

Boys and Girls Club of the Grand Strand, Inc.

Financial Statements

Year Ended December 31, 2019

Boys and Girls Club of the Grand Strand, Inc.
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**SMITH
SAPP**

Certified Public Accountants & Consultants

MYRTLE BEACH

4728 Jenn Drive
Suite 100
Myrtle Beach, SC 29577

Phone (843) 448-8334
Fax (843) 626-7363
www.sccpa.com

CONWAY

1109 Main Street
Suite A
Conway, SC 29526

Phone (843) 248-5284
Fax (843) 381-0027
www.sccpa.com

PAWLEYS ISLAND

245 Business Center Drive
Suite 4A
Pawleys Island, SC 29585

Phone (843) 237-3453
Fax (843) 237-4809
www.sccpa.com

Independent Auditors' Report

To the Board of Directors
Boys and Girls Club of the Grand Strand, Inc.

We have audited the accompanying financial statements of Boys and Girls Club of the Grand Strand, Inc. (a nonprofit corporation), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2019, and the related statements of revenues, expenses and changes in net assets – modified cash basis, and functional expenses – modified cash basis 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 the modified cash basis of accounting described in Note 2; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 principles 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 assets, liabilities and net assets of Boys and Girls Club of the Grand Strand, Inc. as of December 31, 2019, and its' revenues, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Smith Sapp, PA

Smith Sapp Professional Association
Certified Public Accountants

Myrtle Beach, South Carolina
October 20, 2020

Boys and Girls Club of the Grand Strand, Inc.
Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis
December 31, 2019

	2019
Assets	
Cash and Cash Equivalents	\$ 336,472
Prepaid Expenses	3,351
Property and Equipment, Net	2,847,699
Total Assets	\$ 3,187,522
Liabilities and Net Assets	
Liabilities	
Credit Cards Payable	\$ 8,007
Accrued Compensation	9,987
Scholarship Commitments	5,395
Retainage Payable	175,993
Construction Loan Payable	2,061,052
Total Liabilities	2,260,434
Net Assets	
With Donor Restrictions	272,927
Without Donor Restrictions	654,161
Total Net Assets	927,088
Total Liabilities and Net Assets	\$ 3,187,522

The accompanying notes are an integral part of the financial statements

Boys and Girls Club of the Grand Strand, Inc.
Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis
Year Ended December 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>2019</u>
Support and Revenues			
Charges for Services	\$ 64,238	\$	\$ 64,238
Grants	450,664		450,664
Contributions	56,130	220,085	276,215
Fundraising	50,206		50,206
Miscellaneous	20		20
Total Support and Revenues	<u>621,258</u>	<u>220,085</u>	<u>841,343</u>
Net Assets Released From Restrictions	<u>588,601</u>	<u>(588,601)</u>	
Expenses			
Youth Services	536,676		536,676
Supporting Activities			
Management and General	143,340		143,340
Fundraising	23,547		23,547
Total Expenses	<u>703,563</u>		<u>703,563</u>
Increase (Decrease) in Net Assets	506,296	(368,516)	137,780
Net Assets - Beginning	<u>147,865</u>	<u>641,443</u>	<u>789,308</u>
Net Assets - Ending	<u>\$ 654,161</u>	<u>\$ 272,927</u>	<u>\$ 927,088</u>

The accompanying notes are an integral part of the financial statements

Boys and Girls Club of the Grand Strand, Inc.
Statement of Functional Expenses - Modified Cash Basis
Year Ended December 31, 2019

	<u>Youth Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Employee Compensation	\$ 332,328	\$ 62,311	\$ 20,770	\$ 415,409
Be Great Graduate	32,078			32,078
College Assistance	12,578			12,578
Supplies	8,483			8,483
Food Expense	29,882			29,882
Field Trips	7,829			7,829
Staff Development		32,073		32,073
Occupancy Costs	47,210	5,554	2,777	55,541
Insurance	8,846	5,898		14,744
Depreciation	5,850	650		6,500
Professional Fees	4,538	3,025		7,563
Dues & Subscriptions	4,220	1,407		5,627
Technology & Communications	11,120	11,120		22,240
Transportation	9,153	9,154		18,307
Other Operating	22,561	12,148		34,709
	<u>\$ 536,676</u>	<u>\$ 143,340</u>	<u>\$ 23,547</u>	<u>\$ 703,563</u>

The accompanying notes are an integral part of the financial statements

The Boys and Girls Club of the Grand Strand, Inc.
Notes to Financial Statements
December 31, 2019

Note 1 – Organization

The Boys and Girls Club of the Grand Strand, Inc. (the ‘Organization’) was organized October 23, 1996, under the name Boys and Girls Club of Horry County, Inc. The Organization changed its name to Boys and Girls Club of the Grand Strand, Inc. on December 19, 2000. The Organization was organized under the laws of the State of South Carolina, as a non-profit corporation in Horry County, South Carolina to inspire and enable all young people to realize their full potential as responsible and caring citizens.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Consequently, the Organization has not recognized receivables from members, unconditional promises to give, accounts payable to vendors, the fair value of donated items or services, including land, or their related effects on the change in net assets in the accompanying financial statements.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with Accounting Standards Update 2016-14, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature. Those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Estimates

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts and disclosures, primarily those estimates included in the Basis of Accounting disclosure above. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all demand deposits, money market accounts and other highly liquid investments with original maturities of three months or less to be cash equivalents.

Property and Equipment

All acquisitions of equipment and leasehold improvements in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Equipment and leasehold improvements are stated at cost, or if donated, at the approximate fair value on the date of donation. Depreciation is calculated utilizing the straight-line method. The estimated useful lives of the assets for purposes of computing depreciation are as follows:

Furniture and Equipment	7 Years
Vehicles	5 Years
Building	39 Years

The Boys and Girls Club of the Grand Strand, Inc.
Notes to Financial Statements
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Prepaid Expenses

Prepaid expenses are recognized when payments have been made for products or services that will not be used in operations until the following year.

Income Taxes

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the United States Internal Revenue Code and is exempt from federal and state income taxes.

Accounting standards prescribe when to recognize and how to measure the effects of tax positions taken or expected to be taken. In order to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. To the extent that all or a portion of a tax position is not recognized, a liability would be recognized for the unrecognized benefits.

The Organization has determined that certain transactions occurred during the year ending December 31, 2019, and previous years, which meet the definition of an excess benefit transaction as defined by Internal Revenue Code (“IRC”) Section 4958. These transactions are currently under investigation by the Board of Directors and other authorities. The Board of Directors has evaluated the potential impact these transactions may have on the Organizations tax exempt status and determined that they believe it is more likely than not their tax exempt status will remain intact. As such, no related tax expense or liability for this uncertain tax position has been recorded with the associated financial statements at this time.

As of December 31, 2019, management has determined that the Organization does not have any material unrecognized tax benefits.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of revenues, expenses and changes in net assets and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program expenses and supporting services benefited on a reasonable basis that is consistently applied. The expenses that are allocated include the following:

	<u>Method of Allocation</u>
Employee Compensation	Time and Effort
Occupancy Costs	Usage Studies
Insurance	Usage Studies
Depreciation	Usage Studies
Professional Fees	Time and Effort
Dues and Subscriptions	Usage Studies
Technology and Communications	Usage Studies
Transportation	Usage Studies
Other Operating Costs	Usage Studies

As discussed within the Income Taxes accounting policy note above, the Organization has classified certain transactions, which the Board of Directors have determined to potentially be excess benefit transactions, within the natural classification for which those transactions were initially classified by Management. The Organization is currently in the process of determining which, if any, transactions are ultimately excess benefit transactions.

Concentrations of Risk

During the year ended December 31, 2019, approximately 48% of the Organization’s total support was from three providers.

The Boys and Girls Club of the Grand Strand, Inc.
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The Organization maintains bank accounts with multiple financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. At December 31, 2019, the bank's balances totaled \$336,254 with an uninsured balance of \$86,254.

Note 2 – Liquidity and Availability of Financial Assets

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and liabilities come due. The Organization's financial assets available for general expenditures consisted the following at December 31, 2019:

Cash and Cash Equivalents	\$ <u>336,472</u>
Less those unavailable for general expenditures within one year:	
Restricted for Capital Campaign (See Note 4)	<u>(272,927)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>63,545</u></u>

Note 3 – Property and Equipment

Property and Equipment Consisted of the following at December 31, 2019:

Vehicle	\$ 32,500
Furniture and Equipment	1,981
Construction in Process	<u>2,823,324</u>
	2,857,805
Accumulated Depreciation	<u>(10,106)</u>
	\$ <u><u>2,847,699</u></u>

Note 4 – Capital Campaign

On February 13, 2017, the Organization was conveyed a vacant lot of 1.81 acres on 10th Avenue North in Myrtle Beach between Dunbar and Carver Streets at 900 Dunbar Street. The property shall be used only for a youth recreation and education center and for no other purpose without the written consent of the Grantor. Plans, specifications, and locations of all development to the property including buildings, structures, fences, signs, parking areas and landscaping are subject to the written approval of the grantor. Further restrictions are on the property and right of first refusal if the organization was to desire to sell all or any portion of or any interest in the property. Funds are being raised for the building campaign and commitments are being received. There was \$272,927 restricted for the Capital Campaign at December 31, 2019.

Note 5 – Construction Loan

On December 14, 2018, the Organization obtained a loan (the "Note"), to finance its' new facility. The principal amount of the Note is up to \$2,360,000. The Note bears interest at a fixed rate of 4.5% per annum from the date of the Note through December 4, 2023. Beginning December 5, 2023, and continuing thereafter on each 5th anniversary of the date of the Note, the applicable interest rate shall be the greater of 4.5% or the prevailing Wall Street Journal Prime Rate as of the date the Note is reevaluated. Repayment of the Note is scheduled to begin on February 5, 2019. The Organization will pay interest only through January 5, 2024, followed by monthly payments of \$13,120 to principal plus the variable interest due. As of December 31, 2019, the Note balance totaled \$2,061,052. Total principal due for the year ending December 31, 2024, will be \$144,320, with the remainder due thereafter. The Note is collateralized by the property.

Note 6 – Lease Agreements

On January 1, 1999 the Organization entered into a lease agreement with Colbert Brown of Myrtle Beach, South Carolina for the use of 1404 Carver Street, Myrtle Beach, South Carolina. The term of the lease is

The Boys and Girls Club of the Grand Strand, Inc.
Notes to Financial Statements
December 31, 2019

twenty-six (26) years commencing on the 1st day of January 1999. The agreement required annual rent payment of \$1, which is due and payable on January 1 of each year and payment of property taxes. On June 8, 2011, the lease was amended and extended by eleven (11) years through December 31, 2037. The annual rent payable for the remainder of the lease has been waived.

On February 1, 2018, the Organization entered into a shared-use and lease agreement with First Baptist Church of Myrtle Beach, Inc. for the share-used and lease of certain portions of the real properties of the Church including the Compton Life Center and the Nance Building. The initial term of the lease is three years ending January 31, 2021. The Organization canceled this lease in 2020 and no further payments are due.

Note 7 – 401(A) Plan

The Organization has a 401(A) plan for its employees. The plan includes matching contributions by the Organization of up to 5% of employees' compensation. The Organization contributed \$6,062 to the plan during the year ending December 31, 2019.

Note 8 – Related Parties

The Organization provided approximately \$12,000 of various types of educational funding to a family member of a previous employee during the year ending December 31, 2019.

Note 9 – Commitments and Contingencies

From time to time the Organization is subject to other claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially.

Note 10 – Subsequent Events

The Organization has evaluated subsequent events through October 20, 2020, the date which the financial statements were available to be issued.

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily. Further, individuals' ability to travel has been curtailed through mandated travel restrictions and may be further limited through additional voluntary or mandated closures of travel related businesses. Given the uncertainty regarding the spread of this coronavirus, the related financial impact cannot be reasonably estimated at this time.

The current economic environment is difficult and the Organization has reported a decrease in net assets for the year. The Organization was able to reopen with timing aligned with the local schools in September 2020. The Organization has instituted measures to preserve cash by cutting expenses where possible and, has focused on funding through grants, traditional fundraisers, and private donations.

In April 2020, the Organization took part in the Paycheck Protection Program offered by the Small Business Administration. The program offered a forgivable loan to cover qualifying expenses provided various stipulations are met over the life of the loan. The principle of the loan amount acquired by the Organization totaled \$64,000.

The Organization's new facility was completed and put into service in September 2020.