



Boys & Girls Clubs of Collin County, Inc.

**Financial Statements
December 31, 2022 and 2021**

Boys & Girls Clubs of Collin County, Inc.
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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Boys & Girls Clubs of Collin County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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 & Girls Clubs of Collin County, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 & Girls Clubs of Collin County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, Boys & Girls Clubs of Collin County, Inc. changed its method of accounting for its leases effective January 1, 2022 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance GAAP, 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 misstatement, 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 & Girls Clubs of Collin County, Inc.'s 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 GAAS 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, including omissions, 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 GAAS, 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 & Girls Clubs of Collin County, Inc.'s 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 & Girls Clubs of Collin County, Inc.'s 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.

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

A Limited Liability Partnership

Arlington, Texas
July 17, 2023

Boys & Girls Clubs of Collin County, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,184,274	\$ 863,485
Grants receivable	60,790	82,415
Pledges receivable	48,362	43,605
Other receivable	-	287,266
Insurance receivable	-	50,827
Prepaid expenses	29,003	9,984
Total current assets	1,322,429	1,337,582
Noncurrent assets:		
Investments	768,587	900,352
Other assets	6,911	5,750
Property and equipment, net	3,830,686	3,794,507
Right-of-use assets - operating leases, net	354,607	-
Total noncurrent assets	4,960,791	4,700,609
Assets restricted for capital expenditures:		
Cash and cash equivalents	53,431	93,431
Pledges receivable, net	420,058	411,762
Assets restricted for endowment:		
Cash and cash equivalents	5,000	5,000
Total assets	\$ 6,761,709	\$ 6,548,384
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 34,475	\$ 31,304
Accrued expenses	76,642	85,298
Refundable advance	768,587	900,352
Operating lease liabilities, current portion	65,747	-
Current portion of notes payable	39,987	74,678
Total current liabilities	985,438	1,091,632
Noncurrent liabilities:		
Operating lease liabilities, net	301,583	-
Notes payable, net	794,155	772,121
Total noncurrent liabilities	1,095,738	772,121
Total liabilities	2,081,176	1,863,753
Net assets:		
Without donor restrictions	3,746,207	3,737,805
With donor restrictions	934,326	946,826
Total net assets	4,680,533	4,684,631
Total liabilities and net assets	\$ 6,761,709	\$ 6,548,384

See notes to financial statements.

Boys & Girls Clubs of Collin County, Inc.
Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Program fees	\$ 919,825	\$ -	\$ 919,825
Contributions of financial assets	291,148	162,500	453,648
Contributions of nonfinancial assets	190,590	-	190,590
Grant support	1,055,530	-	1,055,530
Special events (net of direct costs of \$527,437)	625,508	-	625,508
Miscellaneous	9,161	-	9,161
Net assets released from restrictions	175,000	(175,000)	-
Total revenue and support	3,266,762	(12,500)	3,254,262
Operating expenses:			
Program services:			
McKinney Branch	744,768	-	744,768
Plano Branch	774,970	-	774,970
Frisco Branch	805,144	-	805,144
Princeton Branch	172,378	-	172,378
Total program services	2,497,260	-	2,497,260
Supporting services:			
General and administrative	452,629	-	452,629
Fundraising	308,471	-	308,471
Total operating expenses	3,258,360	-	3,258,360
Change in net assets	8,402	(12,500)	(4,098)
Net assets at beginning of year	3,737,805	946,826	4,684,631
Net assets at end of year	\$ 3,746,207	\$ 934,326	\$ 4,680,533

See notes to financial statements.

Boys & Girls Clubs of Collin County, Inc.
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Program fees	\$ 596,705	\$ -	\$ 596,705
Contributions of financial assets	423,324	199,617	622,941
Contributions of nonfinancial assets	144,000	-	144,000
Grant support	1,171,220	-	1,171,220
Special events (net of direct costs of \$95,018)	471,332	-	471,332
Miscellaneous	198,946	-	198,946
Net assets released from restrictions	175,000	(175,000)	-
Total revenue and support	3,180,527	24,617	3,205,144
Operating expenses:			
Program services:			
McKinney Branch	737,679	-	737,679
Plano Branch	704,217	-	704,217
Frisco Branch	731,634	-	731,634
Total program services	2,173,530	-	2,173,530
Supporting services:			
General and administrative	353,277	-	353,277
Fundraising	317,637	-	317,637
Total operating expenses	2,844,444	-	2,844,444
Excess of revenue over operating expenses	336,083	24,617	360,700
Non-operating income:			
Gain on involuntary conversion	10,833	-	10,833
Change in net assets	346,916	24,617	371,533
Net assets at beginning of year	3,390,889	922,209	4,313,098
Net assets at end of year	\$ 3,737,805	\$ 946,826	\$ 4,684,631

See notes to financial statements.

Boys & Girls Clubs of Collin County, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services					Supporting Services			Total Expenses
	McKinney Branch	Plano Branch	Frisco Branch	Princeton Branch	Total	General and Administrative	Fundraising	Total	
Salaries	\$ 369,333	\$ 352,953	\$ 365,205	\$ 145,102	\$ 1,232,593	\$ 225,440	\$ 203,259	\$ 428,699	\$ 1,661,292
Payroll taxes	28,718	27,075	28,946	12,097	96,836	15,871	11,928	27,799	124,635
Employee benefits	51,182	35,993	32,912	2,564	122,651	42,305	16,421	58,726	181,377
Total payroll related expense	449,233	416,021	427,063	159,763	1,452,080	283,616	231,608	515,224	1,967,304
Professional fees	7,098	7,327	11,430	1,443	27,298	34,855	23,911	58,766	86,064
Supplies and program	13,394	12,253	15,562	3,302	44,511	12,065	16,318	28,383	72,894
Telephone	5,855	6,269	5,891	306	18,321	3,148	2,960	6,108	24,429
Dues and memberships	5,543	5,668	5,593	-	16,804	-	886	886	17,690
Occupancy	67,984	194,546	82,227	1,900	346,657	19,388	18,271	37,659	384,316
Local transportation and travel	5,539	5,052	5,052	106	15,749	4,022	1,182	5,204	20,953
Equipment repair	3,977	4,616	4,616	175	13,384	1,965	1,466	3,431	16,815
Bank and merchant fees	11,266	10,805	10,804	4,406	37,281	526	3,103	3,629	40,910
Other fees	-	-	-	-	-	18,031	-	18,031	18,031
Miscellaneous	50,391	36,758	43,121	809	131,079	5,457	5,321	10,778	141,857
Depreciation	84,109	37,382	118,083	168	239,742	2,550	-	2,550	242,292
Special event	-	-	-	-	-	-	527,437	527,437	527,437
Equipment rental	6,408	2,255	2,255	-	10,918	2,605	2,608	5,213	16,131
Insurance	32,786	34,833	37,732	-	105,351	12,522	837	13,359	118,710
Bad debt	-	-	-	-	-	40,000	-	40,000	40,000
Interest	1,185	1,185	35,715	-	38,085	11,879	-	11,879	49,964
Total expenses by function	744,768	774,970	805,144	172,378	2,497,260	452,629	835,908	1,288,537	3,785,797
Less expenses not included in operating expenses on the statement of activities									
Direct costs of special events	-	-	-	-	-	-	(527,437)	(527,437)	(527,437)
Total operating expenses included in the expense section on the statement of activities	\$ 744,768	\$ 774,970	\$ 805,144	\$ 172,378	\$ 2,497,260	\$ 452,629	\$ 308,471	\$ 761,100	\$ 3,258,360

See notes to financial statements.

Boys & Girls Clubs of Collin County, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services				Supporting Services			Total Expenses
	McKinney Branch	Plano Branch	Frisco Branch	Total	General and Administrative	Fundraising	Total	
Salaries	\$ 414,497	\$ 312,423	\$ 349,221	\$ 1,076,141	\$ 204,703	\$ 239,436	\$ 444,139	\$ 1,520,280
Payroll taxes	31,960	23,293	36,082	91,335	6,557	13,952	20,509	111,844
Employee benefits	57,114	35,467	39,567	132,148	41,858	22,030	63,888	196,036
Total payroll related expense	503,571	371,183	424,870	1,299,624	253,118	275,418	528,536	1,828,160
Professional fees	17,697	12,070	12,721	42,488	19,787	16,236	36,023	78,511
Supplies and program	2,489	1,731	4,097	8,317	4,081	1,204	5,285	13,602
Telephone	5,340	5,957	5,345	16,642	1,999	2,000	3,999	20,641
Dues and memberships	6,978	6,533	6,683	20,194	-	119	119	20,313
Occupancy	63,183	188,198	65,703	317,084	16,044	15,218	31,262	348,346
Local transportation and travel	15,290	16,612	10,836	42,738	132	48	180	42,918
Equipment repair	3,200	4,321	3,284	10,805	666	-	666	11,471
Bank and merchant fees	8,386	8,313	7,405	24,104	396	203	599	24,703
Miscellaneous	2,540	5,462	3,684	11,686	1,485	2,120	3,605	15,291
Depreciation	75,654	44,573	113,081	233,308	4,787	-	4,787	238,095
Special event	-	-	-	-	-	95,018	95,018	95,018
Equipment rental	4,698	4,156	4,156	13,010	4,306	4,246	8,552	21,562
Insurance	26,314	32,769	30,640	89,723	13,376	825	14,201	103,924
Bad debt	-	-	-	-	33,100	-	33,100	33,100
Interest	2,339	2,339	39,129	43,807	-	-	-	43,807
Total expenses by function	737,679	704,217	731,634	2,173,530	353,277	412,655	765,932	2,939,462
Less expenses not included in operating expenses on the statement of activities								
Direct costs of special events	-	-	-	-	-	(95,018)	(95,018)	(95,018)
Total operating expenses included in the expense section on the statement of activities	\$ 737,679	\$ 704,217	\$ 731,634	\$ 2,173,530	\$ 353,277	\$ 317,637	\$ 670,914	\$ 2,844,444

See notes to financial statements.

Boys & Girls Clubs of Collin County, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (4,098)	\$ 371,533
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of right-of-use assets	24,133	-
Depreciation	242,292	238,095
Net realized and unrealized (gains) losses on investments	150,404	(33,019)
In-kind donation of property of equipment	(43,640)	-
Gain on involuntary conversion	-	(10,833)
Allowance for doubtful accounts - pledges receivable restricted for capital expenditures	(35,000)	7,509
Amortization of discount - pledges receivable restricted for capital expenditures	(8,296)	9,200
Changes in assets and liabilities:		
Grants receivable	21,625	(26,449)
Pledges receivable	30,243	6,761
Other receivable	287,266	(196,536)
Insurance receivable	50,827	(50,827)
Prepaid expenses	(19,019)	(9,984)
Other assets	(1,161)	-
Accounts payable	3,171	(397)
Accrued expenses	(8,656)	(7,494)
Refundable advance	(131,765)	50,223
Operating lease liabilities	(11,410)	-
Net cash provided by operating activities	546,916	347,782
Cash flows from investing activities:		
Purchases of property and equipment	(234,831)	(129,840)
Proceeds from insurance for involuntary conversion	-	164,463
Purchases of investments	(87,713)	(544,959)
Proceeds from sales of investments	69,074	527,755
Net cash provided (used) by investing activities	(253,470)	17,419
Cash flows from financing activities:		
Collections of pledges receivable restricted for capital expenditures	-	60,091
Proceeds from issuance of note payable	42,713	-
Payments on notes payable	(55,370)	(69,969)
Net cash used by financing activities	(12,657)	(9,878)
Change in cash and cash equivalents	280,789	355,323
Cash and cash equivalents at beginning of year	961,916	606,593
Cash and cash equivalents at end of year	\$ 1,242,705	\$ 961,916
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 49,824	\$ 43,808
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 378,740	\$ -
Noncash investing and financing activity:		
Donation of property and equipment	\$ 43,640	\$ -
Refinance of notes payable through issuance of a note payable	\$ 804,086	\$ -
Reconciliation of cash and restricted cash reported within the statements of financial position to the statements of cash flows:		
Cash and cash equivalents	\$ 1,184,274	\$ 863,485
Cash and cash equivalents restricted for capital expenditures	53,431	93,431
Cash and cash equivalents restricted for endowment	5,000	5,000
Total cash and restricted cash and cash equivalents shown in the statements of cash flows	\$ 1,242,705	\$ 961,916

See notes to financial statements.

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 programs for kids ages 5-18 at four 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. Summary of Significant Accounting Policies

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America (GAAP). The more significant accounting policies of the Organization are described below.

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.

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

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 uninsured cash balances of \$939,494 as of December 31, 2022. Grants and pledges receivable are unsecured and are due from various members, donors and governmental agencies.

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.

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

Concentrations

During the year ended December 31, 2022, the Organization received approximately 14% of total contributions from one donor. During the year ended December 31, 2021, the Organization received approximately 16% of total contributions from one donor.

During the year ended December 31, 2022, the Organization received approximately 28% of total grant support from two grantors. During the year ended December 31, 2021, the Organization received approximately 53% of total grant support from three grantors.

During the year ended December 31, 2022, the Organization received approximately 91% of contributed nonfinancial assets from two donors. During the year ended December 31, 2021, the Organization received 100% of contributed nonfinancial assets from one donor.

At December 31, 2022, pledges from two donors totaled approximately 44% of total pledges receivable. During the year ended December 31, 2021, pledges from two donors totaled approximately 41% 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, and allowances for uncollectible accounts are recorded, as necessary.

Investments

At December 31, 2022 and 2021, the Organization's investments in marketable securities consist of cash equivalents and mutual funds and are stated at fair value in the statements of financial position. Interest, dividends and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

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 5 to 40 years for buildings and improvements and 3 to 5 years for vehicles, furniture, fixtures and equipment. Leasehold improvements are depreciated at the lesser of lease term or asset life.

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

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 years ended December 31, 2022 and 2021.

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 revenue 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.

During the year ended December 31, 2022, the Organization received approximately \$570,000 of conditional grants from various organizations and government agencies, of which approximately \$279,000 was recorded as revenue in the year ended December 31, 2022 as conditions were met.

During the year ended December 31, 2021, the Organization received approximately \$917,000 of conditional grants from various organizations and government agencies, of which approximately \$525,000 was recorded as revenue in the year ended December 31, 2021 as conditions were met.

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

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.

Employee Retention Credit

The Organization was eligible to receive the Employee Retention Credit pursuant to the Coronavirus Aid, Relief and Economic Security Act of 2020 (CARES Act). In accordance with this, miscellaneous income and an other receivable totaling \$287,266 have been included in the accompanying financial statements as of and for the year ended December 31, 2021.

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 years ended December 31, 2022 or 2021. 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, 2022 and 2021, 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.

Accounting Pronouncements Adopted

The Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, (Topic 842). The guidance in the ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The ASU also required expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. The Organization recorded the impact of adoption as of January 1, 2022, using the modified retrospective method resulting in the recording of a right-of-use asset and right-of-use liability totaling \$18,573. No changes were required to net assets as of January 1, 2022.

The Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in ASU 2020-07 address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributed nonfinancial assets (gifts in-kind) as a separate line item in the statement of activities. The Organization has adopted this ASU on the retrospective basis as of and for the year ended December 31, 2022. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions of nonfinancial assets, and therefore, no changes were required to net assets as of January 1, 2021. The presentation and disclosures of contributed nonfinancial assets have been enhanced in accordance with this standard.

Reclassifications

Certain reclassifications were made to the 2021 financial statements to conform to the 2022 presentation.

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

3. 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. |

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 and classified within level 1 of the valuation hierarchy.

Cash Equivalents

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

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

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

	<u>2022</u>	<u>2021</u>
Cash equivalents	\$ 24,546	\$ 70,669
Mutual funds:		
Equities	525,051	602,076
Fixed income funds	146,714	171,656
Hedge funds	27,094	31,689
Tangible assets	45,182	24,262
	<u>\$ 768,587</u>	<u>\$ 900,352</u>

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

	<u>2022</u>	<u>2021</u>
Vanguard 500 Index Fund	\$ 220,290	\$ 273,729
Ishares Core U.S. Aggregate BD ETF	112,508	155,149
Vanguard Developed Markets Index Fund	99,259	108,758

Net investment income (loss) consists of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 24,658	\$ 23,644
Realized losses	(6,067)	(2,228)
Unrealized gains (losses)	(144,337)	35,247
Investment expenses	(6,019)	(6,440)
	<u>\$ (131,765)</u>	<u>\$ 50,223</u>

Net investment income has been included with refundable advance in the statement of financial position. See Note 6 regarding assets held in trust.

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

4. Pledges Receivable

Pledges receivable are as follows at December 31:

	2022	2021
Amounts due in:		
Less than one year	\$ 444,191	\$ 340,555
One to five years	36,117	169,996
Subtotal	480,308	510,551
Less allowance for doubtful accounts	(8,584)	(43,584)
Less discount to present value	(3,304)	(11,600)
Pledges receivable, net	\$ 468,420	\$ 455,367

Pledges receivable due in more than one year are valued using a discount rate of 3.25%.

The following is a reconciliation of total pledges receivable reported in the statements of financial position as of December 31:

	2022	2021
Pledges receivable	\$ 48,362	\$ 43,605
Pledges receivable, net restricted for capital expenditures	420,058	411,762
Pledges receivable, net	\$ 468,420	\$ 455,367

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

5. Property and Equipment

Property and equipment consists of the following at December 31:

	2022	2021
Land	\$ 510,435	\$ 510,435
Buildings and improvements	3,981,383	3,801,920
Construction in progress	387,617	332,249
Leasehold improvements	336,287	336,287
Furniture, fixtures and equipment	235,935	192,295
Vehicles	1,019,074	1,019,074
	6,470,731	6,192,260
Accumulated depreciation	(2,640,045)	(2,397,753)
	\$ 3,830,686	\$ 3,794,507

Depreciation expense totaled \$242,292 and \$238,095 for the years ended December 31, 2022 and 2021, respectively.

In February 2021, a state of emergency was declared in Texas due to extreme winter weather conditions. One of the Organization's buildings suffered roof damage as a result of the storm and the damages were covered under insurance. The resulting gain totaling \$10,833 consists of insurance proceeds totaling \$164,463 less the net book value of damaged property totaling \$153,630.

6. 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, 2022 and 2021, contributions that have not been recognized in the accompanying financial statements because the conditions have not been met totaled \$768,587 and \$900,352, respectively.

7. Line of Credit

The Organization has a revolving \$250,000 line of credit with a bank with interest at the *Wall Street Journal* prime rate plus 1.25% (8.75% at December 31, 2022) that matured in May 2023. The agreement for the line of credit was amended in April 2023 to increase the line of credit to \$500,000 with a maturity date of May 2024. The line of credit had no outstanding balance at December 31, 2022 and 2021, respectively.

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

In August 2022, the Organization obtained a revolving \$500,000 line of credit with a bank with interest at the *Wall Street Journal* prime rate plus 0.75% (8.25% at December 31, 2022) maturing in August 2023. The line of credit had no outstanding balance at December 31, 2022.

8. Notes Payable

Notes payable consists of the following at December 31, 2021:

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.	\$ 10,236
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.	110,740
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.	9,780
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.	9,780
Note payable to a bank, 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.	706,263
	<u>\$ 846,799</u>

On August 11, 2022, the Organization refinanced all of the outstanding notes payable with a principal balance of \$846,799, with monthly principal and interest payments of \$6,724 at an interest rate of 4.99% until maturity on August 11, 2037. The note is collateralized by property located in Collin County, Texas. The balance on the note payable totaled \$834,142 at December 31, 2022.

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:

2023	\$	39,987
2024		42,028
2025		44,174
2026		46,430
2027		48,800
Thereafter		612,723
	\$	834,142

9. Net Assets with Donor Restrictions

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

	2022	2021
Subject to expenditure for specified purpose:		
eSports lab	\$ 15,000	\$ -
Money Matters programs	17,500	-
Odyssey Life Readiness Program	75,000	75,000
Trauma Informed Program	15,000	-
Time restricted	15,000	-
Capital campaign	791,826	866,826
	929,326	941,826
Subject to restriction in perpetuity:		
Endowment	5,000	5,000
Total net assets with donor restrictions	\$ 934,326	\$ 946,826

As of December 31, 2022 and 2021, \$202,517 of capital campaign funds had been spent on construction in progress.

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

10. Contributed Nonfinancial Assets

The Organization received the following contributed nonfinancial assets during the year ended December 31, 2022:

	Program Services	General and Administrative	Fundraising	Assets	Total
Rent	\$ 144,000	\$ -	\$ -	\$ -	\$ 144,000
Property and equipment	-	-	-	43,640	43,640
Goods	734	833	833	-	2,400
Services	550	-	-	-	550
	<u>\$ 145,284</u>	<u>\$ 833</u>	<u>\$ 833</u>	<u>\$ 43,640</u>	<u>\$ 190,590</u>

During the year ended December 31, 2021, the Organization received donated rent totaling \$144,000 which was fully allocated to program services.

Rent

Donated rent is valued at the estimated fair value based on comparable rental prices within the same real estate market.

Property and Equipment

Donated property and equipment is valued at the estimated fair value based on sales prices of similar items.

Goods

Donated goods are valued at the estimated fair value based on sales prices of similar items.

Services

Contributed services are valued at the estimated fair value based on current rates for similar services.

There were no donor restrictions on the contributions of nonfinancial assets received during the years ended December 31, 2022 and 2021.

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

11. Related Party Transactions

The Organization has pledges receivable from various board members totaling \$30,793 and \$79,193 at December 31, 2022 and 2021, respectively.

During the years ended December 31, 2022 and 2021, the Organization received contributions from board members and employees totaling \$164,219 and \$89,322, respectively.

12. Leases

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office space and equipment. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses the incremental borrowing rate or the risk-free rate derived from the interest paid on short-term government debt to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Organization has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

Nature of Leases

The Organization leases its office space and certain equipment under operating lease agreements. The agreements expire in February 2028 and November 2023, respectively. The Organization is also responsible for paying all taxes associated with the leases. Future minimum lease payments and reconciliations to the statement of financial position are as follows for the years ending December 31:

2023	\$	78,437
2024		78,429
2025		79,256
2026		81,020
2027		82,784
Thereafter		<u>6,911</u>
Total future undiscounted lease payments		406,837
Less present value discount		<u>(39,507)</u>
Lease liabilities	\$	<u><u>367,330</u></u>

The following is the lease cost and other required information for the year ended December 31, 2022:

Total operating lease cost	\$	<u><u>81,777</u></u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	<u><u>11,410</u></u>
Right-of-use assets obtained in exchange for new lease liabilities	\$	<u><u>378,740</u></u>
Weighted-average remaining lease term:		
Operating leases		<u><u>4.91 years</u></u>
Weighted-average discount rate:		
Operating leases		<u><u>4.01%</u></u>

Boys & Girls Clubs of Collin County, Inc.

Notes to Financial Statements

13. 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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,242,705	\$ 961,916
Grants receivable	60,790	82,415
Pledges receivable, net	468,420	455,367
Other receivable	-	287,266
Investments	<u>768,587</u>	<u>900,352</u>
Total financial assets	2,540,502	2,687,316
Less amounts not available for general expenditure within one year:		
Cash and cash equivalents restricted for capital expenditures	(53,431)	(93,431)
Pledges receivable restricted for capital expenditures	(420,058)	(411,762)
Cash and cash equivalents restricted for endowment	(5,000)	(5,000)
Investments held in trust for refundable advance	<u>(768,587)</u>	<u>(900,352)</u>
	<u>(1,247,076)</u>	<u>(1,410,545)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,293,426</u>	<u>\$ 1,276,771</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.

14. Special Event Revenue

During the year ended December 31, 2022 and 2021, the Organization held special events including a gala that generated significant revenue totaling \$1,093,733 and \$471,115, respectively. The loss of this revenue would have a significant effect on the operation of the Organization. Total costs associated with the gala totaled \$420,731 and \$68,960 for the years ended December 31, 2022 and 2021, respectively.

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

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 years ended December 31, 2022 and 2021 totaled \$9,303 and \$11,900, respectively, and were included with dues and memberships in the statements 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 years ended December 31, 2022 and 2021, the Organization contributed \$53,060 and \$50,690, respectively, to the plan.

17. Paycheck Protection Program Loan

On February 17, 2021, the Organization entered into an unsecured loan (PPP loan) in the aggregate amount of \$300,000 with a bank pursuant to the Paycheck Protection Program, which is sponsored by the Small Business Administration and is part of the Coronavirus Aid, Relief and Economic Security Act, as amended by the Paycheck Protection Program Flexibility Act of 2020. On November 11, 2021, the Organization received forgiveness of the entire amount of the PPP loan. The Organization has recorded the full amount of the PPP loan as grant support revenue in the accompanying statement of activities for the year ended December 31, 2021.

18. Subsequent Events

The Organization evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.