



DEMITRA ALEXANDER
MBA
CERTIFIED PUBLIC ACCOUNTANT

Boys & Girls Clubs of South Central Texas
Audited Financial Statements with Compliance and Single Audit
Reporting

For the Years Ended August 31, 2023 and 2022

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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, 2023, at a meeting of the Board of Directors of such charter holder on the 9th day of July, 2024.

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)



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

INDEPENDENT AUDIT REPORT

Opinion

We have audited the accompanying financial statements of Boys & Girls Clubs of South Central Texas (BGCSCT), a nonprofit organization, which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of BGCSCT as of August 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 BGCSCT's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BGCSCT'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 BGCSCT'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.

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 and schedules and the schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal*

Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 May 26, 2024 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 the BGCSCCT's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

Randy Walker & Co. previously audited BGCSCCT's 2022 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated January 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink, appearing to read "Dennis J. H. [unclear]".

May 31, 2024

BOYS & GIRLS CLUB OF SOUTH CENTRAL TEXAS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 604,912	\$ 551,888
Due from Texas Education Agency	308,124	175,741
Due from Internal Revenue Service	820,083	-
Total Current Assets	1,733,119	727,629
LONG-TERM ASSETS		
Right-to-use Assets - Operating Leases	560,997	-
Property and Equipment, Net	32,280	25,428
Intangible Assets	37,013	-
TOTAL LONG-TERM ASSETS	630,290	25,428
TOTAL ASSETS	2,363,409	753,057
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 88,504	\$ 84,430
Accrued Expenses	347,019	46,225
Current Portion of Operating Lease Liability	348,837	-
Line of Credit	498,959	498,959
Total Current Liabilities	1,283,319	629,614
CURRENT LIABILITIES		
Operating Lease, Liability, net of Current Position	221,140	-
NET ASSETS		
Without Donor Restrictions	751,934	72,931
With Donor Restrictions	107,017	50,512
Total Net Assets	1,080,091	123,443
TOTAL LIABILITIES AND NET ASSETS	\$2,363,409	\$ 753,057

BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023
(with comparative totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total Funds	
			2023	2022
<u>OPERATING SUPPORT AND REVENUE</u>				
Government Funding	\$ 884	\$ 2,852,160	\$ 2,853,044	\$ 2,494,819
Program Fees	154,991	-	154,991	211,628
Grants and Contributions	46,412	25,460	71,872	60,181
Other Income	820,083	-	820,083	15,712
Net Investment Income	12,013	-	12,013	-
Net Assets Released from Restrictions	2,821,115	(2,821,115)	-	-
TOTAL OPERATING SUPPORT AND REVENUE	3,855,498	56,505	3,912,003	2,782,340
<u>OPERATING EXPENSES</u>				
Program Services	2,528,437	-	2,528,437	2,557,867
General and Administrative	648,059	-	648,059	413,303
TOTAL OPERATING EXPENSES	3,176,496	-	3,176,496	2,971,170
CHANGE IN NET ASSETS	679,003	56,505	735,508	(188,830)
NET ASSETS AT BEGINNING OF YEAR	72,931	50,512	123,443	312,273
NET ASSETS AT END OF YEAR	\$ 751,934	\$ 107,017	\$ 858,951	\$ 123,443

BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023
(with comparative totals for 2022)

	Programs Services			General and Administrative	2023 Total	2022 Total
	After School Programs	Charter School Programs	Total Program Services			
OPERATING EXPENSES						
Salaries	\$ 46,572	\$ 1,351,883	\$ 1,398,455	\$ 208,964	\$ 1,607,419	\$ 1,546,268
Benefits	228	59,204	59,432	28,262	87,694	95,563
Retirement	-	58,070	58,070	15,056	73,126	63,811
Payroll Taxes	2,274	18,494	20,768	12,728	33,496	31,534
Total Payroll Expenses	49,074	1,487,651	1,536,725	265,010	1,801,735	1,737,176
Rental Expense	-	421,202	421,202	26,885	448,087	442,648
Other Contracted Services	21,578	79,726	101,304	76,421	177,725	177,369
Utilities	(348)	120,371	120,023	6,598	126,621	129,365
Other Miscellaneous Operating Cost	52,839	173,141	225,980	746	226,726	120,966
Professional Services	1,973	73,509	75,482	18,871	94,353	86,545
General Supplies	4,072	86,765	90,837	10,093	100,930	55,628
Food Expense	2,657	13,319	15,976	2,387	18,363	51,487
Insurance and Bonding	34,057	(2,636)	31,421	2,636	34,057	41,568
Maintenance and Repair	7,197	723	7,920	5,064	12,984	27,390
Accounting Fees	(4,000)	4,050	50	24,424	24,474	24,286
Gasoline and Fuel	5,850	9,180	15,030	2,246	17,276	20,207
Dues and Subscriptions	13,130	(5,411)	7,719	1,153	8,872	16,529
Interest Expense	-	-	-	50,002	50,002	14,507
Instructional Materials	-	19,430	19,430	-	19,430	8,554
Depreciation Expense	-	-	-	7,981	7,981	6,209
Educational Service Center	-	-	-	-	-	3,641
Travel Expenses	82	3,977	4,059	2,821	6,880	3,615
Equipment Expense	-	-	-	-	-	2,458
Vehicle Expense	-	-	-	-	-	1,022
TOTAL OPERATING EXPENSES	\$ 188,161	\$ 2,484,997	\$ 2,673,158	\$ 503,338	\$ 3,176,496	\$ 2,971,170

BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED AUGUST 31, 2023

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in Net Assets	\$ 735,508	\$ (188,830)
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation	7,981	6,209
Net Unrealized Gain on Intangible Assets	(12,013)	
Net effect of Operating Lease	8,980	0
(Increase) Decrease in:		
Due from Texas Education Agency	(132,383)	9,117
Due from IRS	(820,083)	
Increase (Decrease) in:		
Accounts Payable	4,074	47,481
Accrued Expenses	300,794	(34,061)
	<u>(642,651)</u>	<u>28,746</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>92,857</u>	<u>(160,084)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Intangible Assets	(25,000)	-
Purchase of Property and Equipment	(14,833)	(20,055)
	<u>(39,833)</u>	<u>(20,055)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(39,833)</u>	<u>(20,055)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on Line of Credit	-	500,000
Payments on Line of Credit	-	(1,041)
	<u>-</u>	<u>498,959</u>
NET CASH FROM FINANCING ACTIVITIES	<u>-</u>	<u>498,959</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>53,024</u>	<u>318,820</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>551,888</u>	<u>233,068</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 604,912</u>	<u>\$ 551,888</u>

BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY AND OPERATIONS – Boys & 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.

BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (continued) – BGCSCCT 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.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than BGCSCCT’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.

GRANTS AND CONTRIBUTIONS – BGCSCCT records grants and contributions in accordance with 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*. Grants and contributions restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the grants and contributions are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, 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, BGCSCCT considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK – BGCSCCT 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, 2023 and 2022, BGCSCCT’s uninsured cash balances totaled \$418,333 and \$245,483, respectively, not including reconciling items

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 & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

REVENUES 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.

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, 2023 and 2022.

LEASES – BGCSCT adopted ASC 842 – Leases effective January 1, 2022, with all the available practical expedients, retrospectively at the beginning of the period of adoption. There was no retained earnings impact on the adoption of ASC 842. BGCSCT recognizes and measures its leases in accordance with ASC 842 Leases. BGCSCT determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. BGCSCT recognizes a lease liability and a right of use (ROU) asset at the commencement date of each lease. The lease liability is initially and subsequently recognized based on the present value of the contract's future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate, if it is readily determinable, or BGCSCT's incremental borrowing rate, or a risk-free rate, determine using a period comparable with that of the lease term. BGCSCT elects to use the risk-free rate as the discount rate.

BGCSCT has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that BGCSCT is reasonably certain to exercise.

BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASES (continued) – BGCSCT recognizes lease costs associated with its short-term leases on a straight-line basis over the lease term. When contracts contain lease and non-lease components, the Organization accounts for both components as a single lease component.

INCOME TAXES – BGCSCT 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, 2023, the tax years that remain subject to examination by taxing authorities begin with 2020.

NOTE 2 – DUE FROM TEXAS EDUCATION AGENCY

At August 31, 2023 and 2022, BGCSCT had \$308,124 and \$175,741, 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 – DUE FROM DEPARTMENT OF THE TREASURY

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides an Employee Retention Credit (ERC), which is a refundable tax credit against the employer's share of social security taxes. During the year ended August 31, 2022, BGCSCT received \$65,711 related to the ERC for the quarters ended March 31, 2021 and June 30, 2020, which has been recognized as federal program revenue in the statement of activities for TPS for the year ended August 31, 2022. All or a portion of these funds may be subject to refund if so determined by the Internal Revenue Service.

At August 31, 2023, BGCSCT had \$820,083, due in receivables from the Internal Revenue Service related to employee retention credit reimbursement. 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 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.

BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

BGCSCT also leases space and equipment under non-cancelable operating leases with various expiration dates. Total lease payments were \$448,087 and \$442,648 for the years ended August 31, 2023 and 2022, respectively.

As disclosed in Note 1, BGCSCT adopted FASB ASC 842 due to BGCSCT entering into new long-term leases during the year. These new leases are the only leases required to be included on our statement of financial position under FASB ASC 842. As a result, adopting FASB ASC 842 had no impact to prior year statement of financial position information, and because these leases are operating leases, the adoption of this standard has no impact on our results of operations.

BGCSCT has elected to apply the short-term lease exception to all leases with a term of one year or less.

As of August 31, 2023, the right-of-use (ROU) asset had a balance of \$560,997, as shown in long-term assets on the statement of financial position; the lease liability is included in other current liabilities (\$348,837) and other long-term liabilities (\$221,140). The lease asset and liability were calculated utilizing the risk-free discount rate (2.84%), according to the Organization's elected policy. There is a three-year option to renew the office lease, which was not considered when assessing the value of the ROU asset because BGCSCT is not reasonably certain that it will exercise its option to renew the lease.

The following summarizes the line items in the balance sheet, which include amounts for the operating lease as of August 31, 2023:

Operating Lease Right-of-Use Assets	\$ <u>560,997</u>
<u>Operating Lease Liability</u>	
Current	\$ 348,837
Long-term	<u>221,140</u>
 Total Operating Lease Liabilities	 \$ <u>569,977</u>

BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 4 - OPERATING LEASES (Continued)

The components of operating lease expense that are included in “Operating Expenses” in the statement of operations for the year ended August 31, 2023 are as follows:

Operating lease cost	\$ 375,984
Short-term lease expense	<u>72,103</u>
Total Lease Cost	<u>\$ 448,087</u>

The following summarizes the cash flow information related to the operating lease for the year ended August 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 368,548
Right-of-Use assets obtained in exchange for operating lease liabilities	-

Weighted-average lease term and discount rate as of August 31, 2023 were the following:

Weighted-average remaining lease term of operating lease	1.66 Years
Weighted-average discount rate for operating lease	2.84%

The maturities of the operating lease liability as of August 31, 2023 were as follows:

Years Ending	
August 31:	
<u>2024</u>	<u>\$ 359,441</u>
2025	<u>223,500</u>
Total Lease Payments	582,941
Less Interest	<u>(12,964)</u>
Present Value of Lease Liability	<u>\$ 569,977</u>

BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31:

		<u>2023</u>		<u>2022</u>
Land, Buildings and Improvements	\$	202,308	\$	202,308
Furniture and Equipment		10,856		10,856
Vehicle		<u>24,032</u>		<u>9,199</u>
		237,196		222,363
Less Accumulated Depreciation		<u>(204,916)</u>		<u>(196,935)</u>
Total	\$	<u>32,280</u>	\$	<u>25,428</u>

Depreciation expense for the years ended August 31, 2023 and 2022 was \$7,981 and \$6,209 respectively.

NOTE 6 - LINE OF CREDIT

In October 2021, BGCSCT signed a line of credit agreement with Comerica Bank for working capital. The line bears interest at prime rate plus 1.0%. The outstanding principal is due on demand, and interest is payable monthly. The line is secured by a blanket lien on all of the assets of BGCSCT. As of August 31, 2023 and 2022, the line of credit balance was \$498,959.

Interest expense on the line of credit for the years ended August 31, 2023 and 2022 was \$50,002 and \$14,507 respectively.

NOTE 7 - 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.

BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Taco Bell - Keystone Leadership Program	\$ 25,460	\$ -
School Safety Grant	24,011	25,100
CCRSA ESSER II Grant	17,871	8,194
ARP ESSER III Grant	15,971	-
Foundation School Program	10,000	
Robotics Program	10,000	10,000
Gardening	2,059	2,059
IDEA—Part B, Preschool	699	
IDEA—Part B, Formula	520	
ESEA, Title II, Part A	246	
School Breakfast Program (SBP)	180	426
Textbook and Kindergarten Materials	-	4,733
Total	<u>\$ 107,017</u>	<u>\$ 50,512</u>

NOTE 9 - 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.

**BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The investment in cryptocurrency is classified as a Level 2 asset. The following table summarizes the BGCSCT’s investments at fair value as of August 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment in Cryptocurrency	\$ _____ -	\$ 37,013	\$ _____ -

BGCSCT does not have 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 10 - HEALTH INSURANCE PLAN

Employees of BGCSCT are covered by a health insurance plan. During the years ended August 31, 2023 and 2022, 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 \$77,426 and \$70,862 for the years ended August 31, 2023 and 2022, respectively.

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.

BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 11 - PENSION PLAN OBLIGATIONS (Continued)

Total plan assets, accumulated benefit obligations, and % funded as of August 31, 2022 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 8% of their annual covered salary and the state of Texas contributes an amount equal to 7.75% of TPS’s covered payroll.

TPS’ contributions to TRS were \$70,110 and \$63,811 for the years ended August 31, 2023 and 2022, respectively, which include \$25,929 and \$23,154 in non-OASDI participating surcharges.

TPS’ 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 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the services and other activities of BGCSCT 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 13 – INVESTMENT IN CRYPTOCURRENCY

As disclosed in Note 9, BGCSCT holds 72,418 units of XRP (XRP Ledger) cryptocurrency assets as part of its investment portfolio. These XRP assets were acquired for a total cost basis of \$25,000. The fair value of BGCSCT's XRP holdings as of the financial statement close amounted to \$37,013.

BGCSCT accounts for its cryptocurrency holdings in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350-60-50-1, which addresses the accounting treatment of cryptocurrencies acquired in a business combination. These holdings are initially recognized at fair value on the acquisition date and subsequently accounted for in accordance with ASC 350-60-50-1.

BOYS & GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 13 – INVESTMENT IN CRYPTOCURENCY (Continued)

It is important to note that the fair value of cryptocurrencies, such as XRP (XRP Ledger), is subject to significant market volatility and may fluctuate between the financial statement close and the audit report date.

BGCSCT continuously monitors the fair value of its XRP (XRP Ledger) cryptocurrency holdings and may adjust the carrying value as necessary to reflect changes in market conditions.

NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

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

	2023	2022
Cash and Cash Equivalents	\$ 604,912	\$ 551,888
Due from Texas Education Agency	554,189	175,741
Due from the Department of the Treasury	820,083	0
Total Financial Assets	1,979,184	727,629
Donor Restrictions	(107,017)	(50,512)
 Total Financial Assets available to meet cash needs for general expenditures within one year	 \$ 1,872,167	 \$ 677,117

BGCSCT’s primary sources of cash flows are state and federal program revenues from the TEA, program fees, and grants. BGCSCT has a consistent inflow of cash throughout the year to cover normal operating expenses.

NOTE 15 – SUBSEQUENT EVENTS

BGCSCT has evaluated subsequent events through May 15, 2024, the date the financial statements were available to be issued. Management is not aware of any events requiring disclosure, except as follows:

As disclosed in Note 13, the fair value of investments held by BGCSCT at August 31, 2023 decreased significantly subsequent to year-end.

TEXAS PREPARATORY SCHOOL
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	75,441	237,246
Due from Texas Education Agency	312,736	-
Due from Internal Revenue Service	820,083	175,741
Total Current Assets	1,208,260	412,987
LONG-TERM ASSETS		
Right-to-use Assets - Operating Leases	560,997	-
Property and Equipment, net	13,061	-
Intangible Assets	16,688	-
Total Long-Term Assets	590,746	-
TOTAL ASSETS	1,799,006	412,987
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	47,741	71,791
Accrued Expenses	347,019	46,270
Current Portion of Operating Lease Liability	348,837	-
Due to BGCSCCT	349,800	313,831
Total Current Liabilities	1,093,397	431,892
CURRENT LIABILITIES		
Operating Lease Liability, net of Current Portion	221,140	-
NET ASSETS		
Without Donor Restrictions	414,971	(57,358)
With Donor Restrictions	69,498	38,453.00
Total Net Assets	484,469	(18,905)
TOTAL LIABILITIES AND NET ASSETS	\$ 1,799,006	\$ 412,987

**TEXAS PREPARATORY SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023 AND 2022
(with comparative totals for 2022)**

	Without Donor Restrictions	With Donor Restrictions	Total Funds	
			2023	2022
<u>OPERATING REVENUE AND OTHER SUPPORT</u>				
Local Support				
5748 Other Revenue from Investment Income	\$ 7,688	\$ -	\$ 7,688	\$ -
5749 Other Revenue from Local Sources	574,902	-	574,902	41,191
Total Local Support	582,590	-	582,590	41,191
State Program Revenues:				
5810 Foundation School Program Act Revenues	-	676,607	676,607	1,079,762
5820 State Program Revenues Distributed by Texas Education Agency	-	230,104	230,104	24,647
Total State Program Revenues	-	906,711	906,711	1,104,409
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	-	907,826	907,826	690,298
5930 Federal Revenues Distributed by Other State of Texas Government Agency (Other than TEA)	-	1,012,848	1,012,848	593,210
5940 Federal Revenues Distributed Directly from the Federal Government	-	24,775	24,775	65,711
Total Federal Program Revenues	-	1,945,449	1,945,449	1,349,219
Net Assets Released from Restriction Restrictions Satisfied By Payments	2,821,115	(2,821,115)	-	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	3,403,705	31,045	\$ 3,434,750	2,494,819
<u>OPERATING EXPENSES</u>				
11 Instruction	1,202,433	-	1,202,433	1,260,736
13 Curriculum Development and Instructional Staff Development	1,319	-	1,319	3,230
23 School Leadership	244,728	-	244,728	284,307
33 Health Services	1,814	-	1,814	1,655
34 Student Transportation	67,523	-	67,523	8,878
35 Food Services	129,557	-	129,557	151,281
41 General Administration	270,075	-	270,075	256,098
51 Plant Maintenance and Operations	771,330	-	771,330	667,727
52 Security and Monitoring Services	6,110	-	6,110	-
53 Data Processing Services	30,477	-	30,477	37,069
61 Community Service	61,289	-	61,289	3,456
TOTAL OPERATING EXPENSES	2,786,655	-	2,786,655	2,674,437
CHANGE IN NET ASSETS	617,050	31,045	648,093	(179,618)
NET ASSETS AT BEGINNING OF YEAR	(57,358)	38,453	(18,905)	160,713
NET ASSETS AT END OF YEAR	\$ 559,692	\$ 69,498	\$ 629,188	\$ (18,905)

**TEXAS PREPARATORY SCHOOL
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2023**

	2,023	2,022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 648,093	\$ (179,618)
 ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation	1,772	-
Net Unrealized Gain on Intangible Assets	(7,688)	
Net effect of Operating Lease	8,980	-
(Increase) Decrease in:		
Due from Texas Education Agency	(383,060)	9,117
Due from Internal Revenue Service	(718,739)	
Increase (Decrease) in:		
Accounts Payable	120,671	24,240
Accrued Expenses	156,028	(32,451)
Due to BGCST	35,969	187,786
Total Adjustments	(786,067)	188,692
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 (137,974)	 9,074
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Intangible Assets	(9,000)	
Purchase of Property and Equipment	(14,833)	-
 NET CASH USED IN INVESTING ACTIVITIES	 (23,833)	 -
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (161,807)	 9,074
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 237,246	 228,172
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 \$ 75,441	 \$ 237,246

TEXAS PREPARATORY SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023 AND 2022

	2023	2022
OPERATING EXPENSES		
6100 Payroll Costs	\$ 1,752,661	\$ 1,696,987
6200 Professional and Contracted Services	\$ 857,844	\$ 794,230
6300 Supplies and Materials	\$ 143,420	\$ 101,648
6400 Other Operating Costs	\$ 32,730	\$ 81,572
	\$ 2,786,655	\$ 2,674,437

**TEXAS PREPARATORY SCHOOL
SCHEDULE OF CAPITAL ASSETS
AUGUST 31, 2023**

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
1100 Cash	\$ -	\$ 75,441	\$ -
1520 Building and Improvements	-	264,771	-
1531 Vehicles	-	18,936	-
TOTAL CAPITAL ASSETS	\$ -	359,148	\$ -

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

Per Schedule of Capital Assets:

1520 Building and Improvements	\$ 264,771
1531 Vehicles	18,936
<i>Less Accumulated Depreciation:</i>	(270,646)
Total Property and Equipment per Statements of Financial Position	\$ 13,061

**TEXAS PREPARATORY SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023**

	<u>Budgeted Amounts</u>		<u>Variance From Original to Final Budget</u>	<u>Actual Amounts</u>	<u>Variance From Final Budget to Actual</u>
	<u>Original</u>	<u>Final</u>			
OPERATING REVENUE AND OTHER SUPPORT					
Total Local Funds	\$ 75,000	\$ 75,000	\$ -	\$ 8,572	\$ 66,428 [11]
Total State Funds	1,536,298	1,923,000	386,702 [1]	660,646	1,262,354 [12]
Total Federal Funds	1,090,022	1,721,207	631,185 [2]	2,765,532	(1,044,325) [13]
IAL OPERATING REVENUES AND OTHER SUPPORT	<u>2,701,320</u>	<u>3,719,207</u>	<u>1,017,887</u>	<u>3,434,750</u>	<u>284,457</u>
OPERATING EXPENSES					
11 Instruction	1,275,000	1,272,000	(3,000) [3]	1,202,433	(69,567)
13 Curriculum Development and Instructional Staff Development	3,500	3,500	0	1,319	(2,181)
23 School Leadership	240,400	184,400	(56,000) [4]	244,728	60,328
33 Health Services	2,500	2,500	0	1,814	(686)
34 Student Transportation	40,975	70,975	30,000 [5]	67,523	(3,452)
35 Food Services	185,500	184,000	(1,500) [6]	129,557	(54,443)
41 General Administration	300,020	310,020	10,000 [7]	270,075	(39,945)
51 Plant Maintenance and Operations	450,000	775,000	325,000 [8]	771,330	(3,670)
52 Security and Monitoring Services	0	7,000	7,000 [9]	6,110	(890)
53 Data Processing Services	35,000	35,000	0	30,477	(4,523)
61 Community Service	10,000	47,000	37,000 [10]	61,289	14,289
TOTAL OPERATING EXPENSES	<u>2,542,895</u>	<u>2,891,395</u>	<u>348,500</u>	<u>2,786,655</u>	<u>(104,740)</u>
CHANGE IN NET ASSETS	158,425	827,812	669,387	648,093	389,197
NET ASSETS AT BEGINNING OF YEAR	(18,605)	(18,605)	-	(18,905)	160,713
NET ASSETS AT END OF YEAR	<u>\$ 139,820</u>	<u>\$ 809,207</u>	<u>\$ 669,387</u>	<u>\$ 629,188</u>	<u>\$ 549,910</u>

**TEXAS PREPARATORY
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023**

[1] Increase in final budget is due to an anticipated increase in August enrollment which would then increase final state funding.

[2] Increase in final budget is due to the Charter applying for and receiving more federal grants.

[3] Decrease in final budget is due to turnover of staff and difficulty filling the positions.

[4] Decrease in final budget is due to having two full time campus principals for the 2022-2023 fiscal year.

[5] Increase in final budget is due to increase in bus repairs as well as adding additional bus routes.

[6] Decrease in final budget is due to anticipating additional August enrollment for more meals to be served and more groceries needed.

[7] Increase in final budget is due to the Charter renegotiating several contracts.

[8] Increase in final budget is due to additional air conditioning repairs and replacements required.

[9] Increase in final budget is due to security items not being covered by federal grant.

[10] Increase in final budget is due to additional expenses used for marketing and student recruitment.

[11] Decrease in actual revenue is due to an actual decrease in enrollment.

[12] Decrease in actual revenue is due lower enrollment and decreased allotments.

[13] Increase in actual revenue is due the Charter utilizing more federal funds due to the decrease in state funding.

**TEXAS PREPARATORY SCHOOL
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2023**

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.	\$ 54,361
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)	\$ 198,136

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, 2023**

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

**TEXAS PREPARATORY SCHOOL
SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED AUGUST 31, 2023**

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

**TEXAS PREPARATORY SCHOOL
 SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
 AUGUST 31, 2023**

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

<u>Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Agriculture:			
Pass-Through Texas Department of Agriculture:			
National Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$14,971
National School Lunch Program	10.555	N/A	39,383
Child Nutrition Program Emergency Operating Costs	10.555	N/A	7,079
Total National Child Nutrition Cluster			<u>61,433</u>
<i>Total U.S. Department of Agriculture</i>			<u>61,433</u>
U.S. Department of Education:			
<i>Pass-Through Texas Education Agency:</i>			
Title I Grants to Local Educational Agencies	84.010A	23610101105802	78,743
Title I Grants to Local Educational Agencies	84.010A	22610141105802	50,320
			<u>129,063</u>
Special Education Grants to States	84.027A	226600011058026000	21,947
Special Education Grants to States	84.027A	236600011058026000	3,042
Special Education Grants to States	84.027X	225350011058025000	510
Special Education Grants to States	84.027X	225350021058025000	6,586
			<u>32,085</u>
Special Education - Preschool Grants	84.173A	236610011058026000	1,043
Supporting Effective Instruction State Grants	84.367A	23694501105802	4,353
Student Support and Academic Enrichment Program	84.424A	23680101105802	10,000
Education Stabilization Fund	84.425D	20521001105802	9,737
Education Stabilization Fund	84.425U	21528001105802	92,013
Education Stabilization Fund	84.425U	215280587110152	479,974
Education Stabilization Fund	84.425U	21528042105802	182,181
Education Stabilization Fund	84.425U	21528000000000	76,042
			<u>855,343</u>
<i>Total U.S. Department of Education</i>			<u>1,016,491</u>
U.S. Department of Health and Human Services:			
Pass-Through Texas Workforce Commission:			
Child Care and Development Program	93.575	N/A	567,739
<i>Total U.S. Department of Health and Human Services</i>			<u>567,739</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>1,645,663</u>
Texas Education Agency:			
Textbook and Kindergarten Materials	N/A	25002301	8,553
School Lunch Matching	N/A	3002201	231
2022-2024 Silent Panic Alert		22039501105802	1,900
Texas COVID Learning Acceleration Supports	N/A	22038701105802	138,062
Foundation School Program Tier I	N/A	20012301	67,086
Foundation School Program Tier II	N/A	10012301	737,148
<i>Total Texas Education Agency</i>			<u>952,980</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u>952,980</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u><u>\$2,598,643</u></u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Boys and Girls Clubs of South Central Texas (BGCSCT) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of BGCSCT, it is not intended to and does not present the financial position, changes in net assets, or cash flows of BGCSCT.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - NON-PROFIT CHARTER SCHOOL CHART OF ACCOUNTS

For all federal and state programs, BGCSCT used the net asset classes and codes specified by Texas Education Agency (TEA) in the *Special Supplement to Financial Accounting and Reporting, Non-Profit Charter School Chart of Accounts*. Temporarily restricted net asset codes are used to account for resources restricted to or designated for specific purposes by the grantor. Federal and state financial assistance is generally accounted for in temporarily restricted net asset codes.

NOTE 4 - OTHER DISCLOSURES

There were no loans or loan guarantees outstanding at year end.

BGCSCT has elected not to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

BGCSCT did not disburse any federal or state awards to sub recipients for the year ended August 31, 2023.



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

**INDEPENDENT AUDITORS' 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***

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, 2023, 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 May 31, 2024.

Report on 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2022-001 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BGCSCT'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 BGCSCT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BGCSCT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Amanda J. Hand", is positioned below the text.

May 31, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Boys and Girls Clubs of South Central Texas' (BGCSCT's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of BGCSCT's major federal programs for the year ended August 31, 2023. BGCSCT's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, BGCSCT complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002 to be material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-003 and 2023-004 to be significant deficiencies.

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

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



Austin, Texas

May 26, 2024

**BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023**

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	Yes
Significant deficiencies identified that are not considered to be material weakness(es)	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	None

Major Programs

Federal

84.425	Education Stabilization Fund
93.575	Child Care and Development Program

Dollar threshold used to distinguish between type A and type B programs	\$750,000
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Audit qualified as low-risk auditee	No
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Findings - Financial Statements Audit	Yes
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Findings and Questioned Costs - Major Federal Award Programs Audit	None
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**BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023**

Current Year Findings - Financial Statement Audit

Material Weakness:

2023-001 Review of Account Balances (Repeat)

Condition: Boys and Girls Clubs of South Central Texas (BGCSCT) is not performing a review of account balances to detect and correct errors. Audit adjustments were proposed to properly state cash and cash equivalents, receivables, property and equipment, accounts payable, revenue, and operating expenses. In addition, material adjustments were proposed to the schedule of expenditures of federal awards (SEFA) to properly reflect federal and state expenditures.

Criteria: BGCSCT is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in financial reporting, including the SEFA.

Effect: Because the internal controls of BGCSCT were not fully effective in identifying and correcting material misstatements, there was an increased risk for inaccurate financial reporting.

Cause of Condition: BGCSCT does not have procedures for reviewing the general ledger and account detail throughout the year; therefore, the financial statements had material errors that needed to be corrected during the audit. In addition, BGCSCT does not have a process for reconciling revenue to the SEFA; therefore material programs needed to be added to the SEFA during the audit.

Recommendation: BGCSCT should implement a process to review the account balances for cash and cash equivalents, receivables, property and equipment, revenue, accounts payable, and operating expenses on a monthly basis to ensure balances properly reflect the activities of BGCSCT. In addition, BGCSCT should reconcile account balances to the SEFA at year end to ensure all programs are being properly reflected.

**BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023**

Prior Year Findings - Financial Statement Audit

Significant Deficiencies:

2022-001 Review of Account Balances

Condition: Boys and Girls Clubs of South Central Texas (BGCSCT) is not performing a review of account balances to detect and correct errors. Audit adjustments were proposed to properly state cash and cash equivalents, receivables, property and equipment, accounts payable, revenue, and operating expenses.

Criteria: BGCSCT is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in financial reporting.

Effect: Because the internal controls of BGCSCT were not fully effective in identifying and correcting material misstatements, there was an increased risk for inaccurate financial reporting.

Cause of Condition: BGCSCT does not have procedures for reviewing the general ledger and account detail throughout the year; therefore, the financial statements had material errors that needed to be corrected during the audit.

Recommendation: BGCSCT should implement a process to review the account balances for cash and cash equivalents, receivables, property and equipment, revenue, accounts payable, and operating expenses on a monthly basis to ensure balances properly reflect the activities of BGCSCT.

**BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023**

Prior Year Findings - Financial Statement Audit (continued)

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 2022 and 2023.

Current Year Findings - Federal Awards Audit

2023-002 Material Weakness – Allowable Costs/Cost Principles; Activities Allowed/Unallowed

Federal Program – Child Care Relief Fund
Federal Agency – U.S. Department of Health and Human Services
Pass-Through Entity – Texas Workforce Commission
CFDA Number – 93.575
Federal Award Numbers – N/A

Condition: Documentation of review and approval for 44 of the 60 expenditures tested were not maintained by BGCSCT. As a result, allowability and related review and approval of those costs could not be determined.

Criteria: As part of effective internal controls per OMB Circular A-133, adequate documentation to support approval of expenditure activities should be maintained. It is also a compliance requirement that approval be documented.

Questioned Costs: Not applicable.

**BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023**

2023-002 Material Weakness – Allowable Costs/Cost Principles; Activities
Allowed/Unallowed (continued)

Effect: The conditions could lead to expenditures being paid that are not in compliance with the grant agreement.

Recommendation: BGCSCT should maintain supporting documentation for expenditures that includes evidence of approval.

Views of Responsible Officials:

2023-003 Significant Deficiency – Reporting

Federal Program – Education Stabilization Fund
Federal Agency – U.S. Department of Education
Pass-Through Entity – Texas Education Agency
CFDA Number – 84.425
Federal Award Numbers – 20521001105802, 21528001105802,
215280587110152, 21528042105802, 21528000000000

Condition: For the four months tested for reporting, there was no evidence to support the reports that were prepared and submitted, nor were the reports reviewed or approved by supervisory personnel other than the preparer.

Criteria: Under a properly designed system of internal control per 2 CFR 200.303, financial reports should be reviewed and approved by supervisory personnel other than the preparer.

Questioned Costs: Not applicable.

Effect: The condition could lead to incorrect amounts being reported to federal grantors.

Cause of Condition: The four monthly reports submitted to the Texas Education Agency did not have evidence to support the reports that were submitted, nor were the reports reviewed or approved by supervisory personnel other than the preparer.

Recommendation: BGCSCT should implement a review and approval procedure for the program's monthly reports prior to submission. This review and approval should be completed by someone other than the preparer, and support for the report should be provided.

**BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023**

2023-004 Significant Deficiency – Reporting

Federal Program – Child Care Relief Fund
Federal Agency – U.S. Department of Health and Human Services
Pass-Through Entity – Texas Workforce Commission
CFDA Number – 93.575
Federal Award Numbers – N/A

Condition: For the two quarters selected for testing, there was no evidence the reports were reviewed or approved by supervisory personnel other than the preparer.

Criteria: Under a properly designed system of internal control, financial reports should be reviewed and approved by supervisory personnel other than the preparer.

Questioned Costs: Not applicable.

Effect: The condition could lead to incorrect amounts being reported to federal grantors.

Cause of Condition: The two quarterly reports submitted to the Texas Workforce Commission did not have evidence the reports reviewed or approved by supervisory personnel other than the preparer.

Recommendation: BGCST should implement a review and approval procedure for the program's quarterly reports. Review and approval should be completed by someone other than the preparer.