

Boys and Girls Club of the Grand Strand, Inc.

Financial Statements

Year Ended December 31, 2020

Boys and Girls Club of the Grand Strand, Inc.
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Independent Auditors' Report

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

Opinion

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, 2020, 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.

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, 2020, 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 Opinion

We conducted our audit in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, as discussed in Note 2 of the financial statements. Our opinion is not modified with respect to that matter. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boys and Girls Club of the Grand Strand, Inc. 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Club of the Grand Strand, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Boys and Girls Club of the Grand Strand, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Club of the Grand Strand, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Smith Sapp, PA

Smith Sapp Professional Association
Certified Public Accountants

Myrtle Beach, South Carolina
October 21, 2021

Boys and Girls Club of the Grand Strand, Inc.
Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis
December 31, 2020

	2020
Assets	
Cash and Cash Equivalents	\$ 243,885
Prepaid Expenses	2,522
Property and Equipment, Net	2,951,397
Total Assets	\$ 3,197,804
 Liabilities and Net Assets	
Liabilities	
Accrued Interest	\$ 9,039
Note Payable	2,332,892
Total Liabilities	2,341,931
 Net Assets	
With Donor Restrictions	171,249
Without Donor Restrictions	684,624
Total Net Assets	855,873
 Total Liabilities and Net Assets	\$ 3,197,804

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, 2020

	Without Donor Restrictions	With Donor Restrictions	2020
Support and Revenues			
Charges For Services	\$ 17,405	\$	\$ 17,405
Grants	207,415	84,061	291,476
Contributions	77,368	65,720	143,088
Miscellaneous	6,838		6,838
Total Support and Revenues	<u>309,026</u>	<u>149,781</u>	<u>458,807</u>
Net Assets Released From Restrictions	<u>251,459</u>	<u>(251,459)</u>	
Expenses			
Youth Services	366,855		366,855
Supporting Activities			
Management and General	78,978		78,978
Fundraising	18,160		18,160
Total Expenses	<u>463,993</u>		<u>463,993</u>
Increase (Decrease) in Net Assets	96,492	(101,678)	(5,186)
Net Assets - Beginning	654,161	272,927	927,088
Adjustments	(66,029)		(66,029)
Net Assets - Beginning, As Restated	<u>588,132</u>	<u>272,927</u>	<u>861,059</u>
Net Assets - Ending	<u>\$ 684,624</u>	<u>\$ 171,249</u>	<u>\$ 855,873</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, 2020

	Youth Services	Management and General	Fundraising	Totals
Employee Compensation	\$ 220,081	\$ 41,265	\$ 13,754	\$ 275,100
Be Great Graduate	197			197
Supplies	4,012			4,012
Food Expense	1,893			1,893
Staff Development		70		70
Occupancy Costs	74,890	8,810	4,406	88,106
Insurance	5,898	3,933		9,831
Depreciation	29,147	3,238		32,385
Professional Fees	9,130	6,086		15,216
Dues & Subscriptions	3,560	1,187		4,747
Technology & Communications	6,724	6,723		13,447
Transportation	3,399	3,400		6,799
Other Operating	7,924	4,266		12,190
	<u>\$ 366,855</u>	<u>\$ 78,978</u>	<u>\$ 18,160</u>	<u>\$ 463,993</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, 2020

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
December 31, 2020

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, 2020, 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 Organization’s tax exempt status and determined that they believe it is more likely than not that 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, 2020, 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, 2020, approximately 26% of the Organization’s total support was from three providers.

The Boys and Girls Club of the Grand Strand, Inc.
Notes to Financial Statements
December 31, 2020

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, 2020, the Organization had no uninsured bank balances.

Note 3 – 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 of the following at December 31, 2020:

Cash and Cash Equivalents	\$ <u>243,885</u>
Less those unavailable for general expenditures within one year:	
Restricted for Capital Campaign (See Note 4)	<u>(171,249)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>72,636</u></u>

Note 4 – Property and Equipment

Property and Equipment Consisted of the following at December 31, 2020:

Vehicle	\$ 32,500
Furniture, Fixtures and Equipment	17,098
Building	<u>2,944,290</u>
	2,993,888
Accumulated Depreciation	<u>(42,491)</u>
	\$ <u><u>2,951,397</u></u>

Note 5 – 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 \$171,249 restricted for the Capital Campaign at December 31, 2020.

Note 6 – Note Payable

On December 14, 2018, the Organization obtained a loan (the “Note”), to finance its’ new facility. 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 interest rate reset date. 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, 2020, the Note balance totaled \$2,332,892. Total principal due for the year ending December 31, 2024, will be \$157,440 with the remainder due thereafter. The Note is collateralized by the property.

The Boys and Girls Club of the Grand Strand, Inc.
Notes to Financial Statements
December 31, 2020

Future maturities of note payable are as follows:

2021	\$
2022	
2023	
2024	157,440
2025	157,440
Thereafter	<u>2,018,012</u>
	<u>\$ 2,332,892</u>

Note 7 – 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 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 shared-use 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 8 – 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 \$8,797 to the plan during the year ending December 31, 2020.

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 - Net Assets with Donor Restrictions

At December 31, 2020, net assets with donor restrictions totaled of \$171,249. The composition of the restrictions placed on those net assets consists of the following as of each fiscal year ended:

	<u>2020</u>
Purpose Restriction	
Capital Campaign	\$ 171,249

Note 11 – Subsequent Events

The Organization has evaluated subsequent events through October 21, 2021, the date which the financial statements were available to be issued.

The Boys and Girls Club of the Grand Strand, Inc.
Notes to Financial Statements
December 31, 2020

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, which was forgiven in 2021.

On March 8, 2021, the Organization received a Second Draw Paycheck Protection Loan in the amount of \$64,000.

Note 12 – Prior Period Adjustment

A prior period adjustment has been made to correct an error related to the recording of a construction payable for which a construction in process balance had been recorded. The effect of the adjustment was to increase construction payable and decrease members' equity by \$66,029 at the beginning of 2020.