

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**BOYS & GIRLS CLUBS**  
OF THE LOWCOUNTRY

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**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**CERTIFIED PUBLIC ACCOUNTANTS**

Member:  
American Institute of CPAs  
South Carolina Association of CPAs

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Boys & Girls Clubs of the Lowcountry, Inc.  
10 Pinckney Colony Road, Suite 103  
Bluffton, South Carolina 29909-4127

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Boys & Girls Clubs of the Lowcountry, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, 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. 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 Boys and Girls Clubs of the Lowcountry, Inc. as of September 30, 2019, 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.

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## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements on pages 19-22 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.



Crowley Wechsler & Associates LLC  
Beaufort, South Carolina  
May 11, 2020

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2019**

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL (MEMORANDUM ONLY)
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 714,015	\$ 535,526	\$ 1,249,541
Investments	2,774,482	475,192	3,249,674
Unconditional Promises to Give	-	592,090	592,090
Accounts Receivable	9,990	-	9,990
Prepaid Expenses	35,612	-	35,612
Property Held for Resale	399,800	-	399,800
Property and Equipment - Net	4,092,000	-	4,092,000
 Total Assets	 \$ 8,025,899	 \$ 1,602,808	 \$ 9,628,707
 <b>LIABILITIES AND NET ASSETS</b>			
Accounts Payable	\$ 92,860	\$ -	\$ 92,860
Salaries Payable	103,641	-	103,641
Accrued Expenses	23,983	-	23,983
Unearned Revenue	23,788	-	23,788
Notes Payable	180,000	-	180,000
Total Liabilities	424,272	-	424,272
 Net Assets			
Without Donor Restriction	735,145	-	735,145
Board Designated	2,774,482	-	2,774,482
Property and Equipment	4,092,000	-	4,092,000
With Donor Restriction	-	1,303,729	1,303,729
With Donor Restriction - Endowment	-	299,079	299,079
Total Net Assets	7,601,627	1,602,808	9,204,435
 Total Liabilities and Net Assets	 \$ 8,025,899	 \$ 1,602,808	 \$ 9,628,707

The notes to the financial statements are an integral part of this statement.

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>WITHOUT DONOR RESTRICTION</u>	<u>WITH DONOR RESTRICTION</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>REVENUES AND SUPPORT</b>			
Fund Raising Events			
Revenue Generated	\$ 1,088,954	\$ -	\$ 1,088,954
Less Direct Costs of Events	<u>(297,648)</u>	<u>-</u>	<u>(297,648)</u>
Fund Raising in Excess of Direct Costs	791,306	-	791,306
Contributions	769,580	780,101	1,549,681
In-kind Contributions	68,600	-	68,600
Trusts and Foundations	148,574	5,000	153,574
United Way	-	65,717	65,717
Membership Dues	4,485	-	4,485
Program Fees	855,385	-	855,385
Investment Income	157,391	40,578	197,969
Rental of Facility	34,130	-	34,130
Miscellaneous Income	72,262	211,000	283,262
Net Assets Released from Restrictions	<u>1,845,237</u>	<u>(1,845,237)</u>	<u>-</u>
Total Revenues and Support	<u>4,746,950</u>	<u>(742,841)</u>	<u>4,004,109</u>
<b>FUNCTIONAL EXPENSES</b>			
Program Services	2,831,258	-	2,831,258
General and Administrative	527,643	-	527,643
Fundraising	<u>312,408</u>	<u>-</u>	<u>312,408</u>
Total Functional Expenses	<u>3,671,309</u>	<u>-</u>	<u>3,671,309</u>
Change in Net Assets	1,075,641	(742,841)	332,800
Net Assets, Beginning of Year	6,566,602	2,305,033	8,871,635
Transfer of Net Assets	<u>(40,616)</u>	<u>40,616</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 7,601,627</u>	<u>\$ 1,602,808</u>	<u>\$ 9,204,435</u>

The notes to the financial statements are an integral part of this statement.

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>SUPPORTING SERVICES</u>			<u>TOTAL</u>
	<u>PROGRAM SERVICES</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUND RAISING</u>	
Salaries and Wages	\$ 1,385,949	\$ 223,294	\$ 259,205	\$ 1,868,448
Fringe Benefits	194,233	101,517	50,275	346,025
Total Payroll Costs	<u>1,580,182</u>	<u>324,811</u>	<u>309,480</u>	<u>2,214,473</u>
Service and Professional Fees	17,893	107,302	-	125,195
Operating Supplies	130,699	19,573	-	150,272
Utilities	157,160	11,279	-	168,439
Repairs and Maintenance	93,825	225	-	94,050
Insurance	110,850	7,877	-	118,727
Travel	22,343	13,003	-	35,346
Rent Expense	69,590	19,358	-	88,948
Advertising and Promotion	18,087	1,815	-	19,902
Program Expenses	259,270	-	-	259,270
Other Expenses	69,537	22,400	2,928	94,865
Total Expenses Before Depreciation	<u>2,529,436</u>	<u>527,643</u>	<u>312,408</u>	<u>3,369,487</u>
Depreciation	<u>301,822</u>	<u>-</u>	<u>-</u>	<u>301,822</u>
Total Functional Expenses	<u>\$ 2,831,258</u>	<u>\$ 527,643</u>	<u>\$ 312,408</u>	<u>\$ 3,671,309</u>

The notes to the financial statements are an integral part of this statement.

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>2019</b>
<b>Cash Flows From Operating Activities</b>	
Net income (loss)	\$ 332,800
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation	301,822
(Increase) decrease in accounts receivable	45,562
(Increase) decrease in prepaid assets	(3,072)
(Increase) decrease in promises to give	(33,142)
Increase (decrease) in accounts payable	(17,018)
Increase (decrease) in salaries payable and other benefits	35,917
Increase (decrease) in unearned revenues	395
Increase (decrease) in other accrued liabilities	(3,593)
Total adjustments	326,871
Net Cash Provided (Used) by Operating Activities	659,671
 <b>Cash Flows From Investing Activities</b>	
Withdrawals from investment accounts	60,000
Transfers to investments	(502,000)
Investment fees and foreign taxes paid	21,375
Interest and dividends earned on investments	(117,535)
Realized/unrealized gains and losses on investments	(87,598)
Purchases of capital assets	(787,741)
Net Cash Provided (Used) by Investing Activities	(1,413,499)
 <b>Cash Flows From Financing Activities</b>	
Withdrawals on line of credit	105,000
Net Cash Provided (Used) by Financing Activities	105,000
Net Increase (Decrease) in Cash	(648,828)
Cash at Beginning of Year	1,898,369
Cash at End of Year	\$ 1,249,541
 <u>Supplemental Disclosures</u>	
Cash Paid During the Year for:	
Interest	\$ 1,328

The notes to the financial statements are an integral part of this statement.



**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of the Organization:** The Boys & Girls Clubs of the Lowcountry, Inc. (the Organization) was incorporated November 21, 1985, for the purpose of contributing to the quality of life and well-being of disadvantaged youth from the ages of six to eighteen. This objective is achieved by providing social, recreational, and sports facilities under adult supervision and by providing behavioral guidance to help achieve character and leadership development.

**Basis of Presentation:** The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

In June 2009, the Financial Accounting Standards Board (FASB) established the FASB Accounting Standards Codification as the source of authoritative United States generally accepted accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles. This authoritative guidance has been applied in the preparation of the Organization's financial statements as of September 30, 2019. The following accounting policies are presented to facilitate the understanding of information presented in the financial statements.

The financial statements of the Organization have been prepared according to the FASB issued Accounting Standards Update 2016-14, Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This was meant to improve the presentation of financial statements and disclosures of not-for-profit organizations by providing more relevant information about their resources, and changes in those resources, to their donors, grantors, creditors and other users. The new guidance requires not-for-profit entities to present the amount for each of two classes of net assets – net assets with donor restrictions and net assets without donor restrictions.

**Contributions:** Contributions received, including unconditional pledges, are recognized as revenue when donors' commitments are received. Pledges made and collected in the same reporting period are recorded when received in the appropriate net asset category.

Unconditional promises to give are recognized as revenues or gains in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions of cash that must be used to acquire property and equipment are reported as with donor restricted support. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restriction when the acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Investments:** Investments are made for the purpose of providing income to the Boys & Girls Clubs of the Lowcountry, Inc. and therefore are categorized as trading. These investments are recorded at fair value. Realized gains and losses on dispositions are based on the net proceeds and the cost basis of the securities sold. Unrealized gains and losses on investments are based on the difference between the cost basis and the market value of each security. Both realized and unrealized gains and losses are included on the Statement of Activities as investment income.

Investments in marketable securities are stated at fair value determined by management, relying upon the information provided by external investment managers. Marketable securities are subject to fluctuations based on market conditions. Given market volatility, there is no assurance that the unrealized gains/losses above may be realized. The estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

Liquidity risk represents the risk of the possibility that the Boys & Girls Clubs of the Lowcountry, Inc. may not be able to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price.

Interest rate and credit risk is the risk that changes in interest rates and credit risks will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk or adverse interest changes. The Boys & Girls Clubs of the Lowcountry, Inc. does not have a formal investment policy on interest rate and credit risk.

Market price risk is the risk the value of securities held by the Boys & Girls Clubs of the Lowcountry, Inc. may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but not limited to) economic changes, market fluctuations, regulatory changes, global and political instability, currency, interest rate, and commodity price fluctuations. The Boys & Girls Clubs of the Lowcountry, Inc. attempts to manage this risk through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions.

Currency and foreign exchange risk is the risk that the Boys & Girls Clubs of the Lowcountry, Inc. may hold investments denominated in currencies other than the U.S. dollar. Thus, there is exposure to currency risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates.

The FASB Accounting Standards Codification provides authoritative guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) and also requires disclosure about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Boys & Girls Clubs of the Lowcountry, Inc. endowment is invested in approximately 7 individual diversified funds. Its endowment, established for a variety of purposes, includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The Board of Directors has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Boys & Girls Clubs of the Lowcountry, Inc. classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Boys & Girls Clubs of the Lowcountry, Inc. in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Boys & Girls Clubs of the Lowcountry, Inc. considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Boys & Girls Clubs of the Lowcountry, Inc. and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Boys & Girls Clubs of the Lowcountry, Inc.
7. The investment policies of the Boys & Girls Clubs of the Lowcountry, Inc.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Boys & Girls Clubs of the Lowcountry, Inc. to retain as a fund of perpetual duration. There were no deficiencies of this nature to be reported in net assets without donor restriction as of September 30, 2019. Deficiencies result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets without donor restriction.

The Boys & Girls Clubs of the Lowcountry, Inc. has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, the endowment assets are invested in a balance between S&P 500 index and fixed income investments while assuming a moderate level of investment risk. The Boys & Girls Clubs of the Lowcountry, Inc. expects its endowment funds to attain an average annual real total return of at least 5% over the long term (rolling five year periods). Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Boys & Girls Clubs of the Lowcountry, Inc. relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Boys & Girls Clubs of the Lowcountry, Inc. targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The Board may apply up to eight percent of the fair value of the board designated net assets without donor restriction for support of annual operations as approved in the budget for the next fiscal year, based on the fair value of the board designated net assets without donor restriction on the June 30<sup>th</sup> preceding the next fiscal year. With a vote of 75% of the Board, additional amounts of the board designated net assets without donor restriction may be applied to the purchase of new structures or equipment or to the significant repair of either. Also, with a vote of 75% of the Board, additional amounts may be applied for the support of annual operations.

**Fair Value Measurements:** The Boys & Girls Clubs of the Lowcountry, Inc. accepts and applies FASB ASC 820, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity would use when pricing the asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The three levels of hierarchy are as follows:

Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities in active markets that the Boys & Girls Clubs of the Lowcountry, Inc. has the ability to access.

Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable. Examples include quote prices for similar assets or liabilities in active markets; quote prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.

Level 3 – Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets or liabilities.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Common stocks, corporate bonds, and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (“NAV”) of shares held by the plan at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Boys & Girls Clubs of the Lowcountry, Inc. believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Cash and Cash Equivalents:** Deposits of the Boys & Girls Clubs of the Lowcountry, Inc. are maintained in demand deposits, savings accounts, or certificates of deposit. The book balance of the Organization is \$1,249,541 while the bank balance is \$1,238,175 of which \$323,238 was insured by the FDIC. The balance of \$914,937 was not collateralized or insured.

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Boys & Girls Clubs of the Lowcountry, Inc. does not have a deposit policy for custodial credit risk.

For purposes of the financial statements, the Organization considers all highly liquid debt instruments (cash equivalents) purchased with a maturity of three months or less to be cash. The statement of cash flows is prepared by the indirect method. No income taxes were paid during the year. Interest of \$1,328 was paid on the line of credit.

**Land, Buildings, and Equipment:** The Organization capitalizes all expenses for land, buildings, and improvements with a value of \$10,000 or more and all expenses for furniture and equipment with a value of \$5,000 or more and an estimated life greater than two years. Donated property and equipment is recorded at fair value at the date of the donation. The costs for replacements or additional components follow the same guidance. Accordingly, all costs of repairs and maintenance are charged to expense as incurred, because they cannot be considered replacements or additional components. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Vehicles	5 years
Building	30 years
Furniture and Equipment	5 years

As required by the Asset Retirement and Environmental Obligations of the FASB Accounting Standards Codification, the Organization applies the provisions requiring a liability be recorded for the fair value of a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. As of September 30, 2019, the Organization is unaware of any such obligations. The Organization will recognize a liability in the period in which they become aware of such liability and sufficient information is available to reasonably estimate its fair value.

**Functional allocation of expenses:** Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical or are allocated based on space utilization.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Volunteers:** The Organization receives a substantial amount of services donated by individuals in carrying out its programs. No amounts have been reflected in the financial statements for those services.

**New Accounting Pronouncement:** On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to the period presented.

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 2 TAX STATUS**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization follows FASB ASC 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold that a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim period, disclosure and transition. Management believes the Organization has no material uncertainties in income taxes. The Organization is no longer subject to income tax examination by the federal or state authorities for years before 2015.

**NOTE 3 AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets as of September 30, 2019:

<b>Financial Assets at September 30,</b>	<b>2019</b>
Cash and Cash Equivalents	\$ 1,249,541
Total Financial Assets	<u>1,249,541</u>
Financial Assets Available to Meet General Expenditures over the next Twelve Months	<u>\$ 1,249,541</u>

**NOTE 4 INVESTMENTS**

Investments carried at fair value consisted of the following at September 30, 2019:

	<b>Fair Value</b>	<b>Cost</b>	<b>Accumulated Unrealized Gains (Losses)</b>
Cash	\$ 87,935	\$ 87,935	\$ -
Marketable Securities	3,161,739	2,740,469	421,270
Total	<u>\$3,249,674</u>	<u>\$2,828,404</u>	<u>\$ 421,270</u>

Investment income consists of the following:

Investment fees	\$ (21,375)
Interest and dividends	131,746
Realized gains (losses)	145,837
Unrealized gains (losses)	<u>(58,239)</u>
Total Investment Income	<u>\$ 197,969</u>

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5 ENDOWMENT**

The changes in fair value of the investments in the endowment accounts for the year ended September 30, 2019 are as follows:

	Board Designated			With Donor Restriction		With Donor Restriction - Endowment		Total
	Shared	Northern		Northern		Northern		
	Services	Beaufort	Hilton	Beaufort	Hilton	Beaufort	Hilton	
	Center	County	Head	County	Head	County	Head	
Beginning of year	\$ 26,817	\$ 921,343	\$ 1,078,382	\$ 154,542	\$ 143,753	\$ 224,079	\$ 75,000	\$ 2,623,916
Realized/unrealized								
Gains/losses	-	43,763	28,863	14,475	497	-	-	87,598
Interest/dividends	-	26,858	70,646	11,064	8,967	-	-	117,535
Investment fees	(15)	(7,574)	(9,818)	(3,968)	-	-	-	(21,375)
Transfers	-	-	655,217	-	(153,217)	-	-	502,000
Withdrawals	-	-	(60,000)	-	-	-	-	(60,000)
End of year	\$ 26,802	\$ 984,390	\$ 1,763,290	\$ 176,113	\$ -	\$ 224,079	\$ 75,000	\$ 3,249,674

**NOTE 6 FAIR VALUE MEASUREMENTS**

The following is a summary of the levels within the fair value hierarchy for the Boys & Girls Clubs of the Lowcountry, Inc. assets and liabilities as of September 30, 2019:

	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$1,337,476	\$ -	\$ -	\$1,337,476
Investments:				
Marketable securities	3,161,739	-	-	3,161,739
Total	\$4,499,215	\$ -	\$ -	\$4,499,215

**NOTE 7 PROMISES TO GIVE**

Promises to give in two to ten years are recorded at net present value. Unconditional promises to give consist of the following at September 30, 2019:

Receivable in less than one year	\$ 190,956
Receivable in two to five years	401,134
Gross Receivable	<u>592,090</u>
Less: allowance for doubtful accounts	-
Net Promises to Give	<u>\$ 592,090</u>

Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Boys & Girls Clubs of the Lowcountry, Inc. has received verbal communications from potential donors naming the Boys & Girls Clubs of the Lowcountry, Inc. as a beneficiary to their life insurance policies, wills, and charitable trusts. These conditional promises have not been recognized. There has been no allowance for doubtful accounts established because it is the opinion of management that all amounts have been deemed fully collectible.

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 8 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30, 2019:

Land and Land Improvements	\$ 275,977
Buildings	6,905,966
Leasehold Improvements	8,832
Vehicles	295,168
Furniture and Equipment	811,791
Total Property and Equipment	8,297,734
Less Accumulated Depreciation	(4,205,734)
Net Property and Equipment	\$ 4,092,000

The building at the Bluffton Unit is located on land owned by Beaufort County School District. The Boys & Girls Clubs of the Lowcountry, Inc. has a 99 year lease to occupy the building that will expire in year 2102.

Depreciation for the year was \$301,822 and was charged as follows:

Northern Beaufort County	\$ 5,346
Hilton Head	194,835
Bluffton	91,600
Jasper	10,041
Total Depreciation Expense	\$ 301,822

**NOTE 9 ACCRUED EXPENSES**

Compensated vacation and sick leave are provided to all full-time employees. The annual leave is based on the number of years of employment. Sick leave does not vest; accordingly, no liability is accrued. The liability of \$23,983 for compensated absences including employee benefits at September 30, 2019 is reported in accrued expenses.

**NOTE 10 IN-KIND**

The following is a summary of the amounts recorded as in-kind revenues and expenses in the financial statements.

	<b>Revenues Program</b>	<b>Expenses Program</b>
Rent	\$ 68,600	\$ 68,600
Total	\$ 68,600	\$ 68,600



**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 11 OPERATING LEASES**

The Organization has various leases on office and equipment that have terms that range from three to five years in duration. It is anticipated that these leases will be renewed at the end of the lease. Future minimum lease payments for the years ending September 30 are as follows:

Year Ending	Amount
2020	\$ 58,758
2021	50,845
2022	34,373
2023	24,460
2024	10,950
Total Minimum Lease Requirements	\$ 179,386

**NOTE 12 RETIREMENT PLAN**

The Boys & Girls Clubs of the Lowcountry, Inc. has a money purchase pension plan covering all full time employees having completed twelve months of full time employment with the Boys & Girls Clubs of the Lowcountry, Inc., or another Boys & Girls Clubs of America. Under the plan, 3 percent of each qualifying employee's salary was contributed to their pension account for fiscal year 2019. Total pension cost for the year ended September 30, 2019 is \$27,250.

**NOTE 13 NOTES PAYABLE**

The Boys & Girls Clubs of the Lowcountry, Inc. has an open end line of credit agreement that matures on May 21, 2020 with a local bank for a total of \$300,000 at a variable interest rate (not to be less than 5%). This loan is secured by a negative pledge for property located at 151 Gum Tree Road, Hilton Head Island, South Carolina. At September 30, 2019, the balance outstanding was \$180,000. Interest paid was \$1,328 for the year ended September 30, 2019.

**NOTE 14 NET ASSETS DESIGNATIONS**

The following details board designated net assets without donor restrictions, net assets with donor restriction, and endowment net assets with donor restrictions at September 30, 2019.

**Board Designated Net Assets Without Donor Restriction**

Shared Services Center	Cash	\$ 26,802
Northern Beaufort County	Investments	984,390
Hilton Head	Investments	1,763,290
Total Board Designated Net Assets Without Donor Restriction		\$ 2,774,482

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 14 NET ASSETS DESIGNATIONS - CONTINUED**

**Net Assets with Donor Restriction**

	<b>Shared Services Center</b>	<b>Northern Beaufort County</b>	<b>Hilton Head</b>	<b>Bluffton</b>	<b>Jasper</b>	<b>Total</b>
United Way	\$ -	\$ 62,187	\$ 21,651	\$ 38,876	\$ 25,657	\$ 148,371
Clubs & Activities	-	858	5,755	6,469	694	13,776
Earnings	-	176,169	13,188	3,952	-	193,309
Scholarship	43,984	167	-	1,579	-	45,730
Education/Leadership	-	-	35,422	(2,704)	-	32,718
Technology	-	-	14,883	1,523	-	16,406
Health & Medical	-	-	-	33	-	33
Capital Campaign	-	-	365,543	-	-	365,543
Sports	-	-	6,450	1,128	-	7,578
Career Opportunities	-	3	2,450	6,868	-	9,321
Fine Arts	-	-	8,761	3,997	-	12,758
Other Specific Activities	-	-	425,639	(20,549)	53,096	458,186
Total	<u>\$ 43,984</u>	<u>\$ 239,384</u>	<u>\$ 899,742</u>	<u>\$ 41,172</u>	<u>\$ 79,447</u>	<u>\$ 1,303,729</u>

**Net Assets With Donor Restriction - Endowment**

**Northern Beaufort County**

Northern Beaufort County	Perpetual Fund	<u>\$ 224,079</u>
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**Hilton Head**

Hilton Head	Perpetual Fund	<u>75,000</u>
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Total Endowment		<u>\$ 299,079</u>
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**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 15 NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets were released for the year ended September 30, 2019 as follows:

	<b>Shared Services Center</b>	<b>Northern Beaufort County</b>	<b>Hilton Head</b>	<b>Bluffton</b>	<b>Jasper</b>	<b>Total</b>
United Way	\$ -	\$ 42,848	\$ 13,374	\$ 22,374	\$ 17,741	\$ 96,337
Capital Campaign	-	-	589,374	-	-	589,374
PR Earnings	-	-	-	-	804	804
Clubs & Activities	-	-	8,766	17,817	68,000	94,583
Education/Leadership	-	-	58,294	465,069	-	523,363
Fine Arts	-	-	11,768	6,099	-	17,867
Health & Medical	-	-	(50)	-	-	(50)
Other Specific Activities	-	2,500	78,621	103,787	3,000	187,908
Scholarship	220,391	-	-	8,421	-	228,812
Sports	-	-	75,998	5,350	1,001	82,349
Technology	-	-	14,761	869	-	15,630
Teen Programs	-	-	8,260	-	-	8,260
Total	<u>\$ 220,391</u>	<u>\$ 45,348</u>	<u>\$ 859,166</u>	<u>\$ 629,786</u>	<u>\$ 90,546</u>	<u>\$ 1,845,237</u>

**NOTE 16 COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

The Organization is subject to claims and legal actions arising in the ordinary course of business. In the opinion of management, the outcome of such actions will not have a material adverse effect on the financial position of the Organization.

**Federal Financial Assistance**

Federally funded programs are routinely subject to special audits that could result in claims against the resources of the Organization. Management does not believe that there will be any claims arising from such audits that could have a material adverse effect on the financial position of the Organization.

**Lease Commitment**

During August 2015 the Organization entered a lease with the Town of Hilton Head Island, South Carolina (Town) to lease a certain piece of land adjacent the Hilton Head Island Club's existing facility. The agreement is for a period of forty-five years and has a nominal annual rental obligation. It restricts the use of the land to use either by the First Tee to create a training facility or for general Organization use. Terms include indemnification of the Town of Hilton Head and certain insurance requirements including a minimum of five million dollars of liability coverage.

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 16 COMMITMENTS AND CONTIGENCIES - CONTINUED**

The Organization simultaneously entered a parallel sub-let agreement with the Hilton Head Foundation to Support Youth Sports Inc., a not-for-profit corporation doing business as the First Tee of the Low Country (First Tee) under which it assumes obligations for the development and operation of the facility land so leased and indemnifies the Organization. In addition, and as part of this agreement, the First Tee agreed to lease a certain portion of the Organization's existing office space.

**NOTE 17 EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 11, 2020, the date which the financial statements were available to be issued. On March 11, 2020, the World Health Organization declared a pandemic due to Covid-19. Subsequently, South Carolina Governor, Henry McMaster, ordered all public schools to be closed on March 15, 2020. This order was extended until the end of the school year. In response, the Organization closed clubs on March 16, 2020. 116 part-time staff members were laid off on March 23<sup>rd</sup>, while 22 full-time employees have been retained. The Organization also acquired a Paycheck Protection Program loan in the amount of \$430,687 to pay the full-time staff through July. No date has been set for reopening yet.

Due to the worldwide disruption caused by the pandemic, the economy has also been affected with many non-essential business closing and ceasing operations. This has caused a significant decrease in the value of the Organizations investments. From the end of the fiscal year to March 31, 2020, investments have decreased overall by approximately 7%.

SUPPLEMENTARY  
INFORMATION

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION - WITHOUT DONOR RESTRICTION**  
**SEPTEMBER 30, 2019**

	<u>SHARED SERVICES CENTER</u>	<u>NORTHERN BEAUFORT COUNTY</u>	<u>HILTON HEAD</u>	<u>BLUFFTON</u>	<u>JASPER</u>	<u>TOTAL</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ (59,425)	\$ 134,220	\$ 456,907	\$ 195,681	\$ (13,368)	\$ 714,015
Investments	26,802	984,390	1,763,290	-	-	2,774,482
Accounts Receivable	-	-	-	1,300	8,690	9,990
Prepaid Expenses	1,063	-	34,210	-	339	35,612
Property Held for Resale	-	399,800	-	-	-	399,800
Property and Equipment - Net	-	32,756	2,207,559	1,810,355	41,330	4,092,000
Total Assets	<u>\$ (31,560)</u>	<u>\$ 1,551,166</u>	<u>\$ 4,461,966</u>	<u>\$ 2,007,336</u>	<u>\$ 36,991</u>	<u>\$ 8,025,899</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 16,014	\$ 4,266	\$ 38,658	\$ 28,877	\$ 5,045	\$ 92,860
Salaries Payable	11,609	10,364	49,614	22,110	9,944	103,641
Accrued Expenses	5,666	1,219	5,459	11,639	-	23,983
Unearned Revenues	-	-	21,113	-	2,675	23,788
Notes Payable	180,000	-	-	-	-	180,000
Total Liabilities	<u>213,289</u>	<u>15,849</u>	<u>114,844</u>	<u>62,626</u>	<u>17,664</u>	<u>424,272</u>
<b>Net Assets</b>						
Without Donor Restriction	(271,651)	518,171	376,273	134,355	(22,003)	735,145
Board Designated	26,802	984,390	1,763,290	-	-	2,774,482
Property and Equipment	-	32,756	2,207,559	1,810,355	41,330	4,092,000
Total Net Assets	<u>\$ (244,849)</u>	<u>\$ 1,535,317</u>	<u>\$ 4,347,122</u>	<u>\$ 1,944,710</u>	<u>\$ 19,327</u>	<u>\$ 7,601,627</u>
Total Liabilities and Net Assets	<u>\$ (31,560)</u>	<u>\$ 1,551,166</u>	<u>\$ 4,461,966</u>	<u>\$ 2,007,336</u>	<u>\$ 36,991</u>	<u>\$ 8,025,899</u>

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**COMBINING STATEMENT OF ACTIVITIES - WITHOUT DONOR RESTRICTION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>SHARED SERVICES CENTER</u>	<u>NORTHERN BEAUFORT COUNTY</u>	<u>HILTON HEAD</u>	<u>BLUFFTON</u>	<u>JASPER</u>	<u>TOTAL</u>
<b>REVENUES AND SUPPORT</b>						
Fund Raising Events						
Revenue Generated	\$ 2,874	\$ 109,745	\$ 571,489	\$ 349,745	\$ 55,101	\$ 1,088,954
Less Direct Costs of Events	<u>(3,080)</u>	<u>(69,671)</u>	<u>(133,344)</u>	<u>(84,557)</u>	<u>(6,996)</u>	<u>(297,648)</u>
Fund Raising in Excess of Direct Costs	(206)	40,074	438,145	265,188	48,105	791,306
Contributions	3,748	123,329	220,357	270,512	151,634	769,580
In-kind Contributions	-	50,600	-	-	18,000	68,600
Trusts and Foundations	3,000	65,282	32,262	14,690	33,340	148,574
Membership Dues	-	1,350	480	2,275	380	4,485
Program Fees	-	213,667	241,273	364,475	35,970	855,385
Investment Income	882	63,048	93,368	93	-	157,391
Rental of Facility	-	-	34,130	-	-	34,130
Miscellaneous Income	16,060	52,957	-	2,245	1,000	72,262
Net Assets Released from Restrictions	<u>220,391</u>	<u>45,348</u>	<u>859,166</u>	<u>629,786</u>	<u>90,546</u>	<u>1,845,237</u>
Total Revenues and Support	<u>243,875</u>	<u>655,655</u>	<u>1,919,181</u>	<u>1,549,264</u>	<u>378,975</u>	<u>4,746,950</u>
<b>FUNCTIONAL EXPENSES</b>						
Program Services	132,435	464,006	978,955	958,058	297,804	2,831,258
General and Administrative	402,516	15,928	38,377	63,352	7,470	527,643
Fundraising	<u>134,443</u>	<u>16,007</u>	<u>82,422</u>	<u>74,556</u>	<u>4,980</u>	<u>312,408</u>
Total Functional Expenses	<u>669,394</u>	<u>495,941</u>	<u>1,099,754</u>	<u>1,095,966</u>	<u>310,254</u>	<u>3,671,309</u>
Shared Costs Allocated	<u>417,504</u>	<u>(126,660)</u>	<u>(126,660)</u>	<u>(126,660)</u>	<u>(37,524)</u>	<u>-</u>
Change in Net Assets	(8,015)	33,054	692,767	326,638	31,197	1,075,641
Net Assets, Beginning of Year	(236,834)	1,491,820	3,653,296	1,617,658	40,662	6,566,602
Transfer of Net Assets	-	10,443	1,059	414	(52,532)	(40,616)
Net Assets, End of Year	<u>\$ (244,849)</u>	<u>\$ 1,535,317</u>	<u>\$ 4,347,122</u>	<u>\$ 1,944,710</u>	<u>\$ 19,327</u>	<u>\$ 7,601,627</u>

**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**COMBINING STATEMENT OF FINANCIAL POSITION - WITH DONOR RESTRICTION**  
**SEPTEMBER 30, 2019**

	<u>SHARED SERVICES CENTER</u>	<u>NORTHERN BEAUFORT COUNTY</u>	<u>HILTON HEAD</u>	<u>BLUFFTON</u>	<u>JASPER</u>	<u>TOTAL</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 43,984	\$ 1,084	\$ 443,594	\$ 2,296	\$ 44,568	\$ 535,526
Investments	-	400,192	75,000	-	-	475,192
Unconditional Promises to Give	-	62,187	456,148	38,876	34,879	592,090
Total Assets	<u>\$ 43,984</u>	<u>\$ 463,463</u>	<u>\$ 974,742</u>	<u>\$ 41,172</u>	<u>\$ 79,447</u>	<u>\$ 1,602,808</u>
<b>LIABILITIES AND NET ASSETS</b>						
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>						
With Donor Restriction	43,984	239,384	899,742	41,172	79,447	1,303,729
With Donor Restriction - Endowment	-	224,079	75,000	-	-	299,079
Total Net Assets	<u>43,984</u>	<u>463,463</u>	<u>974,742</u>	<u>41,172</u>	<u>79,447</u>	<u>1,602,808</u>
Total Liabilities and Net Assets	<u>\$ 43,984</u>	<u>\$ 463,463</u>	<u>\$ 974,742</u>	<u>\$ 41,172</u>	<u>\$ 79,447</u>	<u>\$ 1,602,808</u>



**BOYS & GIRLS CLUBS OF THE LOWCOUNTRY, INC.**  
**COMBINING STATEMENT OF ACTIVITIES - WITH DONOR RESTRICTION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>SHARED SERVICES CENTER</u>	<u>NORTHERN BEAUFORT COUNTY</u>	<u>HILTON HEAD</u>	<u>BLUFFTON</u>	<u>JASPER</u>	<u>TOTAL</u>
<b>REVENUES AND SUPPORT</b>						
Contributions	\$ -	\$ -	\$ 430,608	\$ 280,545	\$ 68,948	\$ 780,101
Trusts and Foundations	-	2,500	-	-	2,500	5,000
United Way	-	27,666	8,041	11,566	18,444	65,717
Investment Income	720	21,605	15,321	2,177	755	40,578
Miscellaneous Income	211,000	-	-	-	-	211,000
Net Assets Released from Restrictions	(220,391)	(45,348)	(859,166)	(629,786)	(90,546)	(1,845,237)
Total Revenues and Support	<u>(8,671)</u>	<u>6,423</u>	<u>(405,196)</u>	<u>(335,498)</u>	<u>101</u>	<u>(742,841)</u>
<b>FUNCTIONAL EXPENSES</b>						
Program Services	-	-	-	-	-	-
Total Functional Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(8,671)	6,423	(405,196)	(335,498)	101	(742,841)
Net Assets, Beginning of Year	52,655	457,040	1,380,997	376,670	37,671	2,305,033
Transfer of Net Assets	-	-	(1,059)	-	41,675	40,616
Net Assets, End of Year	<u>\$ 43,984</u>	<u>\$ 463,463</u>	<u>\$ 974,742</u>	<u>\$ 41,172</u>	<u>\$ 79,447</u>	<u>\$ 1,602,808</u>