

**BOYS CLUBS OF SAN ANTONIO, INC.**  
**dba BOYS AND GIRLS CLUBS OF SAN ANTONIO**

Financial Statements and Supplementary Information

June 30, 2011

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# Williams, Crow, Mask, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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**PARTNERS**

GEORGE M. WILLIAMS, JR., C.P.A.

DANIEL S. CROW, C.P.A.

KIRK D. MASK, C.P.A.

GEORGE C. WILLIAMS, C.P.A.

**FOUNDER/CHAIRMAN EMERITUS**

GEORGE M. WILLIAMS, C.P.A.

## Independent Auditors' Report

To the Board of Directors of the  
Boys Clubs of San Antonio, Inc.  
dba Boys and Girls Clubs of San Antonio

We have audited the accompanying statement of financial position of the Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio (Boys Clubs), a nonprofit corporation, as of June 30, 2011 and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2010 is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which an unqualified opinion dated October 26, 2010, was expressed by us.

We conducted our audits in accordance with audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Boys clubs internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio as of June 30, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Williams, Crow, Mask LLP*

October 15, 2011

**BOYS CLUBS OF SAN ANTONIO, INC.**  
**dba BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
Statement of Financial Position  
June 30, 2011  
(with Summarized Financial Information for 2010)

	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>		
Current assets:		
Cash	\$ 370,061	422,306
Government grants and other receivables	321,543	178,903
Prepaid insurance and deposits	79,774	9,783
Unconditional promise to give - donated facilities leases	<u>145,750</u>	<u>145,750</u>
<b>Total current assets</b>	<b>917,128</b>	<b>756,742</b>
Assets restricted to acquisition of property and equipment:		
Cash	340,985	15,235
Grants receivable	-	21,455
Unconditional promises to give:		
Donated facilities leases	1,765,500	1,911,250
Foundation grant receivable - Sears	556,622	540,410
Charitable remainder trust	1,744,523	1,526,893
Property and equipment, net of accumulated depreciation	<u>922,077</u>	<u>630,873</u>
	<b><u>\$ 6,246,835</u></b>	<b><u>5,402,858</u></b>
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Bank note payable	\$ -	42,872
Trade accounts payable	28,591	62,884
Accrued wages and other liabilities	<u>159,038</u>	<u>151,792</u>
<b>Total current liabilities</b>	<b><u>187,629</u></b>	<b><u>257,548</u></b>
Long-term debt – unsecured note payable	<u>556,622</u>	<u>540,410</u>
Net assets:		
Unrestricted net assets:		
General operating fund	368,971	184,145
Net investment in property and equipment	<u>922,077</u>	<u>630,873</u>
<b>Total unrestricted net assets</b>	<b><u>1,291,048</u></b>	<b><u>815,018</u></b>
Temporarily restricted net assets:		
Donated facilities leases	1,911,250	2,057,000
Charitable remainder trust	1,744,523	1,526,893
Other temporarily restricted contributions	<u>555,763</u>	<u>205,989</u>
<b>Total temporarily restricted net assets</b>	<b><u>4,211,536</u></b>	<b><u>3,789,882</u></b>
Total net assets	<u>5,502,584</u>	<u>4,604,900</u>
	<b><u>\$ 6,246,835</u></b>	<b><u>5,402,858</u></b>

See accompanying notes to financial statements.

**BOYS CLUBS OF SAN ANTONIO, INC.**  
**dba BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
**Statement of Activities**  
**Year Ended June 30, 2011**  
(with Summarized Financial Information for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2011</u>	<u>2010</u>
<b>Revenues and other support:</b>				
<b>Contributions:</b>				
United Way of San Antonio and Bexar County	\$ 449,603	-	449,603	436,742
Individual contributions	51,302	55,702	107,004	81,858
Corporate contributions	153,254	60,600	213,854	155,760
Foundation contributions	447,897	435,307	883,204	429,031
Kneer Trust donation increase	-	217,630	217,630	72,980
<b>Grants:</b>				
Federal	767,996	-	767,996	281,189
State	170,815	-	170,815	166,851
Local	545,982	-	545,982	540,504
Other	536,462	-	536,462	553,815
Membership and fees	219,722	-	219,722	167,670
Special events, net of direct expenses of \$87,500 in 2011	209,508	-	209,508	174,613
Donated facilities	70,000	-	70,000	70,000
Other income and reimbursements	60,966	-	60,966	7,619
Total revenues	<u>3,683,507</u>	<u>769,239</u>	<u>4,452,746</u>	<u>3,138,632</u>
<b>Net assets released from donor purpose restrictions:</b>				
Donated facilities	145,750	(145,750)	-	-
Other	201,835	(201,835)	-	-
Total revenues and other support	<u>4,031,092</u>	<u>421,654</u>	<u>4,452,746</u>	<u>3,138,632</u>
<b>Expenses:</b>				
Program services	3,184,616	-	3,184,616	2,744,411
Support services, management and general	284,580	-	284,580	319,910
Fund raising	85,866	-	85,866	38,841
Total expenses	<u>3,555,062</u>	<u>-</u>	<u>3,555,062</u>	<u>3,103,162</u>
Increase in net assets	476,030	421,654	897,684	35,470
Net assets at beginning of year	<u>815,018</u>	<u>3,789,882</u>	<u>4,604,900</u>	<u>4,569,430</u>
Net assets at end of year	<u>\$ 1,291,048</u>	<u>4,211,536</u>	<u>5,502,584</u>	<u>4,604,900</u>

See accompanying notes to financial statements

**BOYS CLUBS OF SAN ANTONIO, INC.**  
**dba BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
Statement of Cash Flows  
Year Ended June 30, 2011  
(With Summarized Financial Information for 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Contributions, grants and other support	\$ 4,092,321	3,220,151
Cash paid to employees and suppliers	(3,300,159)	(2,748,748)
Interest expense	<u>(1,459)</u>	<u>(2,914)</u>
<b>Net cash provided operating activities</b>	790,703	468,489
Cash flows used by investing activities – improvements to property and purchase of equipment	(474,326)	(181,238)
Cash flows used by financing activities – decrease in short-term bank debt	<u>(42,872)</u>	<u>(26,415)</u>
<b>Net increase in cash</b>	273,505	260,836
Cash at beginning of year	<u>437,541</u>	<u>176,705</u>
Cash at end of year	<u>\$ 711,046</u>	<u>437,541</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 897,684	35,470
Reconciliation adjustments:		
Depreciation	183,122	152,734
Donated facilities expense	215,750	215,750
Donated facilities revenue	(70,000)	(70,000)
Accrued interest on Sears note	16,212	15,740
Decrease (increase) in assets:		
Grants and other receivables	(137,397)	146,742
Prepaid insurance and other assets	(69,991)	(202)
Charitable remainder trust	(217,630)	(72,980)
Increase (decrease) in liabilities:		
Trade accounts	(34,293)	32,805
Accrued wages and other liabilities	<u>7,246</u>	<u>12,430</u>
<b>Net cash provided by operating activities</b>	<u>\$ 790,703</u>	<u>468,489</u>

See accompanying notes to financial statements.

**BOYS CLUBS OF SAN ANTONIO, INC.**  
**DBA BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
Statement of Functional Expenses  
Year Ended June 30, 2011  
(with Summarized Financial Information for 2010)

	Program Services	Supporting Services Management and General	Fundraising	Totals	
				2011	2010
Salaries	\$ 1,862,598	172,636	43,409	2,078,643	1,801,931
Payroll taxes	154,562	15,120	3,321	173,003	153,988
Health insurance	34,035	2,383	596	37,014	33,731
Other benefits	45,248	11,478	1,734	58,460	58,989
<b>Total salaries and related expenses</b>	<b>2,096,443</b>	<b>201,617</b>	<b>49,060</b>	<b>2,347,120</b>	<b>2,048,639</b>
Professional and contractual services	17,356	16,770	5,000	39,126	40,288
Office supplies	40,964	10,141	2,535	53,640	26,895
Program supplies	204,121	-	-	204,121	137,721
Telephone	25,369	3,456	864	29,689	28,042
Postage and shipping	1,400	1,201	300	2,901	3,856
Utilities	140,275	-	-	140,275	140,014
Building repairs and maintenance	40,791	2,952	802	44,545	57,205
Rent expense	4,407	-	-	4,407	2,872
Insurance – property, vehicles and general	65,774	17,330	3,472	86,576	77,991
Rental and maintenance of vehicles and equipment	77,010	2,427	695	80,132	64,199
Travel expense	6,934	2,017	416	9,367	7,382
Printing and publications	8,112	2,830	349	11,291	5,732
Staff training, seminars and conferences	21,702	5,104	343	27,149	12,135
National organization and other dues	1,034	-	1,600	2,634	18,559
Marketing	-	-	15,779	15,779	32,287
Interest, bank and credit card fees	16,212	6,699	2,820	25,731	25,967
Depreciation – equipment and improvements	175,797	5,494	1,831	183,122	152,734
Use of donated facilities	215,750	-	-	215,750	215,750
Employee expenses and miscellaneous	25,165	6,542	-	31,707	4,894
<b>Total expenses</b>	<b>\$ 3,184,616</b>	<b>284,580</b>	<b>85,866</b>	<b>3,555,062</b>	<b>3,103,162</b>

See accompanying notes to financial statements.

**BOYS CLUBS OF SAN ANTONIO, INC.**  
**dba BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
Notes to Financial Statements  
June 30, 2011

**(1) Summary of the Organization and Significant Accounting Policies**

Nature of the Organization

Boys Clubs of San Antonio, Inc. (Boys Clubs) is organized as a nonprofit corporation in the state of Texas for the express purpose of providing local youth opportunities for educational, vocational, social, health, and moral development. The Boys' Clubs special emphasis is directed toward those youth most at-risk, striving to enhance their value systems and skills that will improve their quality of life and enable them to become more productive citizens. Boys Clubs operates five Boys and Girls Clubs, located on the South, East and West sides of San Antonio. The organization is exempt from Federal income tax under Section 501 (c) 3 of the Internal Revenue Code, and has been classified as an organization that is not a private foundation.

Boys Clubs is supported primarily by the United Way of San Antonio and Bexar County, the City of San Antonio and receives substantial support from business and individual donors, and special events.

Promises to Give

Contributions are recognized when the donor makes a promise to give to The Boys Clubs that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, 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.

Donated items, including donated facilities having unconditional long-term use and rent free usage of temporary facilities, are recorded at their fair value at the date the contribution is received.

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 Boys Clubs financial statements.

Property and Equipment

Purchased property and equipment is stated at cost; donated property and equipment is recorded at fair value at the date of the gift. Depreciation of building and land improvements, equipment and vehicles is provided over the estimated useful lives of the respective assets using the straight-line method.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset 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 Boys Clubs 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.

**BOYS CLUBS OF SAN ANTONIO, INC.**  
**dba BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
Notes to Financial Statements (Continued)

**(1) Summary of the Organization and Significant Accounting Policies (Continued)**

Property and Equipment (Continued)

Costs for major improvements to fixed assets are capitalized. Expenditures for repairs and maintenance are expensed as incurred.

Expense Allocations

Certain expenses are allocated among programs and support services based on related direct salary expense and estimated usage of facilities.

Cash and Cash Equivalents

Boys Clubs considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**(2) Subsequent Events**

Subsequent events were evaluated through October 15, 2011, the date on which the audit report was available to be issued.

**BOYS CLUBS OF SAN ANTONIO, INC.**  
**dba BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
Notes to Financial Statements (Continued)

**(3) Unconditional Promises to Give**

Unconditional promises to give consisted of the following at June 30, 2011 and 2010.

	2011	2010
Donated facilities leases from the City of San Antonio (as explained in Note 7) to be recorded over the next fifteen years, approximately \$145,750 annually.	\$ 1,911,250	2,057,000
Present value, discounted at 3.0%, of a Sears Roebuck & Co. (Sears) pledge to forgive a loan made by a subsidiary of Sears to Boys Club (see Note 5). Funds from the loan were restricted for use in the Latino Outreach program. The loan to Boys Club is due to be forgiven, along with all accrued interest in March 2012. The unamortized discount at June 30, 2011 is \$29,000.	556,622	540,410
	\$ 2,467,872	2,597,410

**(4) Property and Equipment**

Property and equipment consisted of the following at June 30, 2011 and 2010:

	2011	2010
Building and improvements	\$ 1,651,287	1,418,155
Equipment and vehicles	642,708	669,919
	2,293,995	2,088,074
Less accumulated depreciation	1,371,918	1,457,201
Property and equipment, net	\$ 922,077	630,873

**(5) Debt**

Boys Club has an \$80,000 unsecured bank line of credit with interest payable at the bank's prime rate plus 1.75 percent (5.00 percent at June 30, 2011). There is no outstanding amount on this loan at June 30, 2011. The line of credit expires in December 2011.

In March 2005, a subsidiary of Sears Roebuck & Co. agreed to loan Boys Club \$474,956 at a 3% interest rate. Sears has simultaneously made a pledge to forgive this loan, along with all accrued interest, in March 2012. Proceeds from the loan were used in a Latino Outreach project at the Clubs.

**(6) Business Concentrations and Economic Dependency**

As detailed on the statement of activities, the Boys Clubs received approximately 44 percent of its operating support and revenue from the combined funding of the City of San Antonio and the United Way of San Antonio and Bexar County in 2011. Contracts with these funding agencies are renegotiated on an annual basis and depend on the availability of funds by federal, state, and local governments to assist children in the San Antonio area.

**BOYS CLUBS OF SAN ANTONIO, INC.**  
**dba BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
Notes to Financial Statements (Continued)

**(7) Concentration of Credit Risk**

Financial instruments, which potentially subject Boys Club to concentrations of credit risk, consist principally of temporary cash investments and receivables. In the normal course of business, Boys Clubs periodically maintains cash in its operation accounts in excess of the Federally insured amount. At June 30, 2011 this excess amounted to \$307,415. It is Boys Clubs 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.

At June 30, 2011, 60% of government grants receivables were due from the City of San Antonio, 4% from the Boys and Girls Clubs of America and 7% from the Children's Shelter. All receivables are unsecured.

**(8) Facility Leases**

The City of San Antonio, under long-term rent-free lease agreements, provides all buildings and facilities for the operation of the Eastside and Calderon Boys 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 extended the rent-free lease for the Eastside Boys Club 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 Boys Clubs unconditional promises to give and its temporarily restricted net assets by equal amounts. As the leases are used, a portion of the unconditional promise to give is transferred from temporarily restricted net assets to unrestricted net assets and a corresponding amount is recognized as an expense for the use of donated facilities. The lease agreements contain clauses that require the properties to revert to the lessor in the event the properties are not used for nonprofit purposes by the Boys Clubs.

Boys Clubs also has rent-free usage of three other facilities from which the Club operates its Crestholme Branch, Candlewood Branch, and Teen Center.

**(9) Retirement Plan**

The Boys Clubs 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 year ended June 30, 2011 were \$35,766.

**(10) United Way Allocations**

The United Way of San Antonio and Bexar County has notified Boys Clubs that it intends, but is not legally bound, to provide the Boys Clubs with allocations totaling \$437,840 during year ending June 30, 2012.

**(11) Temporarily Restricted Contributions**

A local bank is trustee of a significant charitable remainder trust of which Boys Club is a ten percent beneficiary. The Trust was created and funded prior to 2004. The donor has not restricted the use of these funds by Boys Club when they are ultimately distributed to the Club in a future year.

The charitable remainder trust's assets, over which Boys Club has no control, are primarily invested in marketable securities and corporate bonds. The club increased the expected future contribution from this trust by \$217,631 in 2011. A \$72,980 increase in this estimated future contribution was recorded in 2010. These adjustments result in an increase in temporarily restricted assets in the respective years.

**BOYS CLUBS OF SAN ANTONIO, INC.**  
**dba BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
Notes to Financial Statements (Continued)

**(11) Temporarily Restricted Contributions (Continued)**

Other temporarily restricted net assets of \$555,763 at June 30, 2011 consists of a variety of contributions restricted by the donor for use in the operations of the Boys Clubs and for the purchase of vehicles during fiscal year ending June 30, 2012.

**(12) Fair Value Measurements**

The following methods and assumptions were used by Boys Clubs in estimating the fair value of its financial instruments, based on framework established by the Financial Accounting Standards Board:

- Level 1 – Quoted prices for identical assets in active markets.
- Level 2 – Other significant observable inputs such as quoted prices for similar assets in active markets; quoted prices of identical or similar assets in markets that are not active; inputs other than quoted prices, that are observable for the asset (present value analysis, yield curves at commonly quoted intervals).
- Level 3 – Unobservable inputs, based on assumptions Boys Club believes market participants would make regarding the value of an asset.

Boys Club assets valued using Level 1 include:

Cash, short-term receivables, and short-term unconditional promises to give are reported at approximate fair values because of the short maturities of those instruments.

Boys Club assets valued using Level 3 include:

Charitable remainder trusts stated at the present value of estimated distributions to be received from the trusts in future years.  
Unconditional promises to give to be collected in longer than one year stated at the present value of their estimated future cash flows.

	<u>Charitable Remainder Trust</u>	<u>Long-term Unconditional Promises</u>
June 30, 2009	\$ 1,453,913	524,670
Net realized and unrealized gains	72,980	-
Additional gifts recognized	<u>-</u>	<u>15,740</u>
June 30, 2010	1,526,893	540,410
Net realized and unrealized gains	217,630	-
Additional gifts recognized	<u>-</u>	<u>16,212</u>
June 30, 2011	<u>\$ 1,744,523</u>	<u>556,622</u>

**(13) Reclassifications**

Certain items in the financial statements for 2010 have been reclassified to conform with the current year presentation. Such reclassifications had no effect on the previously reported increase in net assets for 2010..

**BOYS CLUBS OF SAN ANTONIO, INC.**  
**dba BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
 Grants from City of San Antonio  
 Year Ended June 30, 2011

	<u>Year Round Youth Programs</u>	<u>Capital Improvements Grants</u>	<u>After School Challenge - S.A.I.S.D. Harlandale I.S.D., Winston</u>
Revenues	\$ <u>779,794</u>	<u>217,105</u>	<u>734,649</u>
Disbursements by budgeted cost categories:			
Personnel	705,190	-	663,141
Utilities	21,256	-	-
Facilities improvements	-	217,105	-
Supplies and Commodities	<u>53,348</u>	<u>-</u>	<u>71,508</u>
	<u>\$ 779,794</u>	<u>217,105</u>	<u>734,649</u>

The Boys Clubs of San Antonio, Inc. was reimbursed for certain budgeted expenses by the City of San Antonio through various departments and pass through agencies. All funds received from the city were used exclusively for the operation of the Boys and Girls Clubs of San Antonio. The above is a summary of the funds received and the related disbursement for the year ended June 30, 2011.

The general terms and conditions of the contracts between the City of San Antonio and the Boys Clubs of San Antonio, Inc. were met.

**BOYS CLUBS OF SAN ANTONIO, INC.**  
**dba BOYS AND GIRLS CLUBS OF SAN ANTONIO**

Federal Awards

June 30, 2011

# Williams, Crow, Mask, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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**PARTNERS**

GEORGE M. WILLIAMS, JR., C.P.A.

DANIEL S. CROW, C.P.A.

KIRK D. MASK, C.P.A.

GEORGE C. WILLIAMS, C.P.A.

**FOUNDER/CHAIRMAN EMERITUS**

GEORGE M. WILLIAMS, C.P.A.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Boys Clubs of San Antonio, Inc.  
dba Boys and Girls Clubs of San Antonio

We have audited the financial statements of Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio as of and for the year ended June 30, 2011, and have issued our report thereon dated October 15, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Club's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a control deficiency, or combination of control deficiencies, that adversely affects the Club's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Club's financial statements that is more than inconsequential will not be prevented or detected by the Club's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio in a separate letter dated October 15, 2011.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Williams, Crow, Mack LLP*

October 15, 2011

# Williams, Crow, Mask, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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**PARTNERS**

GEORGE M. WILLIAMS, JR., C.P.A.

DANIEL S. CROW, C.P.A.

KIRK D. MASK, C.P.A.

GEORGE C. WILLIAMS, C.P.A.

**FOUNDER/CHAIRMAN EMERITUS**

GEORGE M. WILLIAMS, C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
Boys Clubs of San Antonio, Inc.  
dba Boys and Girls Clubs of San Antonio

Compliance

We have audited the compliance of Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2011. Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio's management. Our responsibility is to express an opinion on Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio's compliance with those requirements.

In our opinion, Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The management of Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal controls that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Williams, Crow, Mark LLP*

October 15, 2011

**BOYS CLUBS OF SAN ANTONIO, INC. DBA BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2011**

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over financial Reporting Based on an Audit of Financial Statements in accordance with Government Auditing Standards.
3. No instance of noncompliance material to the financial statements of Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio was disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are disclosed during the audit is reported in the *Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133*.
5. The auditors' report on compliance for the major State and Federal award programs for Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio expresses an unqualified opinion.
6. No audit findings or questioned costs relative to the major State and Federal award programs for Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio are reported in this Schedule.
7. The programs tested as major programs were the Eastside Branch Facility Improvements, Youth Development and Summer Care Grants passed through the City of San Antonio – CFDA number 14.218.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Boys Clubs of San Antonio, Inc. dba Boys and Girls Clubs of San Antonio was determined not to be a low-risk auditee.

**BOYS CLUBS OF SAN ANTONIO, INC. DBA BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2011**

**B. Findings – Financial Statement Audit and Major Federal Awards Program Audit**

None

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

None

**BOYS CLUBS OF SAN ANTONIO, INC. DBA BOYS AND GIRLS CLUBS OF SAN ANTONIO**  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2011

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Award/contract Amount</u>	<u>Receipts</u>	<u>Expenditures</u>
U.S. Dept. of Housing and Urban Development (HUD) Passed through the City of San Antonio					
Year ended September 30, 2011 – combined Funding	* 14.218	28-0361990	\$ 540,000	347,583	347,583
Facility improvements – Eastside Branch	* 14.218	28-R103181853	355,175	217,105	217,105
Rent free usage of facilities – Note B	* 14.218	42051/45052	145,750	145,750	145,750
Bexar County – CDBG	* 14.218	B-10-UC-48-0500	20,000	14,350	14,350
Total U.S. Dept. of Housing and Urban Development				<u>724,788</u>	<u>724,788</u>
U.S. Dept. of Justice					
Passed through the Boys & Girls Clubs of America					
Establishing, enhancing and expanding Boys & Girls Clubs	16.541	OJP-2010-19523	90,000	44,655	44,655
American Recovery and Reinvestment Act	16.808	2009-SC-B9-K010	42,500	39,565	39,565
Total U.S. Dept. of Justice				<u>84,220</u>	<u>84,220</u>
U.S. Dept. of Health and Human Services					
Pass through Texas Dept. of Family and Protective Services					
Community Youth Development	93.645	819-11-0005-01	109,313	104,738	104,738
Total Federal Awards				<u>\$ 913,746</u>	<u>\$ 913,746</u>

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Boys Clubs and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis of financial statements.

**Note B – Rent free usage of Facilities**

Nonmonetary rent-free usage of facilities is reported based on guidelines from the AICPA industry guide "Not-For-Profit-Organization."

\*Denotes a cluster of awards determined to be a single major program.