

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

February 19, 2019

Executive Board
Junior League of Lubbock, Inc. and Subsidiary
Lubbock, Texas

We have audited the consolidated financial statements of Junior League of Lubbock, Inc. and Subsidiary for the year ended May 31, 2018, and have issued our report thereon dated February 19, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 18, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Junior League of Lubbock, Inc. and Subsidiary are described in the notes to the consolidated financial statements. There were no new accounting policies adopted during the year. We noted no transactions entered into by Junior League of Lubbock, Inc. and Subsidiary during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the consolidated financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the financial statements. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Attached is a list of all adjusting entries made as a result of the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 19, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Junior League of Lubbock, Inc. and Subsidiary's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Junior League of Lubbock, Inc. and Subsidiary's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Executive Board
Junior League of Lubbock, Inc. and Subsidiary
February 19, 2019
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Restriction on Use

This information is intended solely for the use of the Executive Board and management of Junior League of Lubbock, Inc. and Subsidiary and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Client: **37616 - Junior League of Lubbock, Inc.**
Engagement: **2018 Junior League of Lubbock, Inc.**
Period Ending: **5/31/2018**
Trial Balance: **017.3 - Trial Balance**
Workpaper: **017.1 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To tie beginning equity to PY audit report.				
4099	Uncategorized Income		46.02	
3002	Unrestrict (retained earnings)			46.02
Total			46.02	46.02
Adjusting Journal Entries JE # 2				
To true up prepaids at 5/3/18 to actual.				
5095	Office Expense:Supplies		259.53	
1402	PREPAID EXPENSES:Prepaid Insurance			206.86
5071	Insurance:Professional Liability			52.67
Total			259.53	259.53
Adjusting Journal Entries JE # 3				
To correct AR at 5/31/18.				
1200	Accounts Receivable		2,025.00	
4005	SALES:Holiday Happening:Merchants			2,025.00
Total			2,025.00	2,025.00
Adjusting Journal Entries JE # 4				
To record payables at 5/31/18.				
5131	Repairs & Maintenance:Contract Services		800.00	
5141	Conferences		1,543.12	
5154	Utilities:Water, Electricity, Garbage		901.97	
5304	Holiday Happening Expense: Decorations		1,949.02	
2000	Accounts Payable			5,194.11
Total			5,194.11	5,194.11
Adjusting Journal Entries JE # 5				
To write-off receivables that are not collectable at 5/31/18.				
4003	SALES:Holiday Happening:Cash Contributions/Sponsorships		3,000.00	
1200	Accounts Receivable			3,000.00
Total			3,000.00	3,000.00
Adjusting Journal Entries JE # 6				
To adjust value of investments and record current year interest/dividend income.				
1031	INVESTMENTS & FUNDS:JL Foundation Investments		15,800.23	
1031	INVESTMENTS & FUNDS:JL Foundation Investments		25,680.69	
4029	Dividend (JL Foundation)			25,680.69
4040	Unrealized G/L on investments			15,800.23
Total			41,480.92	41,480.92
Adjusting Journal Entries JE # 7				
To record depreciation expense for 2018.				
5552	Depreciation Expense - Buildings		17,713.08	
5553	Depreciation Expense - FFE		1,558.97	
1552	FIXED ASSETS:Buildings & Improvements:Accum Depr - Bldg...			17,713.08
1554	FIXED ASSETS:Equipment, Furniture & Fixtures:Accum Depr - ...			1,558.97
Total			19,272.05	19,272.05

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February 19, 2019

Executive Board
Junior League of Lubbock, Inc. and Subsidiary
Lubbock, Texas

In planning and performing our audit of the consolidated financial statements of Junior League of Lubbock, Inc. and Subsidiary as of and for the year ended May 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Junior League of Lubbock, Inc. and Subsidiary's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Junior League of Lubbock, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Junior League of Lubbock, Inc. and Subsidiary's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of Junior League of Lubbock, Inc. and Subsidiary's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Junior League of Lubbock, Inc. and Subsidiary's internal control to be significant deficiencies:

Internal controls within Junior League of Lubbock, Inc. and Subsidiary are limited due to the limited number of personnel responsible for the financial records, which makes segregation of responsibilities impractical.

Upon examination of the reconciliations for bank accounts of Junior League of Lubbock, Inc. and Subsidiary it was noted that there were stale checks and prior auditing adjustments shown as reconciling items for various bank statements. While the amounts are insignificant, the reconciling items should be current and supportable. These reconciling items mentioned above should be cleared through the income statement in order to help ensure that all cash receipts and disbursements are recorded properly in Junior League of Lubbock, Inc. and Subsidiary's records.

Executive Board
Junior League of Lubbock, Inc. and Subsidiary
Lubbock, Texas
February 19, 2019
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This communication is intended solely for the information and use of management, the Executive Board, and others within Junior League of Lubbock, Inc. and Subsidiary, and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING INFORMATION

**FOR THE YEAR ENDED MAY 31, 2018
WITH COMPARATIVE TOTALS FOR 2017**

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING INFORMATION

**FOR THE YEAR ENDED MAY 31, 2018
WITH COMPARATIVE TOTALS FOR 2017**

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS WITH CONSOLIDATING INFORMATION
FOR THE YEAR ENDED MAY 31, 2018
WITH COMPARATIVE TOTALS FOR 2017

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Independent Auditor's Report

Executive Board
Junior League of Lubbock, Inc. and Subsidiary
Lubbock, Texas

We have audited the accompanying consolidated financial statements of the Junior League of Lubbock, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of May 31, 2018, and the related consolidated statements of activities, cash flows, and functional expenses 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 financial position of Junior League of Lubbock, Inc. and Subsidiary as of May 31, 2018, 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.

Report on Summarized Comparative Information

We have previously audited Junior League of Lubbock, Inc. and Subsidiary's 2017 consolidated financial statements, and our report dated January 29, 2018, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Accompanying Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Junior League of Lubbock, Inc. and Subsidiary taken as a whole. The accompanying consolidating statement of financial position, consolidating statement of activities, and the consolidating statement of cash flows are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

February 19, 2019

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

Exhibit A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MAY 31, 2018
WITH COMPARATIVE TOTALS FOR 2017

ASSETS

	May 31,	
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 964,471	\$ 653,175
Investments	719,073	897,281
Accounts Receivable	3,000	
Prepaid Expenses	3,243	3,450
	<u>\$ 1,689,787</u>	<u>\$ 1,553,906</u>
PROPERTY, PLANT, AND EQUIPMENT		
Land	\$ 231,749	\$ 231,749
Buildings and Improvements	678,774	678,774
Furniture, Fixtures, and Equipment	79,166	79,166
	<u>\$ 989,689</u>	<u>\$ 989,689</u>
Less: Accumulated Provision for Depreciation	521,542	502,270
	<u>\$ 468,147</u>	<u>\$ 487,419</u>
TOTAL ASSETS	<u>\$ 2,157,934</u>	<u>\$ 2,041,325</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable	\$ 6,263	\$ 4,146
Payroll Liabilities	1,047	728
Dues Payable to AJLI	21,753	23,623
Deferred Income	26,581	29,791
TOTAL LIABILITIES	<u>\$ 55,644</u>	<u>\$ 58,288</u>

NET ASSETS

UNRESTRICTED NET ASSETS		
Equity in Fixed Assets	\$ 468,147	\$ 487,419
Available for General Activities	913,704	576,971
Designated Net Assets	720,439	918,647
TOTAL NET ASSETS	<u>\$ 2,102,290</u>	<u>\$ 1,983,037</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,157,934</u>	<u>\$ 2,041,325</u>

See accompanying notes to financial statements.

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

Exhibit B

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2018
WITH COMPARATIVE TOTALS FOR 2017**

	May 31,	
	<u>2018</u>	<u>2017</u>
PUBLIC SUPPORT AND REVENUE		
Public Support Received Directly		
Holiday Happening		
Exhibit and Facility Rent	\$ 237,380	\$ 239,953
Ticket Sales	187,562	172,057
Auction	35,791	33,160
Contributions	71,100	74,358
Other	20,951	24,800
Membership Dues and Fees	31,809	31,271
Cookbooks	123	115
Donations	23,112	38,866
Uptown Market	433	14,217
Partner Card	9,362	4,260
Rental Income	4,770	5,319
Grants		55,000
Total Public Support	<u>\$ 622,393</u>	<u>\$ 693,376</u>
Other Revenue (Expense)		
Investment Income	\$ 33,353	\$ 30,000
Unrealized Gain on Investments	15,800	27,823
Miscellaneous Income (Loss)	662	(114)
Total Other Revenue	<u>\$ 49,815</u>	<u>\$ 57,709</u>
Net Assets Released from Restrictions	<u>\$ 0</u>	<u>\$ 0</u>
Total Public Support and Revenue	<u>\$ 672,208</u>	<u>\$ 751,085</u>
EXPENSES		
Program Services	\$ 196,702	\$ 229,325
Fundraising Expenses	202,174	171,596
Management and General	154,079	184,595
Total Expenses	<u>\$ 552,955</u>	<u>\$ 585,516</u>
CHANGE IN NET ASSETS	\$ 119,253	\$ 165,569
NET ASSETS - BEGINNING OF YEAR	<u>1,983,037</u>	<u>1,817,468</u>
NET ASSETS - END OF YEAR	<u>\$ 2,102,290</u>	<u>\$ 1,983,037</u>

See accompanying notes to financial statements.

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

Exhibit C

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2018
WITH COMPARATIVE TOTALS FOR 2017**

	May 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 119,253	\$ 165,569
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities		
Depreciation	19,272	20,309
Changes in Assets and Liabilities		
Unrealized Gain on Investments	(15,800)	(27,823)
Grants Receivable	(3,000)	25,000
Prepaid Expenses	207	138
Current and Accrued Liabilities	(2,644)	(146,987)
Net Cash From Operating Activities	\$ 117,288	\$ 36,206
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment Activity	\$ 194,008	\$ (33,497)
Net Cash From Investing Activities	\$ 194,008	\$ (33,497)
NET CHANGE IN CASH	\$ 311,296	\$ 2,709
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	653,175	650,466
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 964,471	\$ 653,175
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	\$ 0	\$ 0
Income Taxes	\$ 0	\$ 0

See accompanying notes to financial statements.

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

Exhibit D

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2018
WITH COMPARATIVE TOTALS FOR 2017**

	Program Services	Fundraising Expenses	Management and General	May 31,	
				2018	2017
Advertising	\$	\$ 29,350	\$	\$ 29,350	\$ 19,777
Awards and Scholarships	3,080			3,080	3,515
Community Projects	164,700			164,700	167,175
Contract Services		69,660	11,180	80,840	84,634
Credit Card Servicing Fees		12,392		12,392	9,260
Holiday Happening - Decorations & T-Shirts		29,807		29,807	26,032
Office Expense		3,213	35,246	38,459	37,004
Payroll Expenses			40,396	40,396	27,897
Payroll Taxes			3,149	3,149	2,219
Professional Services			13,433	13,433	13,041
Rent - Building		24,088		24,088	23,938
Rent - Miscellaneous			6,421	6,421	7,045
Repairs and Maintenance			4,150	4,150	34,762
Food and Entertainment		32,888		32,888	25,839
Training and Conferences	28,922	776		29,698	58,635
Utilities			19,448	19,448	20,128
Other Expenses			1,384	1,384	4,306
Total Before Depreciation	\$ 196,702	\$ 202,174	\$ 134,807	\$ 533,683	\$ 565,207
Depreciation			19,272	19,272	20,309
Total Expenses	\$ <u>196,702</u>	\$ <u>202,174</u>	\$ <u>154,079</u>	\$ <u>552,955</u>	\$ <u>585,516</u>

See accompanying notes to financial statements.

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Operations

Junior League of Lubbock, Inc. (the Organization) is an organization of women committed to promoting voluntarism, developing the potential of women, and to improving the community through effective action and leadership of trained volunteers. Its purpose is exclusively educational and charitable. The Organization is primarily funded through fundraising events, investment earnings, and contributions from the community.

The Junior League of Lubbock Foundation, Inc. (the Foundation) was established to provide a permanent endowment fund for the purpose of encouraging members of the public to make gifts to the Junior League of Lubbock, Inc. and for the purpose of providing a more secure and permanent means of financing and supporting the purposes and activities of the Junior League of Lubbock, Inc.

Basis of Accounting

The consolidated financial statements are presented on the accrual basis. Revenues are recognized when earned, and expenses are recognized when the benefit is received.

Income Taxes

The Organization and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Uncertain Tax Positions

The Organization has adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Organization is its filing status as a tax exempt entity. The Organization determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service (IRS), or other State taxing authorities. The Organization is no longer subject to examinations by federal taxing authorities for years before 2014. There were no penalties or interest recognized during the year ended May 31, 2018.

Principles of Consolidation

The consolidated financial statements include the accounts of Junior League of Lubbock, Inc. and Junior League of Lubbock Foundation, Inc. All intercompany transactions and balances have been eliminated in consolidation.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent revenues and expenses no longer restricted by the donor in which the Executive Board (the Board) has discretionary control to carry out operations of the Organization.

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Temporarily restricted net assets represents resources currently available for use or receivable from the donor, but expendable only for those operating purposes specified by the grantor or based on a budget. As of May 31, 2018, the Organization had no temporarily restricted net assets.

Permanently restricted net assets are those restricted by donors in perpetuity. As of May 31, 2018, the Organization had no permanently restricted net assets.

Investment levels are based on inputs used to calculate fair market value of investments. Those inputs are defined for each level as follows:

Level 1 – Inputs include quoted prices in active markets for identical assets.

Level 2 – Inputs include available indirect information, such as quoted prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active.

Level 3 – Inputs are subjective and generally based on the entity's own assumptions on how knowledgeable parties would price assets and are developed using the best information available in the circumstances.

Contributions

Contributions received are recorded as unrestricted unless the contributions are restricted by time or donor constraints. Contributions with such time or donor restrictions are recorded as temporarily restricted until the time or donor restrictions are accomplished.

The women of the Organization volunteer for functions including Food 2 Kids, Holiday Happening, SPARK, and Uptown Market, among other functions. The volunteer functions do not require specialized skills for which the Organization would otherwise have to pay for; therefore, volunteer hours are not recorded in the consolidated financial statements. However, approximately 13,300 total volunteer hours were served for the year ended May 31, 2018.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less, and which are readily convertible into cash, to be cash equivalents. The carrying value of the cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounts Receivable

The Organization has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used in order to match revenues and expenses in the same period. However, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Capital Expenditures

Capital expenditures and depreciation for buildings, improvements, furniture, and equipment are recorded as unrestricted net assets.

Functional Allocation of Expenses

Expenses are charged directly to program services, fund raising, or general and management classifications based on direct expenditures incurred. The costs of providing the various programs and other activity have been summarized on a functional basis in the consolidated statement of functional expenses.

Group Concentrations of Credit Risk

The Organization maintains its cash balances at various financial institutions insured by the FDIC up to \$250,000. At times cash balances may exceed insured amounts.

Advertising

Costs of advertising are expensed when incurred. Total advertising costs for the year ended May 31, 2018 were \$29,350.

Reclassification

Certain amounts presented as of and for the year ended May 31, 2017 have been reclassified to conform to May 31, 2018 presentation.

Subsequent Events

The Organization's management has evaluated subsequent events through February 19, 2019, the date the consolidated financial statements were available for issue.

2. Endowment

The Organization's endowment consists of investments held in the Foundation, which the Board has designated as an endowment. The Organization's Board has determined that the State Prudent Management of Institutional Funds Act is not applicable at this time, as the funds in the endowment do not carry donor-imposed restrictions. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As such, as of May 31, 2018, the net assets of the endowment are recorded as unrestricted designated funds.

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Organization has adopted investment and spending policies for endowment. The funds are to be held in perpetuity and any income from these investments is to be added to the corpus until such time that the corpus reaches \$500,000. The endowment balance at May 31, 2018 exceeds the \$500,000. The income from the endowment may be used to further the objectives of the Organization.

To satisfy its long-term objectives, the Organization 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 Organization utilizes an investment advisor to achieve its long-term return objectives within prudent risk constraints.

3. Investments

The Organization accounts for its investments in accordance with accounting principles generally accepted in the United States. These investments are required to be carried at fair value. The gain or loss resulting from reporting these investments to fair value is recorded in the statement of activities.

Investments consist of the following at May 31, 2018:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain</u>	<u>Investment Level</u>
Mutual Funds	\$ <u>637,902</u>	\$ <u>719,073</u>	\$ <u>81,171</u>	1

Investment income consists of:

Earnings on Bank Accounts	\$	6,959
Earnings on Certificate of Deposit		713
Earnings on Endowment Funds		<u>25,681</u>
	\$	<u>33,353</u>
Unrealized Gain	\$	<u>15,800</u>
Realized Gain	\$	<u>0</u>

4. Fixed Assets

Fixed assets are recorded at cost or the fair value of the gift if donated. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis at an annual rate of 2.5% to 33.0%. Depreciation expense for the year ended May 31, 2018 was \$19,272. A capitalization threshold of \$750 has been implemented by the Organization.

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following represents the balance of fixed assets as of May 31, 2018:

Land	\$	231,749
Buildings and Improvements		678,774
Furniture, Fixtures, and Equipment		<u>79,166</u>
	\$	989,689
Less: Accumulated Depreciation		<u>521,542</u>
	\$	<u><u>468,147</u></u>

5. Dues Payable AJLI/Deferred Income

The membership dues for each fiscal year are payable by the members as of May 31 of the preceding year. At May 31, 2018, dues of \$26,581 had been received and were recorded as deferred income on the consolidated statement of financial position. Also, at May 31, 2018, \$21,753 of national dues collected had not been remitted to the Association of Junior Leagues, Inc., the national affiliate, and were recorded as dues payable on the consolidated statement of financial position.

6. Designation of Unrestricted Net Assets

Unrestricted net assets have been designated by the Board for community service programs as of May 31, 2018 as follows:

JLL Foundation - Endowment	\$	<u>720,439</u>
Total Internal Designations	\$	<u>720,439</u>
Total Designated by the Board	\$	720,439
Equity in Fixed Assets		468,147
Undesignated Unrestricted Net Assets		<u>913,704</u>
Unrestricted Net Assets	\$	<u><u>2,102,290</u></u>

7. Litigation and Commitments

There is no pending or threatened litigation at May 31, 2018, that would materially affect the Organization's financial condition.

8. Significant Concentrations

During the year ended May 31, 2018, approximately 82% of the Organization's revenues were derived from the Holiday Happening fundraising event.

ACCOMPANYING INFORMATION

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

Schedule 1

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MAY 31, 2018**

	<u>Junior League of Lubbock, Inc.</u>	<u>Junior League of Lubbock Foundation, Inc.</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 963,105	\$ 1,366	\$	\$ 964,471
Investments		719,073		719,073
Accounts Receivable	3,000			3,000
Prepaid Expenses	3,243			3,243
	<u>\$ 969,348</u>	<u>\$ 720,439</u>	<u>\$ 0</u>	<u>\$ 1,689,787</u>
FIXED ASSETS				
Land	\$ 231,749	\$	\$	\$ 231,749
Buildings and Improvements	678,774			678,774
Furniture, Fixtures, and Equipment	79,166			79,166
Less: Accumulated Provision for Depreciation	521,542			521,542
	<u>\$ 468,147</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 468,147</u>
TOTAL ASSETS	<u>\$ 1,437,495</u>	<u>\$ 720,439</u>	<u>\$ 0</u>	<u>\$ 2,157,934</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 5,194	\$	\$	\$ 5,194
Payroll Liabilities	1,047			1,047
Dues Payable to AJLI	21,753			21,753
Deferred Income	26,581			26,581
Other Accounts Payable	1,069			1,069
	<u>\$ 55,644</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 55,644</u>
TOTAL LIABILITIES	<u>\$ 55,644</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 55,644</u>
NET ASSETS				
UNRESTRICTED NET ASSETS				
Equity in Fixed Assets	\$ 468,147	\$	\$	\$ 468,147
Available for General Activities	913,704			913,704
Designated Net Assets		720,439		720,439
	<u>\$ 1,381,851</u>	<u>\$ 720,439</u>	<u>\$ 0</u>	<u>\$ 2,102,290</u>
TOTAL NET ASSETS	<u>\$ 1,381,851</u>	<u>\$ 720,439</u>	<u>\$ 0</u>	<u>\$ 2,102,290</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,437,495</u>	<u>\$ 720,439</u>	<u>\$ 0</u>	<u>\$ 2,157,934</u>

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

Schedule 2

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2018

	Junior League of Lubbock, Inc.	Junior League of Lubbock Foundation, Inc.	Eliminations	Consolidated Totals
PUBLIC SUPPORT AND REVENUE				
Public Support Received Directly				
Holiday Happening				
Exhibit and Facility Rent	\$ 237,380	\$	\$	\$ 237,380
Ticket Sales	187,562			187,562
Auction	35,791			35,791
Contributions	71,100			71,100
Other	20,951			20,951
Membership Dues and Fees	31,809			31,809
Cookbooks	123			123
Donations	23,112			23,112
Uptown Market	433			433
Partner Card	9,362			9,362
Rental Income	4,770			4,770
Total Public Support	<u>\$ 622,393</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 622,393</u>
Other Revenue				
Investment Income	\$ 7,672	\$ 25,681	\$	\$ 33,353
Unrealized Gain on Investments		15,800		15,800
Miscellaneous Income	662			662
Total Other Revenue	<u>\$ 8,334</u>	<u>\$ 41,481</u>	<u>\$ 0</u>	<u>\$ 49,815</u>
Total Public Support and Revenue	<u>\$ 630,727</u>	<u>\$ 41,481</u>	<u>\$ 0</u>	<u>\$ 672,208</u>
EXPENSES				
Program Services	\$ 196,702	\$	\$	\$ 196,702
Fundraising Expenses	202,174			202,174
Management and General	154,079			154,079
Total Expenses	<u>\$ 552,955</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 552,955</u>
INCREASE IN NET ASSETS	\$ 77,772	\$ 41,481	\$ 0	\$ 119,253
NET ASSETS - BEGINNING OF YEAR	<u>1,304,079</u>	<u>678,958</u>	<u></u>	<u>1,983,037</u>
NET ASSETS - END OF YEAR	<u>\$ 1,381,851</u>	<u>\$ 720,439</u>	<u>\$ 0</u>	<u>\$ 2,102,290</u>

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

Schedule 3

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2018

	Junior League of Lubbock Inc.	Junior League of Lubbock Foundation, Inc.	Eliminations	Consolidated Totals
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ 77,772	\$ 41,481	\$	\$ 119,253
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities				
Depreciation	19,272			19,272
Changes in Assets and Liabilities				
Unrealized Gain on Investments		(15,800)		(15,800)
Accounts Receivable	(3,000)			(3,000)
Prepaid Expenses	207			207
Current and Accrued Liabilities	(2,644)			(2,644)
Net Cash From Operating Activities	<u>\$ 91,607</u>	<u>\$ 25,681</u>	<u>\$ 0</u>	<u>\$ 117,288</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Investment Activity	<u>\$ 219,689</u>	<u>\$ (25,681)</u>	<u>\$ 0</u>	<u>\$ 194,008</u>
Net Cash From Investing Activities	<u>\$ 219,689</u>	<u>\$ (25,681)</u>	<u>\$ 0</u>	<u>\$ 194,008</u>
NET CHANGE IN CASH	\$ 311,296	\$ 0	\$ 0	\$ 311,296
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>651,809</u>	<u>1,366</u>	<u> </u>	<u>653,175</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 963,105</u>	<u>\$ 1,366</u>	<u>\$ 0</u>	<u>\$ 964,471</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash Paid During the Year for:				
Interest	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>