Cash flows from financing activities:	
Draws on line of credit	60,000
Payments on line of credit	(60,000)
Collections of pledges receivable restricted for capital expenditures	346,743
Payments on notes payable	(31,494)
Net cash provided by financing activities	315,249
Net decrease in cash and cash equivalents	(9,294)
Cash and cash equivalents at beginning of year	456,768
Cash and cash equivalents at end of year	\$ 447,474
Supplemental noncash investing and financing activities:	
Property purchased through the issuance of notes payable	\$ 213,987
Cash paid during the year for interest	\$ 41,042
Reconciliation of cash and restricted cash reported within the statement of financial position to the statement of cash flows:	
Cash and cash equivalents	\$ 238,477
Cash and cash equivalents restricted for capital expenditures	203,997
Cash and cash equivalents restricted for endowment	5,000
Total cash and restricted cash and cash equivalents shown in the statement of cash flows	\$ 447,474

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

1. Organization

The Boys & Girls Clubs of Collin County, Inc. (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. The Organization's primary revenue sources are donations from individuals and foundations, income from various branches, grants and special events. The Organization's programs are as follows:

After School Programs – The Organization provides after-school for kids ages 5-18 at three sites across Collin County. Each Club operates programs utilizing nationally recognized evidence-based curricula developed by Boys & Girls Clubs of America in partnership with some of the country's most prestigious universities. We customize programs to meet the needs of our communities and the youth we serve.

Summer Programs – The Organization offers exciting, fun and engaging summer camp programs. The Organization's camps include various activities and field trips.

Athletics – Team sports are open to all Organization members. Participants learn athletic skills, values of teamwork, good sportsmanship, anger management and discipline.

2. Prior Period Restatement

The Organization's net assets as of December 31, 2018 were restated to correct the following errors:

- Understatement of net assets with donor restrictions and overstatement of net assets without donor restrictions of \$230,000.
- Understatement of accrued vacation of \$94,173.
- Overstatement of deferred revenue of \$18,206.
- Understatement of refundable advance of \$737,052 and overstatement of net assets with donor restriction of \$737,052.

3. Summary of Significant Accounting Policies

The accounting policies of the Organization conform to U.S. generally accepted accounting principles (GAAP). The more significant accounting policies of the Organization are described below.

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

Basis of Accounting

The Organization prepares the financial statements on the accrual basis of accounting.

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. In the absence of donor restrictions to the contrary, restrictions on contributions of property or on assets restricted to the acquisition or construction of property expire when the property is placed in service.

Financial Instruments and Credit and Market Risk Concentrations

Financial instruments, which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, grants receivable, pledges receivable and investments in marketable securities. Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization had no uninsured balances of cash as of December 31, 2019. Grants and pledges receivable are unsecured and are due from various members, donors and governmental agencies.

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

The Organization's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of the investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization classifies cash and money market accounts held by external investment managers as investments as these funds are not readily available for operations.

Concentrations

During the year ended December 31, 2019, the Organization received approximately 30% of total contributions from two donors.

During the year ended December 31, 2019, the Organization received approximately 18% of total grant support from one grantor.

During the year ended December 31, 2019, the Organization received approximately 91% of total in-kind donations from one donor.

At December 31, 2019, pledges from three donors totaled approximately 52% of total pledges receivable.

Grants and Pledges Receivable

Pledges receivable are recorded at the estimated fair value when made, and grants receivable are recorded based on the reimbursable amount incurred. The collectability of the Organization's receivables is reviewed on an ongoing basis, using an assessment of the current status of individual accounts and current economic conditions.

Investments

At December 31, 2019, the Organization's investments in marketable securities consist of cash equivalents and mutual funds and are stated at fair value in the statement of financial position. Interest, dividends and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, fair market value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000; the fair value of donated property and equipment is similarly capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 20 to 40 years for buildings and improvements and 3 to 5 years for vehicles, furniture and equipment. Leasehold improvements are depreciated at the lesser of lease term or asset life.

Impairment of Long-Lived Assets

Management of the Organization periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. Fair value is determined based on the estimated future cash inflows attributable to the asset less estimated future cash outflows. No such loss was recognized during the year ended December 31, 2019.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Program fees are recognized as revenue when the contracted services are performed.

Event sponsorship revenue is recognized at the date the event occurs. Advanced payments for the event sponsorships are reported as deferred until the date of the event.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

As of December 31, 2019, the Organization has approximately \$410,000 of conditional grants from various government agencies. The grants will be recognized as revenue when the conditions, which include performance of allowable activities and incurring allowable expenses, are met.

Donated materials, rent and equipment are reflected as contributions at their estimated fair values at date of receipt.

Grants and Contracts

The Organization receives grants and contracts from federal and state agencies, as well as private organizations, to be used for specific programs. For government grants and contracts, the excess of reimbursable expenditures over cash receipts is included in grants receivable.

The Organization's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of the Organization.

Federal Income Tax

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the year ended December 31, 2019. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Allocation of Functional Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the financial statements. Costs are allocated between program services and supporting services based on management's judgment considering space used, time spent or direct relation to the program or supporting service benefited.

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP 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 estimated.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases (ASC Topic 842)* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2021.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

Accounting Pronouncements Adopted

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The Organization has adopted this ASU as of and for the year ended December 31, 2019.

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

In 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The Organization has adopted this ASU as of and for the year ended December 31, 2019.

Analysis of the various portions of these ASUs resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Organization adopted FASB ASU 2016-18, *Statement of Cash Flows: Restricted Cash* as of and for the year ended December 31, 2019 with retrospective application for the financial statements. This ASU requires that the statement of cash flows explain the change during the year in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents are included with the cash and cash equivalents to reconcile the beginning of year and end of year total amounts shown on the statement of cash flow.

4. Investments

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date; |
| Level 2 | Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; |
| Level 3 | Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk. |

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Mutual Funds

These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

Cash Equivalents

Cash equivalents are valued using a NAV of \$1.

The Organization's investments are valued using Level 1 inputs and their fair values are as follows as of December 31, 2019:

Cash equivalents	\$ 27,287
Mutual funds:	
Equities	649,893
Fixed income funds	183,776
Hedge funds	34,128
Tangible assets	7,613
	<u>\$ 902,697</u>

The following investments represent 10% or more of total investments at December 31, 2019:

Vanguard S&P 500 EFT	\$ 307,632
Ishares Russell Mid-cap ETF	91,219
Vanguard FTSE Developed Markets ETF	90,984
Ishares Core US Aggregate BD ETF	98,324

Net investment income consists of the following for the year ended December 31, 2019:

Interest and dividends	\$ 27,746
Realized gains	5,779
Unrealized gains	138,580
Investment expenses	(6,152)
	<u>\$ 165,953</u>

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

Net investment income has been included with refundable advance in the statement of financial position. See Note 7 regarding assets held in trust.

5. Pledges Receivable

Pledges receivable at December 31, 2019 are as follows:

Pledges receivable	\$ 534,039
Less discount to present value	(13,164)
Less allowance for uncollectible pledges receivable	<u>(37,000)</u>
Net pledges receivable	<u><u>\$ 483,875</u></u>
Receivable in less than one year	\$ 356,467
Receivable between one and five years	\$ 127,408

Pledges receivable due in more than one year are valued using a discount rate of 4.75%.

6. Property and Equipment

Property and equipment consists of the following at December 31, 2019:

Land	\$ 510,435
Buildings and improvements	3,848,871
Construction in progress	143,623
Leasehold improvements	378,461
Furniture, fixtures and equipment	970,231
Vehicles	<u>1,044,274</u>
	6,895,895
Accumulated depreciation	<u>(2,796,951)</u>
	<u><u>\$ 4,098,944</u></u>

7. Refundable Advance

During 2016, the Organization received a bequest which is conditional upon the funds being used to build a camp upon land to be bequeathed to the Organization from the donor's brother. The funds must be expended within ten years or returned to the other heirs. The funds are being held in a trust account and earnings are considered additions to the refundable advance. At December 31, 2019, contributions totaling \$902,697 have not been recognized in the accompanying financial statements because the conditions have not been met.

Boys & Girls Clubs of Collin County, Inc.
Notes to Financial Statements

8. Line of Credit

The Organization had a \$250,000 line of credit with a bank with interest at the *Wall Street Journal* prime rate (4.75% at December 31, 2019) maturing in September 2020. The line of credit had no outstanding balance at December 31, 2019.

9. Notes Payable

Notes payable consists of the following at December 31, 2019:

Note payable to a bank, interest at 5.00%, interest payable monthly until maturity in October 2023 when all unpaid interest and principal is due, secured by a vehicle.	\$ 20,890
---	-----------

Note payable to a bank, interest at 5.45%, principal and interest payable monthly until maturity in December 2024 when all unpaid interest and principal is due, secured by three passenger buses.	175,169
--	---------

Note payable to a bank, interest at 5.74%, principal and interest payable monthly until maturity in April 2024 when all unpaid interest and principal is due, secured by a vehicle.	17,128
---	--------

Note payable to a bank, interest at 5.74%, principal and interest payable monthly until maturity in April 2024 when all unpaid interest and principal is due, secured by a vehicle.	17,128
---	--------

Note payable to an organization, interest at 4.75%, principal and interest payable monthly until maturity in October 2024 when all unpaid interest and principal is due, collateralized by real property.	<u>747,288</u>
	<u><u>\$ 977,603</u></u>

Boys & Girls Clubs of Collin County, Inc.
Notes to Financial Statements

Maturities of long-term debt are as follows for the years ending December 31:

2020	\$	67,337
2021		70,900
2022		74,677
2023		77,102
2024		687,587
		687,587
		\$ 977,603

10. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31, 2019:

Subject to expenditure for specified purpose:		
North Texas camp	\$	12,731
City of McKinney social services		13,500
Capital campaign		841,659
		867,890
Subject to restriction in perpetuity:		
Endowment		5,000
		5,000
Total net assets with donor restrictions		\$ 872,890

As of December 31, 2019, \$103,623 of capital campaign funds had been spent on construction in progress.

11. Related Party Transactions and Commitments

The Organization has unconditional promises to give from various board members totaling \$120,766 at December 31, 2019.

The Organization leases various office space and equipment under non-cancelable operating lease agreements with unrelated parties expiring through 2022. Operating lease expense related to these leases totaled \$60,200 for the year ended December 31, 2019.

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

The following is a schedule of future minimum lease payments under the Organization's lease agreements with unrelated parties for the years ending December 31:

2020	\$	89,152
2021		89,152
2022		46,237
2023		13,835

12. Liquidity and Availability of Resources

The following is a schedule of the Organization's financial assets available to meet cash needs for general expenditures within one year at December 31, 2019:

Cash and cash equivalents	\$	447,474
Grants receivable		60,404
Investments		902,697
Pledges receivable, net		<u>483,875</u>
Total financial assets		1,894,450
Less amounts not available for general expenditure within one year:		
Cash and cash equivalents restricted for capital expenditures		(203,997)
Pledges receivable restricted for capital expenditures		(483,875)
Cash and cash equivalents restricted for endowment		(5,000)
Net assets with donor restrictions for North Texas camp		(12,731)
Investments held in trust for refundable advance		<u>(902,697)</u>
		<u>(1,608,300)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>286,150</u></u>

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stabilities, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization's goal is to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. To achieve these targets, the Organization forecasts its future cash flows and monitors its reserves and liquidity on a monthly basis.

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

13. Special Event Revenue

During the year ended December 31, 2019, the Organization held special events including a gala that generated significant revenue of \$1,196,469. The loss of this revenue would have a significant effect on the operation of the Organization. Total costs associated with the gala totaled \$464,285 for the year ended December 31, 2019.

14. In-Kind Donations

The Organization leases the building containing its Plano location from the city of Plano, Texas for a nominal amount. The lease began in September 2010 and was effective for a period of fifteen years. The lease term is currently on a year-to-year basis. The estimated fair market value of the donated space is reflected in the accompanying financial statements as contribution revenue and occupancy expense in the amount of \$144,000 for the year ended December 31, 2019.

During 2019, the Organization received donated materials and equipment with a total fair market value of \$15,000.

15. Boys & Girls Clubs of America

The Organization is affiliated with a national organization, Boys & Girls Clubs of America (BGCA). BGCA has no governing power over its affiliates and serves as a trade association providing supporting services and nationally recognized standards for agency operations and program management at the local level. Annual dues paid by the Organization to BGCA during the year ended December 31, 2019 totaled \$11,160 and were included with dues to affiliates in the statement of functional expenses.

16. Defined Contribution Retirement Plan

The Organization maintains a defined contribution retirement plan provided for employees meeting certain minimum eligibility requirements. Employees may contribute a portion of their earnings to this plan with the Organization making safe harbor and discretionary contributions to the plan. During the year ended December 31, 2019, the Organization contributed \$64,326 to the plan.

Boys & Girls Clubs of Collin County, Inc.
Notes to Financial Statements

17. Subsequent Events

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. Due to the pandemic, the Organization postponed an event and experienced losses in its investment portfolio, none of which were determined to be other than temporary. In addition, the coronavirus outbreak has severely restricted the level of economic activity in the north central Texas area. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

On April 29, 2020, the Organization received \$300,000 as a loan from the Paycheck Protection Program which originated from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). A portion of the loan may be forgiven in accordance with the terms of the CARES Act.

The Organization evaluated subsequent events after the statement of financial position date through June 22, 2020, which was the date the financial statements were available to be issued, and concluded that no additional disclosures are required.