

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS

**FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING**

August 31, 2021 and 2020

Randy Walker & Co., Certified Public Accountants

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
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BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS

Federal Employer Identification Number: 74-2729963

Certificate of Board

We, the undersigned, certify that the attached annual financial reports of the above-named charter holder were reviewed and (check one) approved disapproved for the year ended August 31, 2021, at a meeting of the Board of Directors of such charter holder on the 27 day of January, 2022.

Eric Jones

Signature of Board Secretary

Shirley Sprinkles

Signature of Board President

If the Board of Directors disapproved the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys and Girls Clubs of South Central Texas
San Marcos, Texas

We have audited the accompanying financial statements of Boys and Girls Clubs of South Central Texas (BGCSCT), a nonprofit organization, which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities (with comparative totals for 2020), functional expenses (with comparative totals for 2020), and cash flows for the years 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 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 BGCSCCT as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The specific-purpose financial statements on pages 16-25 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2022 on pages 26-27 on our consideration of BGCSCCT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BGCSCCT's internal control over financial reporting and compliance.

Randy Walker & Co.

San Antonio, Texas
January 27, 2022

FINANCIAL STATEMENTS

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
STATEMENTS OF FINANCIAL POSITION
August 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 233,068	\$ 332,570
Due from Texas Education Agency	184,858	226,758
TOTAL CURRENT ASSETS	417,926	559,328
LONG-TERM ASSETS		
Property and Equipment, net	11,582	11,582
TOTAL LONG-TERM ASSETS	11,582	11,582
TOTAL ASSETS	\$ 429,508	\$ 570,910
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 36,949	\$ 52,967
Accrued Expenses	80,286	123,255
TOTAL CURRENT LIABILITIES	117,235	176,222
NET ASSETS		
Without Donor Restrictions	235,718	36,217
With Donor Restrictions	76,555	358,471
TOTAL NET ASSETS	312,273	394,688
TOTAL LIABILITIES AND NET ASSETS	\$ 429,508	\$ 570,910

The accompanying notes are an integral part of these financial statements.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2021
(with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<u>OPERATING SUPPORT AND REVENUE</u>				
Government Funding	\$ 30,903	\$ 2,494,829	\$ 2,525,732	\$ 2,674,599
Program Fees	162,451	-	162,451	233,732
Grants and Contributions	80,097	8,037	88,134	66,551
Other Income	2,374	-	2,374	1,080
PPP Revenue	347	-	347	345,850
Loss on Fundraiser	-	-	-	(59,924)
Net Assets Released from Restriction	2,784,782	(2,784,782)	-	-
TOTAL OPERATING SUPPORT AND REVENUE	3,060,954	(281,916)	2,779,038	3,261,888
<u>OPERATING EXPENSES</u>				
Program Services	2,550,841	-	2,550,841	2,788,155
General and Administrative	310,612	-	310,612	303,250
Fundraising	-	-	-	35,724
TOTAL OPERATING EXPENSES	2,861,453	-	2,861,453	3,127,129
CHANGE IN NET ASSETS	199,501	(281,916)	(82,415)	134,759
NET ASSETS, Beginning of Year	36,217	358,471	394,688	259,929
NET ASSETS, Beginning of Year	\$ 235,718	\$ 76,555	\$ 312,273	\$ 394,688

The accompanying notes are an integral part of these financial statements.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2021
(with comparative totals for 2020)

	<u>Program Services</u>			<u>General and Administrative</u>	<u>2021 Total</u>	<u>2020 Total</u>
	<u>After School Programs</u>	<u>Charter School Programs</u>	<u>Total Program Services</u>			
<u>OPERATING EXPENSES</u>						
Salaries	\$ 70,160	\$ 1,549,245	\$ 1,619,405	\$ 142,820	\$ 1,762,225	\$ 1,843,640
Benefits	454	58,682	59,136	15,994	75,130	81,934
Retirement	-	52,621	52,621	9,163	61,784	74,775
Payroll Taxes	5,205	26,135	31,340	6,563	37,903	37,554
Total Payroll Expenses	<u>75,819</u>	<u>1,686,683</u>	<u>1,762,502</u>	<u>174,540</u>	<u>1,937,042</u>	<u>2,037,903</u>
Rental Expense	-	364,239	364,239	19,170	383,409	381,012
Other Contracted Services	17,708	67,585	85,293	36,378	121,671	219,459
General Supplies	825	68,589	69,414	15,745	85,159	78,685
Other Miscellaneous Operating Costs	47,330	12,804	60,134	16,055	76,189	46,288
Utilities	17,723	52,750	70,473	3,709	74,182	80,701
Professional Services	2,975	28,999	31,974	18,355	50,329	99,695
Accounting Fees	8,448	8,448	16,896	16,896	33,792	18,096
Insurance and Bonding	20,575	7,923	28,498	4,874	33,372	28,583
Food Expense	722	20,600	21,322	846	22,168	11,348
Dues and Subscriptions	10,035	8,344	18,379	3,092	21,471	34,139
Gasoline and Fuel	8,778	5,290	14,068	-	14,068	14,744
Maintenance and Repair	3,860	2,384	6,244	327	6,571	22,002
Educational Service Center	-	1,405	1,405	625	2,030	7,333
Travel Expenses	-	-	-	-	-	13,975
Depreciation Expense	-	-	-	-	-	12,174
Legal Services	-	-	-	-	-	10,765
Instructional Materials	-	-	-	-	-	10,184
Equipment Expense	-	-	-	-	-	43
TOTAL OPERATING EXPENSES	<u>\$ 214,798</u>	<u>\$ 2,336,043</u>	<u>\$ 2,550,841</u>	<u>\$ 310,612</u>	<u>\$ 2,861,453</u>	<u>\$ 3,127,129</u>

The accompanying notes are an integral part of these financial statements.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2021 and 2020

	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ (82,415)	\$ 134,759
Adjustments to Reconcile Net Change to Net Cash (Used)		
Provided by Operations:		
Depreciation	-	12,174
Decrease (Increase) in Assets:		
Due from Texas Education Agency	41,900	(122,572)
(Decrease) Increase in Liabilities:		
Accounts Payable	(16,018)	(47,878)
Accrued Expenses	(42,969)	76,502
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(99,502)	52,985
NET (DECREASE) INCREASE IN CASH FLOWS	(99,502)	52,985
CASH AND CASH EQUIVALENTS, Beginning of Year	332,570	279,585
CASH AND CASH EQUIVALENTS, End of Year	\$ 233,068	\$ 332,570

The accompanying notes are an integral part of these financial statements.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Reporting Entity and Operations

Boys and Girls Clubs of South Central Texas is a 501(c)(3) not-for-profit organization incorporated in the State of Texas on March 16, 1994 as the Willie May Mitchell Community Opportunity Center. On November 21, 2001, the organization was accepted into the membership of the Boys and Girls Clubs of America as an affiliate and was renamed the Boys and Girls Clubs of South Central Texas (BGCSCT). BGCSCT was organized exclusively for charitable and educational purposes and provides recreation programs and services to young people, especially those from disadvantaged circumstances, to promote and enhance the development of boys and girls within Hayes and Travis counties.

BGCSCT is governed by the Board of Directors (the Board) which is comprised of four members. The Board is selected pursuant to the bylaws of BGCSCT and has the authority to make decisions, appoint the chief executive officer of BGCSCT, and significantly influence operations. The Board has the primary accountability for the fiscal affairs of BGCSCT.

The Texas Education Agency (TEA) granted BGCSCT an open enrollment charter in July 2000 pursuant to Chapter 12 of the Texas Education Code. BGCSCT opened the San Marcos Preparatory School in September 2001 to provide educational services to students in elementary school. In 2003, the name of the school was changed to Texas Preparatory School (TPS). In August 2013, TPS opened a second campus in Austin. The Board governs the programs, services, activities, and functions of TPS.

TPS receives the majority of its funding from the TEA based on the School's Average Daily Attendance Foundation Formula program. Since TPS receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

BGCSCT's primary sources of funding from non-charter activities are program fees, grants, contributions, and fundraising.

Basis of Presentation

The financial statements of BGCSCT have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles. The more significant of BGCSCT's accounting policies are described below:

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with GAAP.

BGCSCT is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board-designated.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than BGCSCT’s mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

BGCSCT accounts for contributions as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (when a stipulated time restriction ends or purpose restriction is fulfilled), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

For financial statement purposes, BGCSCT considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

Concentration of Credit Risk

BGCSCT maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Account balances are guaranteed by the Federal Deposit Insurance Corporation up to a maximum of \$250,000 per bank. As of August 31, 2021 and 2020, BGCSCT’s uninsured cash balances totaled \$49,298 and \$48,290, respectively, not including reconciling items.

Grant Funds

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors may require a refund of all or part of the unused amount.

Use of Estimates

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 disclosures 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.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Income Taxes

Boys and Girls Clubs of South Central Texas is a not-for-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As of August 31, 2021, the tax years that remain subject to examination by taxing authorities begin with 2018.

Revenue Recognition

Revenues from the State of Texas available school fund are earned based on reported attendance. Government grant contracts are recognized as revenue when services are rendered or when expenses in connection with those services are incurred. Revenues from programs are recognized when the program is held. Revenues from contributions are recognized when the donor makes a promise to give that is in substance unconditional or upon receipt. Revenues from special events are recognized when the event is held.

Property and Equipment

Property and equipment are recorded at historical cost and are depreciated over the estimated useful lives of the assets, which range from three to thirty years, using the straight-line method of depreciation. Property and equipment are defined as assets with an individual cost of more than \$5,000. Expenditures for additions, major renewals, and betterments are capitalized, and maintenance and repairs are charged to expense as incurred. Donations of assets are recorded as direct additions to net assets at fair value at the date of donation, which is then treated as a cost.

New Accounting Pronouncements

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for periods beginning after December 15, 2018. This pronouncement clarifies and improves the scope and the accounting guidance for contributions received and contributions made in order to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. BGCSCT adopted this pronouncement effective September 1, 2019.

In 2018, the FASB issued ASU 2018-13, *Changes to the Disclosure Requirements for Fair Value Measurement*, effective for periods beginning after December 15, 2019. This pronouncement improves the effectiveness of fair value measurement disclosures in the notes to the consolidated financial statements. BGCSCT adopted this new pronouncement effective September 1, 2020. The change was applied retrospectively, but there was no cumulative effect on beginning net assets as of this date.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncements (continued)

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This pronouncement provides guidance regarding revenue recognition effective for reporting periods beginning after December 15, 2019. The pronouncement affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets. The core principle of this update is that the 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 goods or services. BGCSCT adopted this new pronouncement effective September 1, 2020. The change was applied retrospectively, but there was no cumulative effect on beginning net assets as of this date.

Revenue - Exchange Transactions

BGCSCT receives revenue from fundraising events, after-school programs, and summer programs, which are exchange transactions. The amount of consideration received from these transactions is variable. Revenue from these transactions is recorded as an increase in net assets without donor restrictions to the extent the earning process is complete. Revenue is recognized as performance obligations are satisfied, which is at a point in time for fundraising events, ratably over the academic year for after-school programs, and ratably over the span of time for summer programs. There were no receivables, contract assets, or contract liabilities related to these exchange transactions at August 31, 2021 and 2020.

NOTE 2 - DUE FROM TEXAS EDUCATION AGENCY

At August 31, 2021 and 2020, BGCSCT had \$184,858 and \$226,758, respectively, due in receivables from the TEA related to various state grants and Foundation School Program revenue. All amounts receivable are due in less than one year and are deemed by management to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

NOTE 3 - COMMITMENTS AND CONTINGENCIES

BGCSCT receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the TEA and is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency.

The programs administered by BGCSCT have complex compliance requirements, and, should state or federal auditors discover areas of noncompliance, funds may be subject to refund if so determined by the TEA or the grantor agency.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 4 - OPERATING LEASES

BGCSCT has a lease agreement for a building located on property owned by the City of San Marcos (the City). This building is being leased from the City for one dollar a year for sixty years, with an option to extend the lease for another thirty years. This lease commenced in 1994. BGCSCT currently does not have any programming occurring on this site.

BGCSCT also leases space and equipment under non-cancelable operating leases with various expiration dates. Total lease payments were \$383,409 and \$380,544 for the years ended August 31, 2021 and 2020, respectively.

Future annual lease payments under these lease agreements are as follows:

Years Ended August 31,		
2022	\$	320,856
2023		141,182
2024		<u>120,020</u>
Total	\$	<u>582,058</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31:

	<u>2021</u>	<u>2020</u>
Land, Buildings and Improvements	\$ 202,308	\$ 202,308
Less Accumulated Depreciation	<u>(190,726)</u>	<u>(190,726)</u>
Total	<u>\$ 11,582</u>	<u>\$ 11,582</u>

Depreciation expense for the years ended August 31, 2021 and 2020 was \$-0- and \$12,174, respectively.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were for the following purposes at August 31:

	<u>2021</u>	<u>2020</u>
PPRP Grant	\$ 31,991	\$ -
School Safety Grant	25,000	5,964
Foundation School Program	11,405	260,142
Textbook and Kindergarten Materials	4,733	4,733
Gardening	3,000	-
IDEA B	426	426
PPP Revenue	<u>-</u>	<u>87,206</u>
Total	<u>\$ 76,555</u>	<u>\$ 358,471</u>

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS

BGCSCT adopted the provisions of ASC 820, *“Fair Value Measurements and Disclosures”* (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect BGCSCT’s financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

BGCSCT’s current assets and liabilities as presented in the statements of financial position are Level 1. BGCSCT does not have Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

NOTE 8 - HEALTH INSURANCE PLAN

Employees of BGCSCT are covered by a health insurance plan. During the years ended August 31, 2021 and 2020, BGCSCT contributed a maximum of \$225 per month per employee towards the monthly insurance premium. The remaining balance of the premium was paid by the employees through payroll deductions. All premiums were paid to licensed insurers. BGCSCT’s contributions towards health insurance were \$48,785 and \$73,219 for the years ended August 31, 2021 and 2020, respectively.

NOTE 9 - REGULATED INDUSTRY

A portion of BGCSCT’s activities and revenues through TPS are a result of contracts with the TEA. BGCSCT’s operations are concentrated in the education field. As such, BGCSCT operates in a heavily regulated environment. The operations of BGCSCT are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, the TEA. Such administrative directives, rules, and regulations are subject to change by an act of Congress, an act of the state legislature, or an administrative change mandated by the TEA. Funding may be changed or decreased as a result of the above legislative or administrative changes.

NOTE 10 - FUNDRAISING EVENT

Since 2015, BGCSCT has held an annual fundraiser, the Austin Area Jazz Festival. This fundraiser had income of \$100,418 and expenses of \$160,342, resulting in a loss of \$59,924 for the year ended August 31, 2020. There was no fundraising event for the year ended August 31, 2021.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 11 - PENSION PLAN OBLIGATIONS

Plan Description

TPS contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system.

It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the TPS, but are the liability of the state of Texas. TRS provides service retirement, disability retirement, and death benefits to plan members and beneficiaries. TRS operates under the authority of provisions contained primarily in Texas Government Code, Title 8, *Public Retirement Systems*, Subtitle C, *Teacher Retirement System of Texas*, which is subject to amendment by the Texas Legislature. TRS's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

The TRS plan differs from a single-employer plan as follows:

- Charter schools are legally separate entities from the state and each other.
- Assets contributed by one charter school or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter school.
- The unfunded obligations get passed along to the other charter schools and ISDs.
- There is no withdrawal penalty for leaving the TRS system.

Total plan assets, accumulated benefit obligations, and % funded are as follows:

Total Plan Assets - \$223,172,755
Accumulated Benefit Obligations - \$218,037,583,497
The plan is 79.1% funded.

There are no collective-bargaining agreements.

Funding Policy

Under provisions in state law, plan members are required to contribute 7.7% of their annual covered salary and the state of Texas contributes an amount equal to 7.5% of TPS's covered payroll.

TPS's contributions to TRS were \$61,784 and \$74,775 for the years ended August 31, 2021 and 2020, respectively, which include \$23,180 and \$22,472 in non-OASDI participating surcharges. TPS's contributions did not represent more than 5% of the total contributions to the plan (i.e., total plan assets). There have been no changes that would affect the comparison of employer contributions from year to year.

NOTE 12 - PAYCHECK PROTECTION PROGRAM LOAN

During the year ended August 31, 2020, BGCSCT received a Paycheck Protection Program (PPP) loan of \$345,850 from the Small Business Administration as part of the CARES Act passed during the year to assist small businesses and non-profits affected by measures instituted in response to the COVID-19 pandemic. As of August 31, 2020, \$258,644 was expended. The remaining \$87,206 was expended in the year ended August 31, 2021 according to the time and purpose restrictions defined by the PPP. At August 31, 2020, it was reasonably certain the loan would be forgiven. Therefore, it was recognized as revenue in the statement of activities for the year ended August 31, 2020. BGCSCT received forgiveness of the PPP loan in February 2021.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects BGCSCCT's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-stipulated restrictions.

	2021	2020
Cash and Cash Equivalents	\$ 233,068	\$ 332,570
Due from Texas Education Agency	184,858	226,758
Total Financial Assets	417,926	559,328
Donor Restrictions (net of Foundation School Program)	(65,150)	(98,329)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 352,776	\$ 460,999

BGCSCCT's primary sources of cash flows include Foundation School Program (FSP) funds from the TEA, program fees, and grants. The FSP funds are classified as net assets with donor restrictions in the statements of financial position. However, restrictions are part of BGCSCCT's mission that make them available for general expenditure within one year of the statement of financial position date.

NOTE 14 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the services and other activities of BGCSCCT have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses which are allocated on the basis of estimates of time and effort, as well as rent, utilities, supplies, and various other expenses which are allocated on the basis of square footage or some other reasonable basis.

NOTE 15 - SUBSEQUENT EVENTS

During September 2021, BGCSCCT executed a commitment letter for a line of credit of \$600,000 with Comerica Bank for working capital. The line bears interest at prime plus 1.0%. The line is secured by a blanket lien on all of the assets of BGCSCCT. BGCSCCT anticipates this line of credit to be finalized in February 2022.

As a result of the ongoing COVID-19 pandemic, BGCSCCT continues to evaluate current economic conditions, and any potential financial impact cannot be reasonably estimated at this time.

BGCSCCT evaluates subsequent events in accordance with ASC Topic No. 855, "Subsequent Events" (formally SFAS No. 165). The guidance requires an entity to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. In preparing these financial statements, BGCSCCT has evaluated events and transactions for potential recognition or disclosure through January 27, 2022, the date the financial statements were available to be issued.

SPECIFIC-PURPOSE FINANCIAL STATEMENTS

TEXAS PREPARATORY SCHOOL
STATEMENTS OF FINANCIAL POSITION
August 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 228,172	\$ 48,546
Due from Texas Education Agency	184,858	226,758
Due from BGCSCT	-	110,203
TOTAL CURRENT ASSETS	413,030	385,507
TOTAL ASSETS	\$ 413,030	\$ 385,507
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 47,551	\$ 53,370
Accrued Expenses	78,721	121,730
Due to BGCSCT	126,045	-
TOTAL CURRENT LIABILITIES	252,317	175,100
NET ASSETS		
Without Donor Restrictions	87,158	(124,892)
With Donor Restrictions	73,555	335,299
TOTAL NET ASSETS	160,713	210,407
TOTAL LIABILITIES AND NET ASSETS	\$ 413,030	\$ 385,507

See independent auditor's report.

TEXAS PREPARATORY SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2021
(with comparative totals for 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
<u>OPERATING REVENUES AND OTHER SUPPORT</u>				
Local Support:				
5749 Other Revenue from Local Sources	\$ 30,903	\$ 266,524	\$ 297,427	\$ 35,387
Total Local Support	<u>30,903</u>	<u>266,524</u>	<u>297,427</u>	<u>35,387</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	1,436,839	1,436,839	2,192,954
5820 State Program Revenues Distributed by Texas Education Agency	<u>-</u>	<u>24,696</u>	<u>24,696</u>	<u>19,779</u>
Total State Program Revenues	<u>-</u>	<u>1,461,535</u>	<u>1,461,535</u>	<u>2,212,733</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	-	766,770	766,770	426,479
5940 Federal Revenues Distributed Directly from the Federal Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,078</u>
Total Federal Program Revenues	<u>-</u>	<u>766,770</u>	<u>766,770</u>	<u>735,557</u>
Net Assets Released From Restrictions				
Restrictions Satisfied By Payments	<u>2,756,573</u>	<u>(2,756,573)</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES AND OTHER SUPPORT	<u>2,787,476</u>	<u>(261,744)</u>	<u>2,525,732</u>	<u>2,983,677</u>
<u>OPERATING EXPENSES</u>				
11 Instruction	1,319,060	-	1,319,060	1,359,783
23 School Leadership	251,840	-	251,840	325,644
34 Student Transportation	24,685	-	24,685	35,656
35 Food Services	122,039	-	122,039	208,818
41 General Administration	306,622	-	306,622	186,368
51 Plant Maintenance and Operations	502,593	-	502,593	616,553
52 Security and Monitoring Services	171	-	171	1,206
53 Data Processing Services	23,567	-	23,567	34,687
61 Community Service	<u>24,849</u>	<u>-</u>	<u>24,849</u>	<u>25,688</u>
TOTAL OPERATING EXPENSES	<u>2,575,426</u>	<u>-</u>	<u>2,575,426</u>	<u>2,794,403</u>
CHANGE IN NET ASSETS	212,050	(261,744)	(49,694)	189,274
NET ASSETS, Beginning of Year	<u>(124,892)</u>	<u>335,299</u>	<u>210,407</u>	<u>21,133</u>
NET ASSETS, End of Year	<u>\$ 87,158</u>	<u>\$ 73,555</u>	<u>\$ 160,713</u>	<u>\$ 210,407</u>

See independent auditor's report.

TEXAS PREPARATORY SCHOOL
STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2021 and 2020

	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Foundation School Program Payments	\$ 1,536,242	\$ 2,007,328
Grant Payments	970,211	662,867
Miscellaneous Sources	297,427	35,387
Payments to Vendors for Goods and Services Rendered	(748,041)	(922,299)
Payments to Charter School Personnel for Services Rendered	(1,876,213)	(1,842,648)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	179,626	(59,365)
NET INCREASE (DECREASE) IN CASH FLOWS	179,626	(59,365)
CASH AND CASH EQUIVALENTS, Beginning of Year	48,546	107,911
CASH AND CASH EQUIVALENTS, End of Year	\$ 228,172	\$ 48,546
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in Net Assets	\$ (49,694)	\$ 189,274
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Decrease (Increase) in Assets:		
Due from Texas Education Agency	41,900	(167,892)
Due from BGCST	110,203	(110,203)
(Decrease) Increase in Liabilities:		
Accounts Payable	(5,819)	(45,521)
Accrued Expenses	(43,009)	74,977
Due to BGCST	126,045	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 179,626	\$ (59,365)

See independent auditor's report.

TEXAS PREPARATORY SCHOOL
SCHEDULE OF EXPENSES
For the Years Ended August 31, 2021 and 2020

	2021	2020
<u>OPERATING EXPENSES</u>		
6100 Payroll Costs	\$ 1,833,204	\$ 1,917,625
6200 Professional and Contracted Services	593,627	755,716
6300 Supplies and Materials	104,251	71,891
6400 Other Operating Costs	44,344	49,171
TOTAL OPERATING EXPENSES	\$ 2,575,426	\$ 2,794,403

See independent auditor's report.

TEXAS PREPARATORY SCHOOL
SCHEDULE OF CAPITAL ASSETS
August 31, 2021

Capital assets acquired with public funds, which constitute public property pursuant to Chapter 12 of the Texas Education Code, are as follows:

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 228,172	\$ -
1520 Building and Improvements	-	264,771	-
1531 Vehicles	-	4,103	-
Total Capital Assets	\$ -	\$ 497,046	\$ -

Reconciliation of Property and Equipment on Schedule of Capital Assets to Statement of Financial Position:

Per Schedule of Capital Assets:

1520 Building and Improvements	\$ 264,771
1531 Vehicles	4,103

Less Accumulated Depreciation:

(268,874)

Total Property and Equipment per Statement of Financial Position:

\$ -

TEXAS PREPARATORY SCHOOL
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>OPERATING REVENUES AND OTHER SUPPORT</u>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 10,000	\$ 272,500	\$ 297,427	\$ 24,927
Total Local Support	<u>10,000</u>	<u>272,500</u>	<u>297,427</u>	<u>24,927</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	2,548,604	1,500,950	1,436,839	(64,111)
5820 State Program Revenues Distributed by Texas Education Agency	<u>-</u>	<u>-</u>	<u>24,696</u>	<u>24,696</u>
Total State Program Revenues	<u>2,548,604</u>	<u>1,500,950</u>	<u>1,461,535</u>	<u>(39,415)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	<u>364,020</u>	<u>750,000</u>	<u>766,770</u>	<u>16,770</u>
Total Federal Program Revenues	<u>364,020</u>	<u>750,000</u>	<u>766,770</u>	<u>16,770</u>
TOTAL OPERATING REVENUES AND OTHER SUPPORT	<u>2,922,624</u>	<u>2,523,450</u>	<u>2,525,732</u>	<u>2,282</u>
<u>OPERATING EXPENSES</u>				
11 Instructional	1,105,018	1,325,468	1,319,060	6,408
23 School Leadership	342,400	260,400	251,840	8,560
34 Student Transportation	80,975	30,975	24,685	6,290
35 Food Services	209,690	125,500	122,039	3,461
41 General Administration	200,020	310,020	306,622	3,398
51 Plant Maintenance and Operations	570,100	507,100	502,593	4,507
52 Security and Monitoring Services	500	500	171	329
53 Data Processing Services	35,000	25,000	23,567	1,433
61 Community Service	<u>25,925</u>	<u>25,925</u>	<u>24,849</u>	<u>1,076</u>
TOTAL OPERATING EXPENSES	<u>2,569,628</u>	<u>2,610,888</u>	<u>2,575,426</u>	<u>35,462</u>
CHANGE IN NET ASSETS	352,996	(87,438)	(49,694)	37,744
NET ASSETS, Beginning of Year	<u>210,407</u>	<u>210,407</u>	<u>210,407</u>	<u>-</u>
NET ASSETS, End of Year	<u>\$ 563,403</u>	<u>\$ 122,969</u>	<u>\$ 160,713</u>	<u>\$ 37,744</u>

See independent auditor's report.

TEXAS PREPARATORY SCHOOL
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
For the Year Ended August 31, 2021

Section A: Compensatory Education Programs

Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.104.

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 212,796
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 170,924

Section B: Bilingual Education Programs

Districts are required to spend at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code, §48.105.

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ -
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$ -

TEXAS PREPARATORY SCHOOL
SCHEDULE OF RELATED PARTY COMPENSATION AND BENEFITS
For the Year Ended August 31, 2021

Related Party Name	Name of Relation to the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total Paid during FY
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

TEXAS PREPARATORY SCHOOL
SCHEDULE OF RELATED PARTY TRANSACTIONS
For the Year Ended August 31, 2021

Related Party Name	Name of Relation to the Related Party	Relationship	Type of Transaction	Description of Terms and Conditions	Source of Funds Used	Payment Frequency	Total Paid during FY	Principal Balance Due
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

TEXAS PREPARATORY SCHOOL
SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
August 31, 2021

Description	Property Address	Total Assessed Value	Ownership Interest - Local	Ownership Interest - State	Ownership Interest - Federal
N/A	N/A	N/A	N/A	N/A	N/A

See independent auditor's report.

OTHER REQUIRED REPORTING

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

To the Board of Directors
Boys and Girls Clubs of South Central Texas
San Marcos, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boys and Girls Clubs of South Central Texas (BGCSCT), a nonprofit organization, which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BGCSCT’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BGCSCT’s internal control. Accordingly, we do not express an opinion on the effectiveness of BGCSCT’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Purpose of this Report

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

Randy Walker & Co.

San Antonio, Texas
January 27, 2022

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
SUMMARY OF AUDIT FINDINGS
For the Year Ended August 31, 2021

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	Yes
Noncompliance material to the financial statements	None

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2021

Prior Year Findings - Financial Statement Audit

Significant Deficiencies:

2020-001 Tracking of Fundraiser

Condition: Boys and Girls Clubs of South Central Texas (BGCSCT) did not properly track and report revenue and expenses relating to the annual fundraiser.

Criteria: BGCSCT is responsible for proper financial reporting in accordance with Generally Accepted Accounting Principles which requires fundraising events to be reported separately as revenue net of related direct expenses.

Effect: Failure to properly track and report revenue and related expense for the annual fundraiser results in misleading financial statements.

Cause of Condition: BGCSCT included the revenue and expense related to the annual fundraiser in the normal operating accounts and did not track and report it distinctly.

Recommendation: BGCSCT should implement procedures to track fundraising income and expense for proper financial statement reporting and analysis of events.

Current Year Status: We were unable to evaluate this finding since a fundraiser was not held in fiscal year 2021.