Boys & Girls Clubs of San Antonio

Consolidated Financial Statements

June 30, 2019 and 2018

SCHRIVER CARMONA
Certified Public Accountants

Table of Contents

SCHRIVER CARMONA
Certified Public Accountants

7550 W IH-10, Suite 504
San Antonio, Texas 78229
Phone: 210-680-0350
Fax: 210-390-0802
www.scc-cpa.com

Independent Auditor's Report

To the Board of Trustees of
Boys and Girls Clubs of San Antonio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Boys and Girls Clubs of San Antonio (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Boys and Girls Clubs of San Antonio as of June 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.

Emphasis of Matter

As discussed in Note Q, Boys and Girls Clubs of San Antonio restated the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Report on Summarized Comparative Information

We have audited the Boys and Girls Clubs of San Antonio's 2018 consolidated financial statements and we expressed an unmodified opinion on those consolidated financial statements in our report dated May 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Schriver, Carmona & Company, PLLC

San Antonio, Texas

March 20, 2020

Consolidated Financial Statements

Boys & Girls Clubs of San Antonio

Consolidated Statements of Financial Position
June 30, 2019 and 2018

		2019		2018 (Restated)
Assets				
Current Assets:				
Cash	**$**	**3,150,654**	$	3,562,080
Cash - Capital Campaign		**1,414,879**		1,256,952
Cash - New Market Tax Credit		**179,132**		240,500
Government Grants and Other Receivables		**491,330**		432,509
Pledges Receivable, Short-Term		**529,530**		554,705
Prepaid Expenses and Deposits		**114,972**		85,858
Total Current Assets		**5,880,497**		6,132,604
Unconditional Promises to Give:				
Pledges Receivable, Long-Term		**-**		427,400
New Market Tax Credit Receivable		**4,801,385**		4,801,385
Net Market Tax Credit Loan Fees, net of amortization		**279,701**		291,899
Property and Equipment, net of accumulated depreciation		**10,272,940**		9,385,589
Total Assets	**$**	**21,234,523**	$	21,038,877
Liabilities and Net Assets				
Current Liabilities:				
Trade Accounts Payable	**$**	**128,498**	$	129,460
Accrued Wages and Other Liabilities		**293,117**		147,086
Total Current Liabilities		**421,615**		276,546
Note Payable		**7,012,769**		7,012,769
Total Liabilities		**7,434,384**		7,289,315
Net Assets:				
Without Donor Restrictions		**11,278,459**		11,319,487
With Donor Restrictions		**2,521,680**		2,430,075
Total Net Assets		**13,800,139**		13,749,562
Total Liabilities and Net Assets	**$**	**21,234,523**	$	21,038,877

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Boys & Girls Clubs of San Antonio

Consolidated Statement of Activities
Year Ended June 30, 2019 (with Comparative Totals for the Year Ended June 30, 2018)

	2019			
	Without Donor Restrictions	**With Donor Restrictions**	**Totals**	2018 (Restated)
Support and Revenues				
Contributions:				
United Way of San Antonio and Bexar County	$ **497,598**	$ **-**	$ **497,598**	$ 474,995
Individual Contributions	**178,233**	**-**	**178,233**	150,166
Corporate Contributions	**158,484**	**985,837**	**1,144,321**	375,597
Foundation Contributions	**1,608,096**	**242,456**	**1,850,552**	1,118,585
In-Kind Contributions	**1,542,067**	**-**	**1,542,067**	1,273,148
Grants:				
Federal	**85,985**	**-**	**85,985**	73,695
State	**141,869**	**-**	**141,869**	135,919
Local	**493,267**	**-**	**493,267**	566,009
AYPYN	**-**	**250,000**	**250,000**	686,714
After School Challenge	**1,272,629**	**-**	**1,272,629**	1,363,774
Other	**-**	**5,650**	**5,650**	10,150
Membership and Fees	**136,444**	**-**	**136,444**	115,715
Special Events, net of expenses of $58,430 and $67,205 in 2019 and 2018, respectively	**334,659**	**-**	**334,659**	266,592
Donated Facilities	**1,250,195**	**-**	**1,250,195**	-
Other Income and Reimbursements	**162,606**	**-**	**162,606**	251,644
New Market Tax Credit	**137,647**	**-**	**137,647**	-
Net Assets Released from Restrictions	**1,392,338**	**(1,392,338)**	**-**	-
Total Support and Revenues	**9,392,117**	**91,605**	**9,483,722**	6,862,703
Expenses				
Program Services	**8,461,210**	**-**	**8,461,210**	7,809,680
Support Services:				
Management and General	**510,709**	**-**	**510,709**	453,516
Fundraising	**461,226**	**-**	**461,226**	411,581
Total Expenses	**9,433,145**	**-**	**9,433,145**	8,674,777
Change in Net Assets	**(41,028)**	**91,605**	**50,577**	(1,812,074)
Net Assets at Beginning of Year	**11,319,487**	**2,430,075**	**13,749,562**	15,561,636
Net Assets at End of Year	$ **11,278,459**	$ **2,521,680**	$ **13,800,139**	$ 13,749,562

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Boys & Girls Clubs of San Antonio

Consolidated Statement of Functional Expenses
Year Ended June 30, 2019 (with Comparative Totals for the Year Ended June 30, 2018)

		Support Services			
	Program Services	Management and General	Fundraising	**2019 Totals**	2018 (Restated)
Salaries and Wages	$ 3,591,681	$ 342,065	$ 342,065	**$ 4,275,811**	$ 3,749,686
Payroll Taxes	247,671	23,588	23,588	**294,847**	285,872
Health Insurance	114,394	15,161	8,269	**137,824**	123,035
Other Benefits	73,451	36,726	8,293	**118,470**	97,524
Total Salaries and Related Expenses	4,027,197	417,540	382,215	**4,826,952**	4,256,117
Other Operating Expenses:					
Amortization	11,833	366	-	**12,199**	65,090
Professional and Contractual Services	97,139	3,797	25,635	**126,571**	150,846
Office Supplies	13,153	2,536	158	**15,847**	34,216
Program Supplies	287,079	-	-	**287,079**	413,566
Telephone	58,970	3,846	1,282	**64,098**	59,100
Postage and Shipping	107	1,960	618	**2,685**	2,562
Utilities	147,186	3,004	-	**150,190**	151,109
Building Repairs and Maintenance	66,134	1,364	682	**68,180**	236,413
Insurance	145,308	9,375	1,562	**156,245**	139,405
Office Rent and Lease	-	-	-	**-**	3,162
Vehicle and Equipment Rental and Maintenance	171,113	14,879	-	**185,992**	188,149
Travel	7,948	437	349	**8,734**	23,005
Printing and Publications	2,923	919	334	**4,176**	1,634
Staff Training, Seminars and Conferences	14,111	8,927	5,759	**28,797**	10,907
National Organization and Other Dues	30,444	2,149	3,224	**35,817**	30,173
Advertising	-	-	3,346	**3,346**	1,378
Interest, Bank and Credit Card Fees	71,474	6,638	1,872	**79,984**	72,540
Depreciation	452,490	13,995	-	**466,485**	457,447
Donated Facilities	1,250,195	-	-	**1,250,195**	1,036,750
Employee Expenses and Miscellaneous	89,304	18,977	3,349	**111,630**	68,060
Loss on disposal of assets	5,876	-	-	**5,876**	-
In-Kind Expenses	1,511,226	-	30,841	**1,542,067**	1,273,148
Total Expenses	$ 8,461,210	$ 510,709	$ 461,226	**$ 9,433,145**	$ 8,674,777

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Boys & Girls Clubs of San Antonio

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018 (Restated)
Cash Flows From Operating Activities:		
Change in Net Assets	**$ 50,577**	$ (1,812,074)
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities:		
Depreciation	**466,485**	457,447
Amortization	**12,198**	52,280
Donated Facilities Leases	**-**	1,036,750
Loss on Disposal of Fixed Assets		-
(Increase) Decrease in:		
Government Grants and Other Receivables	**(58,821)**	68,079
Pledges Receivable	**452,575**	180,610
Prepaid Expenses and Deposits	**(29,114)**	(8,688)
Charitable Remainder Trust	**-**	2,364,401
Increase (Decrease) in:		
Trade Accounts Payable	**(962)**	(80,933)
Accrued Wages and Other Liabilities	**146,031**	(141,848)
Net Cash Provided by Operating Activities	**1,038,969**	2,116,024
Cash Flows From Investing Activities:		
Purchase of Property and Equipment	**(1,353,836)**	(283,953)
Net Cash Used by Investing Activities	**(1,353,836)**	(283,953)
Net Increase (Decrease) in Cash	**(314,867)**	1,832,071
Cash, Beginning of Year	**5,059,532**	3,227,461
Cash, End of Year	**$ 4,744,665**	$ 5,059,532
Supplemental Disclosures:		
Interest Paid	**$ 70,128**	$ 70,128

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Note A: Nature of Organization

Boys & Girls Clubs of San Antonio (BGCSA) is organized as a nonprofit corporation in the state of Texas. The mission of Boys & Girls Clubs of San Antonio is to inspire youth, especially those who need us most, to achieve their full potential in a safe, positive and engaging environment that promotes education, health and character development.

BGCSA serves 8,500 Club members annually and operates six clubhouse locations, and 46 on-campus afterschool programs in the San Antonio, Harlandale and Judson Independent School Districts.

BGCSA is supported by United Way of San Antonio and Bexar County, the City of San Antonio, U.S. Department of the Army, San Antonio-based corporations and businesses, foundations, individual donors, and special events.

Note B: Basis of Consolidation

In January 2017, the BGCSA organized BGCSA Mays Branch, Inc., an affiliated nonprofit corporation for the purpose of developing the Mays Branch facility through a New Market Tax Credit agreement as described in **Note F**. The financial statements for the years ended June 30, 2019 and 2018 are on a consolidated basis. All significant inter-company account balances and transactions have been eliminated in the consolidated financial statements.

Note C: Summary of Accounting Principles

Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). Net assets, support and revenue, and expenses are classified according to two classes of net assets:

- Without Donor Restrictions – net assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs of BGCSA generally not considered “restricted” under GAAP, though for internal reporting BGCSA tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board of Directors are reported as Net Assets Without Donor Restrictions, Board Designated.

- With Donor Restrictions – net assets subject to donor-imposed stipulations that are more restricted than BGCSA’s mission and purpose. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, within 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated on the basis of estimates by management among the programs and supporting services, based primarily on the nature of the expense concerned and percentages of time allocated to these functions. Certain expenses are allocated among programs and support services based on related direct salary expense and estimated usage of facilities.

Note C: Summary of Accounting Principles (Continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, the BGCSA considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, there were no cash equivalents.

Estimates

The preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the BGCSA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor, and reclassifies temporarily restricted net assets to unrestricted net assets at that time. Costs for major improvements to fixed assets are capitalized. Expenditures for repairs and maintenance are expensed as incurred.

Contributions and Grants

Contributions received and unconditional promises to give are reported as an increase in net assets. The BGCSA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, With Donor Restrictions are reclassified to Without Donor Restrictions and reported in the Statement of Activities as Net Assets Released from Restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as Without Donor Restrictions.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the BGCSA that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily restricted net assets are reclassified to unrestricted net assets. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Grants and Other Receivables

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Uncollectible accounts receivable including promises to give are written off after management has made reasonable collection efforts and such receivables are then determined to be losses. No allowance for uncollectible accounts is maintained because the amount would not be significant to the BGCSA’s consolidated financial statements.

Note C: Summary of Accounting Principles (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the years ending June 30, 2019 and 2018 were **$3,346** and $1,378, respectively.

Federal Income Taxes

The BGCSA is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying statements. In addition, the BGCSA has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) for the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2019. The BGCSA is not subject to the Texas margin tax. Management is not aware of any tax position that would have a significant impact on its financial position.

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB ASC, 820-10, defines fair value, establishes a three level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

- *Level 1* - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets that BGCSA has the ability to access.

- *Level 2* - Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

- *Level 3* - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions as there is little, if any, related market activity.

Fair Value of Financial Instruments

The BGCSA's financial instruments include cash, receivables, payables, and note payable. The carrying amount of these financial instruments as reflected in the Consolidated Statements of Financial Position approximates fair value.

Donated Services, Material, and Facilities

Donated materials, including donated facilities having unconditional long-term use and rent free usage of temporary facilities, and meals provided at no cost to the BGCSA, are recorded based on their estimated fair market value on the date of contribution.

Note C: Summary of Accounting Principles (Continued)

New Accounting Pronouncements

In May 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from contracts with Customers*, Topic 606. For not-for-profit organizations that have issued, or are conduit bond obligors for, securities traded, listed, or quoted on an exchange or an over-the-counter market, the standard is currently in effect. For all other not-for-profit organizations, the standard takes effect in annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The core principle of this pronouncement focuses on the contract between the organization and its customers for goods and services, and ultimately, the rights and obligations between the organization and the customer. Management of the BGCSA is currently evaluating the effect this pronouncement will have on the consolidated financial statements and related disclosures.

In February 2016, FASB issued ASU 2016-02, *Leases*, effective for reporting periods beginning after December 15, 2019. Under this new pronouncement, generally, leases with terms of more than 12 months will be recognized in the Consolidated Statements of Financial Position as an asset (right to use leased asset) and a liability (lease liability). Management expects the impact to operations to be minimal and is currently evaluating the effect this pronouncement will have on the consolidated financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is effective for periods beginning after December 15, 2018, with early adoption permitted. The pronouncement clarifies the definition of an exchange transaction and contributions made and received. Management of the BGCSA is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Note D: Unconditional Promises to Give

In March 2018, the City of San Antonio agreed to combine their unconditional promises to give use of donated facilities (as explained in **Note K**) into a single cancellable 25-year lease valued at approximately $1,027,000, annually. The $891,000 balance of donated leases at June 30, 2018 was restated as a program expense for the year ending June 30, 2018 and resulted in a $891,000 decrease in net assets at June 30, 2018.

Note E: Concentrations

Credit Risk of Financial Instruments

Financial instruments which potentially subject the BGCSA to a concentration of credit risk consist of its cash balances held at its financial institution. The accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. In the normal course of business, the BGCSA periodically maintains cash in its operating accounts in excess of the FDIC insured amount. At June 30, 2019 and 2018, the cash balances at the institutions were in excess of the FDIC limit by **$3,985,468** and $4,379,465, respectively. It is the BGCSA's policy to place its operating cash with high credit quality financial institutions, and thereby limit the amount of credit exposure to any one financial institution.

Government Grants and Other Receivables

At June 30, 2019 and 2018, **12%** and 20% of government grants and other receivables were due from the San Antonio Independent School District, respectively. At June 30, 2019 and 2018, **38%** and 21% of government grants and other receivables were due from the City of San Antonio, respectively. At June 30, 2019 and 2018, **21%** and zero percent of government grants and other receivables were due from the Charity Ball Association, respectively.

Note F: New Market Tax Credit

In January 2017, the BGCSA entered into an agreement with Capital One Bank (Bank) to finance the construction of the Mays Family Clubhouse facility using a New Market Tax Credit (NMTC) entity. In this type of transaction, the BGCSA provides cash to the NMTC entity that also receives equity from the bank. The BGCSA receives approximately $1,500,000 million in funding for the Mays Family Clubhouse project and the Bank receives tax credits it can use for tax purposes. Additionally, this allows the Bank to participate in supporting community development projects in the City of San Antonio.

The NMTC arrangement is comprised of six entities that provide funding to the Qualified Active Low Income Community Business (QALICB) to build the qualified property. The funds for the project are sourced from two entities. Initially, the BGCSA acted as the leverage lender to provide $4,801,385 to COCRF Investor 76, LLC, (Leverage Fund) who also received $2,465,733 in Fund Interest from Capital One, NA, and the Equity Investor to form the Community Development Entity (CDE). The CDE lent $7,012,769 to the QALICB to complete the building of the branch facility.

The terms of the note receivable and note payable are for 30 years, but the transaction is designed to be in effect for only seven years, the effective period of the tax credits. Once the seven years has past, the Fund Interest investor has the option to sell their interest in the Leverage Fund to the BGCSA for $1,000. Management believes that this transaction will take place, leaving ownership of the Leverage Fund and the CDE in the hands of the BGCSA, effectively writing off the note receivable for $4,801,385 and the note payable for $7,012,769. Management does not believe that this gain will be considered unrelated business income (UBI) on the Form 990.

For each of the seven years the BGCSA will lease the building from BGCSA Mays Branch Inc., BGCSA Mays Branch, Inc. will pay interest on the loan to the CDE. The Leverage Fund, a member of the CDE entity, will receive this interest in the form of distributions. The Leverage Fund will in turn pay the BGCSA $70,000 interest each year. In addition to the interest, BGCSA Mays Branch, Inc. will pay administrative fees on a quarterly basis to the CDE who will distribute these to its managing member, New Markets Support Company, LLC.

Note G: Property and Equipment

Property and Equipment, net of accumulated depreciation at June 30 is summarized as follows:

	2019	2018
Land	**$ 750,000**	$ 750,000
Building and Building Improvements	**10,580,117**	9,671,692
Furniture, Equipment and Vehicles	**1,700,818**	1,777,508
Construction in Progress	**116,545**	113,879
Total Property and Equipment	**13,147,480**	12,313,079
Less: Accumulated Depreciation	**(2,874,540)**	(2,927,490)
Property and Equipment, net of accumulated depreciation	**$ 10,272,940**	$ 9,385,589

Depreciation expense for the years ended June 30, 2019 and 2018 was **$466,485** and $457,447, respectively.

Note H: Note Receivable

As stated in **Note F**, the BGCSA entered into a 30 year note receivable for $4,801,385 at an interest rate of 1.46% from the Leverage Fund with interest only payments of $17,530 due each quarter for the first seven years. After seven years the principal and interest payments are due on a quarterly basis through the term of the note. However, management has determined that the note will be in effect for only seven years, the effective period of the NMTC. Once the seven years has past, the BGCSA is expected to exercise its option to purchase the Leverage Fund and write off the note with an unpaid principal balance of $4,801,385.

Note I: Long-Term Debt

Note Payable

As stated in **Note F**, the BGCSA Mays Branch, Inc. entered into a 30 year note payable for $7,012,769 at an interest rate of 1.00% to the CDE with interest only payments of $17,530 due each quarter for the first seven years. After seven years the principal and interest payments are due on a quarterly basis through the term of the note. However, management has determined that the note will be in effect for only seven years, the effective period of the NMTC. Once the seven years has past, the BGCSA is expected to exercise its option to purchase the CDE and write off the note with an unpaid principal balance of $7,012,769.

Line of Credit

In September 2017, the BGCSA entered into a $500,000 unsecured line of credit. The line of credit matured in August 2019 and bore an interest rate of prime plus .250 percent, which totaled 5.75% as of June 30, 2019. The renewed line of credit expires August 2019. There was no outstanding balance at June 30, 2019.

Note J: Net Assets

Net Assets Without Donor Restrictions consisted of the following at June 30:

	2019	2018
Undesignated	**$ 8,798,496**	$ 8,839,524
Board Designated for Future Endowment	**2,479,963**	2,479,963
Total Net Assets Without Donor Restrictions	**$ 11,278,459**	$ 11,319,487

Net Assets With Donor Restrictions consisted of the following at June 30:

	2019	2018
Purpose restrictions:		
Capital Campaign	**$ 2,271,680**	$ 2,430,075
Timing restrictions:		
AYPYN	**250,000**	-
Total Net Assets With Donor Restrictions	**$ 2,521,680**	$ 2,430,075

Note K: Leases

The City of San Antonio, under long-term rent-free lease agreements, provides all building and facilities for the operation of the Eastside and Calderon Boys & Girls Clubs. The estimated fair value of these facility leases, which began in the mid 1970's, was recorded as an unconditional promise to give, and has increased temporarily restricted net assets. During the year 2000, the City of San Antonio extended the rent-free lease for the Eastside Boys & Girls Clubs for an additional 25 years. The present fair value of this lease contribution, estimated at $3,300,000, was recorded in that year's revenue and has increased the BGCSA's unconditional promises to give and net assets with donor restrictions by equal amounts. As the leases were used, a portion of the unconditional promise to give was transferred from net assets with donor restrictions to net assets without donor restrictions and a corresponding amount is recognized as an expense for the use of donated facilities. The lease agreements contained clauses that require the properties to revert to the lessor in the event the properties are not used for nonprofit purposes by the BGCSA.

In March 2018, the City of San Antonio agreed to combine prior lease agreements to use the Eastside and Calderon facilities into a single cancellable 25-year lease. As a result, BGCSA recorded the final expense for the unamortized donated facilities lease in the year ending June 30, 2018 and began recording the expected annual donated rent amount of $1,027,363.

BGCSA also has rent-free usage of two other facilities for its Highland Hills Branch and Candlewood Branch with an estimated annual donated rent amount of $39,148 and 183,684, respectively.

BGCSA determines the annual donated rent amount by selecting an annual rent rate per square foot for comparable properties in each respective zip code. Donated rent is an in-kind revenue and is offset by in-kind rent expense for their facilities.

Note L: Retirement Plan

BGCSA has a defined contribution retirement plan for substantially all full time employees with one year of full time employment. Contributions to the plan for the years ended June 30, 2019 and 2018 were **$64,468** and $57,264, respectively.

Note M: United Way

The United Way of San Antonio and Bexar County has notified the BGCSA that it intends, but is not legally bound, to provide the BGCSA with funding totaling $250,000 during year ending June 30, 2020.

Note N: Cash Designation

In May 2018, BGCSA was the recipient of $2,479,963. This disbursement is a result of the liquidation of a trust which named BGCSA beneficiary of 10% of the assets. BGCSA internally designated these funds to be held for an endowment that was established on behalf of BGCSA in September 2019.

Note O: Liquidity and Availability

The Organization's financial assets available within one year of the Consolidated Statement of Financial Position for general expenditures at June 30, 2019 are as follows:

Financial assets at year end		**2019**		2018
Cash	**$**	**4,744,665**	$	5,059,532
Government Grants and Other Receivables		**491,330**		432,509
Pledges Receivable		**529,530**		982,105
New Market Tax Credit Receivable		**4,801,385**		4,801,385
Total financial assets		**10,566,910**		11,275,531
Less those unavailable for general expenditures within one year, due to:				
Net assets with donor restrictions		**2,521,680**		2,430,075
Less net assets with timing restrictions to be met in less than one year		**(250,000)**		-
		2,271,680		2,430,075
Financial assets available to meet general expenditures over the next twelve months	**$**	**8,295,230**	$	8,845,456

BGCSA regularly monitors liquidity to meet its operating needs and other contractual commitments. BGCSA has a line of credit available, if needed. In addition, BGCSA operates a balanced budget and anticipates earned revenues and annual support contributions to be sufficient to cover general expenditures not provided by other donor restricted sources.

Note P: Reclassification

Certain amounts in the 2018 presentation have been reclassified to conform to the 2019 presentation.

Note Q: Restatement

In 2018, BGCSA entered into a new lease agreement for donated rent facilities with the City of San Antonio. The previous lease agreement was originally recorded as an asset and in-kind contribution at the estimated fair value of the full lease term and amortized on a straight-line basis over the term of this lease. Upon the effective date of the new lease entered into during 2018, BGCSA did not properly expense the remaining donated rent facilities asset related to the previous lease agreement. The impact to the consolidated financial statements as of and for the year ended June 30, 2018 is a decrease to assets and an increase to donated facilities expense in the amount of $891,000.

Note R: Subsequent Events

Subsequent events have been evaluated through March 20, 2020, which is the date the consolidated financial statements were available to be issued.