

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

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

October 21, 2020

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, 2019, and have issued our report thereon dated October 21, 2020. 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 August 15, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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. Junior League of Lubbock, Inc. and Subsidiary adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities*, during the year ended May 31, 2019. Accordingly, the accounting change has been retrospectively applied to prior period presented as if the policy had always been used. 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 October 21, 2020.

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
October 21, 2020
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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: **2019 Junior League of Lubbock, Inc.**
 Period Ending: **5/31/2019**
 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 correct beginning equity.				
3002	Unrestrict (retained earnings)		56.94	
3003	Net Unrealized Gain/Loss on Inv		5,492.00	
4040	Unrealized G/L on investments			5,492.00
4099	Uncategorized Income			56.94
Total			5,548.94	5,548.94
Adjusting Journal Entries JE # 2				
To record depreciation				
5552	Depreciation Expense - Buildings		14,530.23	
5554	Depreciation Exp - Leasehold Improvements		666.04	
1552	FIXED ASSETS:Buildings & Improvements:Accum Depr - Bldgs & Improv			14,530.23
1554	FIXED ASSETS:Equipment, Furniture & Fixtures:Accum Depr - Equip, Furn &			666.04
Total			15,196.27	15,196.27
Adjusting Journal Entries JE # 3				
To record additional payables at 5/31/19.				
5102	Payroll Expenses:Gross Wages		1,251.00	
5103	Payroll Expenses:FICA 6.2%		77.56	
5104	Payroll Expenses:Medicare 1.45%		18.14	
5154	Utilities:Water, Electricity, Garbage		1,584.75	
2000	Accounts Payable			2,931.45
Total			2,931.45	2,931.45
Adjusting Journal Entries JE # 4				
To record investment activity and reclassify between asset accounts to match statements.				
1033	Other Assets:Vanguard:Headquarters Fund		71,025.29	
1035	Other Assets:Vanguard:Endowment Fund		86,926.17	
4040	Unrealized G/L on investments		18,935.76	
1029	INVESTMENTS & FUNDS			22,602.39
1030	Other Assets:Vanguard			16,615.26
1034	Other Assets			101,642.16
4029	Dividend (JL Foundation)			36,027.41
Total			176,887.22	176,887.22

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October 21, 2020

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, 2019, 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
October 21, 2020
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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, 2019
WITH COMPARATIVE TOTALS FOR 2018**

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, 2019
WITH COMPARATIVE TOTALS FOR 2018**

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, 2019
WITH COMPARATIVE TOTALS FOR 2018

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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, 2019, 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, 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.

Report on Summarized Comparative Information

We have previously audited Junior League of Lubbock, Inc. and Subsidiary's 2018 consolidated financial statements, and our report dated February 19, 2019, 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, 2018, 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

October 21, 2020

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

Exhibit A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MAY 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

ASSETS

	May 31,	
	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 560,706	\$ 964,471
Investments	1,241,721	719,073
Accounts Receivable	7,199	3,000
Prepaid Expenses	3,341	3,243
	\$ 1,812,967	\$ 1,689,787
PROPERTY, PLANT, AND EQUIPMENT		
Land	\$ 231,749	\$ 231,749
Buildings and Improvements	678,774	678,774
Furniture, Fixtures, and Equipment	79,166	79,166
	\$ 989,689	\$ 989,689
Less: Accumulated Provision for Depreciation	536,738	521,542
	\$ 452,951	\$ 468,147
TOTAL ASSETS	\$ 2,265,918	\$ 2,157,934

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable	\$ 10,406	\$ 6,263
Payroll Liabilities	509	1,047
Dues Payable to AJLI	18,705	21,753
Deferred Income	25,214	26,581
TOTAL LIABILITIES	\$ 54,834	\$ 55,644

NET ASSETS

NET ASSETS WITHOUT DONOR RESTRICTIONS		
Net Investment in Fixed Assets	\$ 452,951	\$ 468,147
Available for General Activities	1,021,969	913,704
Designated Net Assets	736,164	720,439
TOTAL NET ASSETS	\$ 2,211,084	\$ 2,102,290
TOTAL LIABILITIES AND NET ASSETS	\$ 2,265,918	\$ 2,157,934

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, 2019
WITH COMPARATIVE TOTALS FOR 2018**

	May 31,	
	<u>2019</u>	<u>2018</u>
PUBLIC SUPPORT AND REVENUE		
Public Support Received Directly		
Holiday Happening		
Exhibit and Facility Rent	\$ 241,757	\$ 237,380
Ticket Sales	170,879	187,562
Auction	35,410	35,791
Contributions	60,957	71,100
Other	17,148	20,951
Membership Dues and Fees	32,175	31,809
Cookbooks	64	123
Grants	28,464	
Donations	36,220	23,112
Uptown Market		433
Partner Card	5,498	9,362
Rental Income	3,187	4,770
Total Public Support	<u>\$ 631,759</u>	<u>\$ 622,393</u>
Other Revenue (Expense)		
Investment Income	\$ 54,029	\$ 33,353
Unrealized Gain (Loss) on Investments	(13,444)	15,800
Miscellaneous Income	57	662
Total Other Revenue	<u>\$ 40,642</u>	<u>\$ 49,815</u>
Total Public Support and Revenue	<u>\$ 672,401</u>	<u>\$ 672,208</u>
EXPENSES		
Program Services	\$ 224,327	\$ 196,702
Fundraising Expenses	191,496	202,174
Management and General	147,784	154,079
Total Expenses	<u>\$ 563,607</u>	<u>\$ 552,955</u>
CHANGE IN NET ASSETS	\$ 108,794	\$ 119,253
NET ASSETS - BEGINNING OF YEAR	<u>2,102,290</u>	<u>1,983,037</u>
NET ASSETS - END OF YEAR	<u>\$ 2,211,084</u>	<u>\$ 2,102,290</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, 2019
WITH COMPARATIVE TOTALS FOR 2018**

	May 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 108,794	\$ 119,253
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities		
Depreciation	15,196	19,272
Changes in Assets and Liabilities		
Unrealized (Gain) Loss on Investments	13,444	(15,800)
Grants Receivable	(4,199)	(3,000)
Prepaid Expenses	(98)	207
Current and Accrued Liabilities	(810)	(2,644)
Net Cash From Operating Activities	\$ 132,327	\$ 117,288
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Investment Activity	\$ (536,092)	\$ 194,008
Net Cash From Investing Activities	\$ (536,092)	\$ 194,008
NET CHANGE IN CASH	\$ (403,765)	\$ 311,296
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	964,471	653,175
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 560,706	\$ 964,471
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, 2019
WITH COMPARATIVE TOTALS FOR 2018**

	Program Services	Fundraising Expenses	Management and General	May 31,	
				2019	2018
Advertising	\$	\$ 11,399	\$ 2,506	\$ 13,905	\$ 29,350
Awards and Scholarships	4,126			4,126	3,080
Community Projects	196,670			196,670	164,700
Contract Services		69,460	8,785	78,245	80,840
Credit Card Servicing Fees		10,521		10,521	12,392
Holiday Happening - Decorations & T-Shirts		42,380		42,380	29,807
Office Expense		4,977	30,450	35,427	38,459
Payroll Expenses			33,077	33,077	40,396
Payroll Taxes			2,576	2,576	3,149
Professional Services			17,508	17,508	13,433
Rent - Building		24,288		24,288	24,088
Rent - Miscellaneous			8,622	8,622	6,421
Repairs and Maintenance			4,477	4,477	4,150
Food and Entertainment		27,736		27,736	32,888
Training and Conferences	23,531	735		24,266	29,698
Utilities			21,696	21,696	19,448
Other Expenses			2,891	2,891	1,384
Total Before Depreciation	\$ 224,327	\$ 191,496	\$ 132,588	\$ 548,411	\$ 533,683
Depreciation			15,196	15,196	19,272
Total Expenses	\$ <u>224,327</u>	\$ <u>191,496</u>	\$ <u>147,784</u>	\$ <u>563,607</u>	\$ <u>552,955</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 2015. There were no penalties or interest recognized during the year ended May 31, 2019.

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 classify net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of May 31, 2019, the Organization had no net assets with donor restrictions.

Net assets without donor restrictions: Net assets not subject to donor-imposed restrictions. Net assets without donor restrictions are currently available for operating purposes under the direction of the board, designated by the board for specific use, or invested in property and equipment.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

Fair Value Investments

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.

Volunteer Hours

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 8,079 total volunteer hours were served for the year ended May 31, 2019.

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.

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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 net assets without donor restrictions.

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, 2019 were \$13,905.

Reclassification

Certain amounts presented as of and for the year ended May 31, 2018 have been reclassified to conform to May 31, 2019 presentation.

Subsequent Events

The Organization's management has evaluated subsequent events through October 21, 2020, the date the consolidated financial statements were available for issue.

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2019, the net assets of the endowment are recorded as designated funds without donor restrictions.

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, 2019 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, 2019:

	Cost	Market	Unrealized Gain	Investment Level
Mutual Funds	\$ 673,929	\$ 736,164	\$ 62,235	1
Fixed Income - CDs	500,065	505,557	5,492	1
	<u>\$ 1,173,994</u>	<u>\$ 1,241,721</u>	<u>\$ 67,727</u>	

Investment income consists of:

Earnings on Bank Accounts	\$ 8,485
Earnings on Fixed Income - CDs	9,516
Earnings on Endowment Funds	36,028
	<u>\$ 54,029</u>
Unrealized Loss	<u>\$ (13,444)</u>
Realized Gain	<u>\$ 0</u>

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2019 was \$15,196. A capitalization threshold of \$750 has been implemented by the Organization.

The following represents the balance of fixed assets as of May 31, 2019:

Land	\$	231,749
Buildings and Improvements		678,774
Furniture, Fixtures, and Equipment		79,166
		<u>989,689</u>
Less: Accumulated Depreciation	\$	536,738
		<u><u>452,951</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, 2019, dues of \$25,214 had been received and were recorded as deferred income on the consolidated statement of financial position. Also, at May 31, 2019, \$18,705 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 Net Assets without Donor Restrictions

Net assets without donor restrictions have been designated by the Board for community service programs as of May 31, 2019 as follows:

JLL Foundation - Endowment	\$	<u>736,164</u>
Total Internal Designations	\$	<u>736,164</u>
Total Designated by the Board	\$	736,164
Net Investment in Fixed Assets		452,951
Undesignated Net Assets without Donor Restrictions		<u>1,021,969</u>
Unrestricted Net Assets	\$	<u><u>2,211,084</u></u>

7. Litigation and Commitments

There is no pending or threatened litigation at May 31, 2019, that would materially affect the Organization's financial condition.

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Significant Concentrations

During the year ended May 31, 2019, approximately 78% of the Organization's revenues were derived from the Holiday Happening fundraising event.

9. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of May 31, 2019, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

Cash and Cash Equivalents	\$	560,706
Investments		1,241,721
Accounts Receivable		7,199
Prepaid Expenses		3,341
Fixed Assets (Net of Accumulated Depreciation)		<u>452,951</u>
Total Financial Assets	\$	2,265,918
Less contractual or donor-Imposed restrictions:		
Prepaid Expenses		(3,341)
Net Investment in Fixed Assets		(452,951)
Designated Investments - Endowment		<u>(736,164)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$	<u>1,073,462</u>

The Organization is supported by contributions. Due to donor restriction requirements to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, some financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

ACCOMPANYING INFORMATION

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

Schedule 1

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MAY 31, 2019**

	<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	\$ 557,409	\$ 3,297	\$	\$ 560,706
Investments	505,557	736,164		1,241,721
Accounts Receivable	7,199			7,199
Prepaid Expenses	3,341			3,341
	<u>\$ 1,073,506</u>	<u>\$ 739,461</u>	<u>\$ 0</u>	<u>\$ 1,812,967</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	536,738			536,738
	<u>\$ 452,951</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 452,951</u>
TOTAL ASSETS	<u>\$ 1,526,457</u>	<u>\$ 739,461</u>	<u>\$ 0</u>	<u>\$ 2,265,918</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 8,330	\$	\$	\$ 8,330
Payroll Liabilities	509			509
Dues Payable to AJLI	18,705			18,705
Deferred Income	25,214			25,214
Other Accounts Payable	2,076			2,076
	<u>\$ 54,834</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54,834</u>
TOTAL LIABILITIES	<u>\$ 54,834</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54,834</u>
NET ASSETS				
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net Investment in Fixed Assets	\$ 452,951	\$	\$	\$ 452,951
Available for General Activities	1,018,672	3,297		1,021,969
Designated Net Assets		736,164		736,164
	<u>\$ 1,471,623</u>	<u>\$ 739,461</u>	<u>\$ 0</u>	<u>\$ 2,211,084</u>
TOTAL NET ASSETS	<u>\$ 1,471,623</u>	<u>\$ 739,461</u>	<u>\$ 0</u>	<u>\$ 2,211,084</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,526,457</u>	<u>\$ 739,461</u>	<u>\$ 0</u>	<u>\$ 2,265,918</u>

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

Schedule 2

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019**

	<u>Junior League of Lubbock, Inc.</u>	<u>Junior League of Lubbock Foundation, Inc.</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
PUBLIC SUPPORT AND REVENUE				
Public Support Received Directly				
Holiday Happening				
Exhibit and Facility Rent	\$ 241,757	\$	\$	\$ 241,757
Ticket Sales	170,879			170,879
Auction	35,410			35,410
Contributions	60,957			60,957
Other	17,148			17,148
Membership Dues and Fees	32,175			32,175
Cookbooks	64			64
Grant Revenue	28,464			28,464
Donations	34,290	1,930		36,220
Partner Card	5,498			5,498
Rental Income	3,187			3,187
Total Public Support	<u>\$ 629,829</u>	<u>\$ 1,930</u>	<u>\$ 0</u>	<u>\$ 631,759</u>
Other Revenue				
Investment Income	\$ 18,001	\$ 36,028	\$	\$ 54,029
Unrealized Gain (Loss) on Investments	5,492	(18,936)		(13,444)
Miscellaneous Income	57			57
Total Other Revenue	<u>\$ 23,550</u>	<u>\$ 17,092</u>	<u>\$ 0</u>	<u>\$ 40,642</u>
Total Public Support and Revenue	<u>\$ 653,379</u>	<u>\$ 19,022</u>	<u>\$ 0</u>	<u>\$ 672,401</u>
EXPENSES				
Program Services	\$ 224,327	\$	\$	\$ 224,327
Fundraising Expenses	191,496			191,496
Management and General	147,784			147,784
Total Expenses	<u>\$ 563,607</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 563,607</u>
INCREASE IN NET ASSETS	\$ 89,772	\$ 19,022	\$ 0	\$ 108,794
NET ASSETS - BEGINNING OF YEAR	<u>1,381,851</u>	<u>720,439</u>		<u>2,102,290</u>
NET ASSETS - END OF YEAR	<u>\$ 1,471,623</u>	<u>\$ 739,461</u>	<u>\$ 0</u>	<u>\$ 2,211,084</u>

JUNIOR LEAGUE OF LUBBOCK, INC. AND SUBSIDIARY

Schedule 3

CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2019

	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	\$ 89,772	\$ 19,022	\$	\$ 108,794
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities				
Depreciation	15,196			15,196
Changes in Assets and Liabilities				
Unrealized (Gain) Loss on Investments	(5,492)	18,936		13,444
Accounts Receivable	(4,199)			(4,199)
Prepaid Expenses	(98)			(98)
Current and Accrued Liabilities	(810)			(810)
Net Cash From Operating Activities	<u>\$ 94,369</u>	<u>\$ 37,958</u>	<u>\$ 0</u>	<u>\$ 132,327</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Investment Activity	<u>\$ (500,065)</u>	<u>\$ (36,027)</u>	<u>\$</u>	<u>\$ (536,092)</u>
Net Cash From Investing Activities	<u>\$ (500,065)</u>	<u>\$ (36,027)</u>	<u>\$ 0</u>	<u>\$ (536,092)</u>
NET CHANGE IN CASH	\$ (405,696)	\$ 1,931	\$ 0	\$ (403,765)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>963,105</u>	<u>1,366</u>	<u></u>	<u>964,471</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 557,409</u>	<u>\$ 3,297</u>	<u>\$ 0</u>	<u>\$ 560,706</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>