

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING

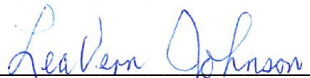
August 31, 2020

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) X approved _____disapproved for the year ended August 31, 2020, at a meeting of the Board of Directors of such charter holder on the 27th day of January, 2021.



Signature of Board Secretary



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)

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
FINANCIAL STATEMENTS WITH
COMPLIANCE REPORTING
August 31, 2020

Table of Contents

Certificate of Board	1
Independent Auditor's Report	2-3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-15
Specific-Purpose Financial Statements (Texas Preparatory School)	
Statement of Financial Position	16
Statement of Activities	17
Statement of Cash Flows	18
Schedule of Expenses	19
Schedule of Capital Assets	20
Budgetary Comparison Schedule	21
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 <i>Government Auditing Standards</i>	22-23
Summary of Audit Findings	24

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 statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other 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 16-21 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, 2021 on pages 22-23 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, 2021

FINANCIAL STATEMENTS

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
STATEMENT OF FINANCIAL POSITION
August 31, 2020

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 332,570
Due from Texas Education Agency	<u>226,758</u>
TOTAL CURRENT ASSETS	<u>559,328</u>

LONG-TERM ASSETS

Property and Equipment, net	<u>11,582</u>
TOTAL LONG-TERM ASSETS	<u>11,582</u>

TOTAL ASSETS	<u><u>\$ 570,910</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 52,967
Accrued Expenses	<u>123,255</u>
TOTAL CURRENT LIABILITIES	<u>176,222</u>

NET ASSETS

Without Donor Restrictions	36,217
With Donor Restrictions	<u>358,471</u>
TOTAL NET ASSETS	<u>394,688</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 570,910</u></u>
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The accompanying notes are an integral part of this financial statement.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<u>OPERATING SUPPORT AND REVENUE</u>			
Government Funding	\$ 10,626	\$ 2,663,973	\$ 2,674,599
PPP Revenue	-	345,850	345,850
Program Fees	233,732	-	233,732
Grants and Contributions	56,551	10,000	66,551
Other Income	1,080	-	1,080
Loss on Fundraiser	(59,924)	-	(59,924)
Net Assets Released from Restriction	2,682,485	(2,682,485)	-
TOTAL OPERATING SUPPORT AND REVENUE	2,924,550	337,338	3,261,888
 <u>OPERATING EXPENSES</u>			
Program Services	2,788,155		2,788,155
Supporting Services	338,974	-	338,974
TOTAL OPERATING EXPENSES	3,127,129	-	3,127,129
 CHANGE IN NET ASSETS	 (202,579)	 337,338	 134,759
 NET ASSETS, Beginning of Year (Restated)	 238,796	 21,133	 259,929
 NET ASSETS, Beginning of Year	 \$ 36,217	 \$ 358,471	 \$ 394,688

The accompanying notes are an integral part of this financial statement.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2020

	Program Services			Supporting Services			Total
	After School Programs	Charter School Programs	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
OPERATING EXPENSES							
Salaries	\$ 69,763	\$ 1,572,558	\$ 1,642,321	\$ 167,239	\$ 34,080	\$ 201,319	\$ 1,843,640
Benefits	492	76,201	76,693	5,241	-	5,241	81,934
Retirement	-	70,578	70,578	3,638	559	4,197	74,775
Payroll Taxes	5,705	26,221	31,926	4,543	1,085	5,628	37,554
Total Payroll Expenses	75,960	1,745,558	1,821,518	180,661	35,724	216,385	2,037,903
Rental Expense	466	361,495	361,961	19,051	-	19,051	381,012
Other Contracted Services	29,013	190,446	219,459	-	-	-	219,459
Professional Services	7,191	92,504	99,695	-	-	-	99,695
Utilities	21,343	55,323	76,666	4,035	-	4,035	80,701
General Supplies	20,090	48,908	68,998	9,687	-	9,687	78,685
Other Miscellaneous Operating Costs	34,038	12,250	46,288	-	-	-	46,288
Dues and Subscriptions	551	1,825	2,376	31,763	-	31,763	34,139
Insurance and Bonding	-	-	-	28,583	-	28,583	28,583
Maintenance and Repair	9,366	12,636	22,002	-	-	-	22,002
Accounting Fees	-	-	-	18,096	-	18,096	18,096
Gasoline and Fuel	10,439	4,305	14,744	-	-	-	14,744
Travel Expenses	10,155	3,820	13,975	-	-	-	13,975
Depreciation Expense	11,565	-	11,565	609	-	609	12,174
Food Expense	8,866	2,482	11,348	-	-	-	11,348
Legal Services	-	-	-	10,765	-	10,765	10,765
Instructional Materials	-	10,184	10,184	-	-	-	10,184
Educational Service Center	-	7,333	7,333	-	-	-	7,333
Equipment Expense	43	-	43	-	-	-	43
TOTAL OPERATING EXPENSES	\$ 239,086	\$ 2,549,069	\$ 2,788,155	\$ 303,250	\$ 35,724	\$ 338,974	\$ 3,127,129

The accompanying notes are an integral part of this financial statement.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets From Operating Activities	\$ 134,759
Adjustments to Reconcile Net Change to Net Cash	
Provided by Operations:	
Depreciation	12,174
Increase in Assets:	
Due from Texas Education Agency	(122,572)
(Decrease) Increase in Liabilities:	
Accounts Payable	(47,878)
Accrued Expenses	76,502
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>52,985</u>
NET INCREASE IN CASH FLOWS	52,985
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>279,585</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 332,570</u></u>

The accompanying notes are an integral part of this financial statement.

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
NOTES TO FINANCIAL STATEMENTS
August 31, 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. BGCSCT's Board of Directors 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 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, 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, 2020, BGCSCT’s uninsured cash balances totaled \$48,290, 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 sometimes 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, 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. BGCSCT is also exempt from sales taxes and hotel taxes in the State of Texas. As of August 31, 2020, the tax years that remain subject to examination by taxing authorities begin with 2017.

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 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 May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the effect this new standard will have on its financial position, results of operations and related disclosures.

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 new pronouncement effective September 1, 2019. The change was applied retrospectively, but there is 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, 2020

NOTE 2 - DUE FROM TEXAS EDUCATION AGENCY

BGCSCT had \$226,758 due from the TEA related to various state grants and Foundation School Program revenue at August 31, 2020. 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.

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 \$380,544 for the year ended August 31, 2020.

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

Years Ended August 31,		
2021	\$	325,137
2022		183,000
Total	\$	508,137

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31:

Buildings and Improvements	\$	202,308
Furniture and Fixtures		15,598
Vehicles		96,324
		314,230
Less Accumulated Depreciation		(302,648)
Total	\$	11,582

Depreciation expense was \$12,174 for the year ended August 31, 2020.

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

NOTE 6 - 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 statement of financial position are Level 1. BGCSCT does not have Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

NOTE 7 - HEALTH INSURANCE PLAN

Employees of BGCSCT are covered by a health insurance plan. During the year ended August 31, 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 \$73,219 for the year ended August 31, 2020.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were for the following purposes at August 31, 2020:

Foundation School Program	\$	260,142
PPP Revenue		87,206
School Safety Grant		5,964
Textbook & Kindergarten Materials		4,733
IDEA B		426
Total	\$	358,471

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

NOTE 9 - REGULATED INDUSTRY

A portion of BGCSCCT's activities and revenues through TPS are a result of contracts with the TEA. BGCSCCT's operations are concentrated in the education field. As such, BGCSCCT operates in a heavily regulated environment. The operations of BGCSCCT 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 - 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 - \$184,361,871,000
Accumulated Benefit Obligations - \$209,719,687,047
The plan is 76.8% 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 \$74,775 for the year ended August 31, 2020, which include \$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.

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

NOTE 11 - 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.

Cash and Cash Equivalents	\$	332,570
Due from Texas Education Agency		<u>226,758</u>
Total Financial Assets		559,328
Donor Restrictions (net of Foundation School Program)		<u>(98,329)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$	<u><u>460,999</u></u>

BGCSCT'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 on the statement of financial position. However, restrictions are part of BGCSCT's mission that make them available for general expenditure within one year of the statement of financial position date.

NOTE 12 - PRIOR PERIOD RESTATEMENT

During the year ended August 31, 2020, a review of revenue and receivables revealed \$45,318 in grants, contributions, and program revenue that should have been accrued for at August 31, 2019. Correction of this misstatement resulted in an increase of \$45,318 in accounts receivable, revenue, and net assets without donor restrictions at August 31, 2019.

NOTE 13 - 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, depreciation, and various other expenses which are allocated on the basis of square footage or some other reasonable basis.

NOTE 14 - 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.

NOTE 15 - 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. It is expected the remaining \$87,206 will be expended according to the time and purpose restrictions defined by PPP. As of August 31, 2020, it was reasonably certain the loan would be forgiven. Therefore, it has been recognized as revenue in the statement of activities. BGCSCT applied for forgiveness of the PPP loan in December 2020 and is awaiting approval.

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

NOTE 16 - SUBSEQUENT EVENTS

Due to COVID-19, TPS's student enrollment has decreased slightly for the 2020-21 school year, and BGCSCT has experienced a decrease in its program participants for fiscal year 2021. BGCSCT is evaluating current economic conditions and anticipates Foundation School Program Act revenues and program fees to decrease for the year ending August 31, 2021. The related financial impact cannot be reasonably estimated at this time.

BGCSCT has evaluated subsequent events through January 27, 2021, which is the date the financial statements were available to be issued.

SPECIFIC-PURPOSE FINANCIAL STATEMENTS

TEXAS PREPARATORY SCHOOL
STATEMENT OF FINANCIAL POSITION
August 31, 2020

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 48,546
Due from Texas Education Agency	226,758
Due from BGCSCCT	<u>110,203</u>
TOTAL CURRENT ASSETS	<u>385,507</u>
TOTAL ASSETS	<u><u>\$ 385,507</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 53,370
Accrued Expenses	<u>121,730</u>
TOTAL CURRENT LIABILITIES	<u>175,100</u>

NET ASSETS

Without Donor Restrictions	(124,892)
With Donor Restrictions	<u>335,299</u>
TOTAL NET ASSETS	<u>210,407</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 385,507</u></u>

See independent auditor's report.

TEXAS PREPARATORY SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<u>OPERATING REVENUES AND OTHER SUPPORT</u>			
Local Support:			
5749 Other Revenue from Local Sources	\$ 10,626	\$ 24,761	\$ 35,387
Total Local Support	10,626	24,761	35,387
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	2,192,954	2,192,954
5820 State Program Revenues Distributed by Texas Education Agency	-	19,779	19,779
Total State Program Revenues	-	2,212,733	2,212,733
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency	-	426,479	426,479
5940 Federal Revenues Distributed Directly from the Federal Government	-	309,078	309,078
Total Federal Program Revenues	-	735,557	735,557
Net Assets Released From Restrictions			
Restrictions Satisfied By Payments	2,658,885	(2,658,885)	-
TOTAL OPERATING REVENUES AND OTHER SUPPORT	2,669,511	314,166	2,983,677
<u>OPERATING EXPENSES</u>			
11 Instruction	1,359,783	-	1,359,783
23 School Leadership	325,644	-	325,644
34 Student Transportation	35,656	-	35,656
35 Food Services	208,818	-	208,818
41 General Administration	186,368	-	186,368
51 Plant Maintenance and Operations	616,553	-	616,553
52 Security and Monitoring Services	1,206	-	1,206
53 Data Processing	34,687	-	34,687
61 Community Service	25,688	-	25,688
TOTAL OPERATING EXPENSES	2,794,403	-	2,794,403
CHANGE IN NET ASSETS	(124,892)	314,166	189,274
NET ASSETS, Beginning of Year	-	21,133	21,133
NET ASSETS, End of Year	\$ (124,892)	\$ 335,299	\$ 210,407

See independent auditor's report.

TEXAS PREPARATORY SCHOOL
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Foundation School Program Payments	\$ 2,007,328
Grant Payments	662,867
Miscellaneous Sources	35,387
Payments to Vendors for Goods and Services Rendered	(922,299)
Payments to Charter School Personnel for Services Rendered	(1,842,648)
	NET CASH USED BY OPERATING ACTIVITIES
	(59,365)

NET DECREASE IN CASH FLOWS (59,365)

CASH AND CASH EQUIVALENTS, Beginning of Year 107,911

CASH AND CASH EQUIVALENTS, End of Year \$ 48,546

Reconciliation of Change in Net Assets to Net Cash

Used by Operating Activities:

Change in Net Assets \$ 189,274

Adjustments to Reconcile Change in Net Assets to Net Cash

Used by Operating Activities:

Increase in Assets:

 Due from Texas Education Agency (167,892)

 Due from BGCST (110,203)

Increase in Liabilities:

 Accounts Payable (45,521)

 Accrued Expenses 74,977

NET CASH USED BY OPERATING ACTIVITIES \$ (59,365)

TEXAS PREPARATORY SCHOOL
SCHEDULE OF EXPENSES
For the Year Ended August 31, 2020

OPERATING EXPENSES

6100	Payroll Costs	\$ 1,917,625
6200	Professional and Contracted Services	755,716
6300	Supplies and Materials	71,891
6400	Other Operating Costs	<u>49,171</u>
	TOTAL OPERATING EXPENSES	<u><u>\$ 2,794,403</u></u>

See independent auditor's report.

TEXAS PREPARATORY SCHOOL
SCHEDULE OF CAPITAL ASSETS
August 31, 2020

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	\$ -	\$ 48,546	\$ -
1520 Building Improvements	-	264,771	-
1531 Vehicles	-	4,103	-
Total Capital Assets	\$ -	\$ 317,420	\$ -

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
<i>Less Accumulated Depreciation:</i>	(268,874)
Total Property and Equipment per Statement of Financial Position:	\$ -

TEXAS PREPARATORY SCHOOL
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance From</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>OPERATING REVENUES AND OTHER SUPPORT</u>				
Local Support:				
5740 Other Revenues from Local Sources	\$ 46,500	\$ 46,500	\$ 35,387	\$ (11,113) (1)
Total Local Support	<u>46,500</u>	<u>46,500</u>	<u>35,387</u>	<u>(11,113)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	2,439,278	2,439,278	2,192,954	(246,324) (2)
5820 State Program Revenues Distributed by Texas Education Agency	-	-	19,779	19,779
Total State Program Revenues	<u>2,439,278</u>	<u>2,439,278</u>	<u>2,212,733</u>	<u>(226,545)</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	277,640	277,640	426,479	148,839
5940 Federal Revenues Distributed Directly from the Federal Government	-	-	309,078	309,078
Total Federal Program Revenues	<u>277,640</u>	<u>277,640</u>	<u>735,557</u>	<u>457,917</u>
TOTAL OPERATING REVENUES AND OTHER SUPPORT	<u>2,763,418</u>	<u>2,763,418</u>	<u>2,983,677</u>	<u>220,259</u>
<u>OPERATING EXPENSES</u>				
11 Instructional	1,258,198	1,582,778	1,359,783	222,995
23 School Leadership	315,500	324,677	325,644	(967)
34 Student Transportation	80,975	80,975	35,656	45,319
35 Food Services	209,690	209,690	208,818	872
41 General Administration	270,020	269,820	186,368	83,452
51 Plant Maintenance and Operations	570,100	570,100	616,553	(46,453)
52 Security and Monitoring Services	100	25,000	1,206	23,794
53 Data Processing Services	32,910	32,910	34,687	(1,777)
61 Community Service	25,925	25,925	25,688	237
TOTAL OPERATING EXPENSES	<u>2,763,418</u>	<u>3,121,875</u>	<u>2,794,403</u>	<u>327,472</u>
CHANGE IN NET ASSETS	-	(358,457)	189,274	547,731
NET ASSETS, Beginning of Year	<u>21,133</u>	<u>21,133</u>	<u>21,133</u>	-
NET ASSETS, End of Year	<u>\$ 21,133</u>	<u>\$ (337,324)</u>	<u>\$ 210,407</u>	<u>\$ 547,731</u>

(1) Unfavorable variance is due to program closure in March 2020 due to COVID-19.

(2) Unfavorable variance is due to anticipated revenue calculated based on Hold Harmless funding guarantee as of March 2020 and not on Average Daily Attendance.

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, 2020, 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, 2021.

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) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses and/or significant deficiencies may exist that have not been identified.

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 determination of financial statement amounts. 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, 2021

BOYS AND GIRLS CLUBS OF SOUTH CENTRAL TEXAS
SUMMARY OF AUDIT FINDINGS
For the Year Ended August 31, 2020

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

Current 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.