

BOYS AND GIRLS CLUB OF LAGUNA BEACH

AUDITED FINANCIAL STATEMENTS

December 31, 2012

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CONREY & DRUMMOND, LLP
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Board of Directors
Boys and Girls Club of Laguna Beach
Laguna Beach, California

We have audited the accompanying statements of financial condition of Boys and Girls Club of Laguna Beach (a nonprofit organization) as of December 31, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses for the years 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 provided 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 and Girls Club of Laguna Beach as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

March 12, 2013

BOYS AND GIRLS CLUB OF LAGUNA BEACH

STATEMENTS OF FINANCIAL CONDITION

	December 31, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
ASSETS				
Cash and cash equivalents	\$ 185,999		\$ 10,924	196,923
Accounts receivable	11,669			11,669
Unconditional promises to give - Note E	40,000			40,000
Interfund receivable	987			987
Investments - Note C and D	430,034	\$ 24,703	644,792	1,099,529
Prepaid expenses	16,547			16,547
Property and equipment				
Playfield and equipment	101,962			101,962
Furniture and equipment	236,686			236,686
Automotive equipment	101,956			101,956
Building and improvements	3,415,200			3,415,200
	3,855,804			3,855,804
Less accumulated depreciation - Note D	(1,625,035)			(1,625,035)
	2,230,769			2,230,769
Land	112,710			112,710
TOTAL ASSETS	\$ 3,028,715	\$ 24,703	\$ 655,716	\$ 3,709,134
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 33,494			\$ 33,494
Snack bar deposits	2,947			2,947
Interfund payable			\$ 987	987
Sales tax payable	438			438
TOTAL CURRENT LIABILITIES	36,879		987	37,866
NET ASSETS - Note D				
Unrestricted	2,991,836			2,991,836
Temporarily restricted		\$ 24,703		24,703
Permanently restricted			654,729	654,729
TOTAL NET ASSETS	2,991,836	24,703	654,729	3,671,268
TOTAL LIABILITIES AND NET ASSETS	\$ 3,028,715	\$ 24,703	\$ 655,716	\$ 3,709,134

See notes to financial statements.

December 31, 2011

Unrestricted	Permanently Restricted	Total
\$ 279,939	\$ 24,006	\$ 303,945
712		712
52,773		52,773
987		987
236,562	631,303	867,865
8,264		8,264
101,962		101,962
220,809		220,809
58,542		58,542
3,403,880		3,403,880
3,785,193		3,785,193
(1,484,046)		(1,484,046)
2,301,147		2,301,147
112,710		112,710
\$ 2,993,092	\$ 655,309	\$ 3,648,401
\$ 4,941		\$ 4,941
8,008		8,008
	\$ 987	987
1,078		1,078
14,027	987	15,014
2,979,065		2,979,065
	654,322	654,322
2,979,065	654,322	3,633,387
\$ 2,993,092	\$ 655,309	\$ 3,648,401

BOYS AND GIRLS CLUB OF LAGUNA BEACH

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating Revenues				
Support				
United way	\$ 21,440			\$ 21,440
Corporate contributions	54,333			54,333
Foundation contributions	232,869			232,869
Government contributions	87,748			87,748
Individual contributions	121,847		\$ 408	122,255
Memberships	105,351			105,351
Board member dues	3,250			3,250
Program activities	754,585			754,585
Special events	660,584			660,584
TOTAL SUPPORT	2,042,007		408	2,042,415
Other Operating Revenue				
Investment distribution				
TOTAL OPERATING REVENUES	2,042,007		408	2,042,415
EXPENSES				
Programs	1,642,078			1,642,078
Supporting services:				
Administration	196,038			196,038
Fund raising	282,380			282,380
TOTAL EXPENSES	2,120,496			2,120,496
EXCESS OF OPERATING REVENUE OVER (UNDER) EXPENSES	(78,489)		408	(78,081)
NONOPERATING GAINS AND LOSSES:				
Investment distribution (under) over earnings	41,560			41,560
Net realized and unrealized gains (losses) on investments	49,700	\$ 24,703		74,403
CHANGE IN NET ASSETS	12,771	24,703	408	37,882
Net assets, beginning of year as previously reported	2,979,065		654,321	3,633,387
Prior period adjustments:				
Adjustment for understatement of depreciation - Note D				
Adjustment for misclassification of permanently restricted nonoperating gains and losses - Note D				
NET ASSETS, END OF YEAR AS RESTATED	\$ 2,991,836	\$ 24,703	\$ 654,729	\$ 3,671,269

See accompanying notes to financial statements.

Year Ended December 31, 2011

<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 23,737		\$ 23,737
58,793		58,793
232,751		232,751
77,000		77,000
209,365	\$ 1,126	210,491
108,621		108,621
4,250		4,250
626,947		626,947
450,059		450,059
<u>1,791,523</u>	<u>1,126</u>	<u>1,792,649</u>
24,377		24,377
<u>1,815,900</u>	<u>1,126</u>	<u>1,817,026</u>
1,497,748		1,497,748
162,670		162,670
261,846		261,846
<u>1,922,264</u>		<u>1,922,265</u>
(106,364)	1,126	(105,237)
(1,740)		(1,740)
(40,383)		(40,383)
<u>(148,487)</u>	<u>1,126</u>	<u>(147,360)</u>
3,127,552	653,195	3,780,747
(34,933)		(34,933)
<u>(79,299)</u>	<u>79,299</u>	
<u><u>\$ 2,979,065</u></u>	<u><u>\$ 654,321</u></u>	<u><u>\$ 3,633,387</u></u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 12,771	\$ 24,703		\$ 37,474
Adjustments to reconcile net cash to increase (decrease) in net assets:				
Unrealized (gains) losses on investments	87,130	(24,703)		62,427
Depreciation and amortization (restated)	140,989			140,989
Increase in accounts receivable	(10,958)			(10,958)
Decrease (increase) in prepaid expenses	(8,283)			(8,283)
Decrease (increase) in net unconditional promises to give	12,773			12,773
Increase (decrease) in accounts payable	28,553			28,553
Increase (decrease) in sales tax payable	(640)			(640)
Increase (decrease) in snack bar deposits	(5,061)			(5,061)
TOTAL ADJUSTMENTS	<u>244,503</u>	<u>(24,703)</u>		<u>219,800</u>
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	257,274			257,274
CASH FLOWS FROM INVESTING ACTIVITIES				
Net proceeds from (used for) sale (purchase) of securities investments	(280,603)		\$ (13,490)	(294,093)
Additions to property and equipment net of disposals	(70,611)			(70,611)
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	(351,214)		(13,490)	(364,704)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Permanently restricted contributions			408	408
NET CASH FROM FINANCING ACTIVITIES			<u>408</u>	<u>408</u>
NET INCREASE (DECREASE) IN CASH	(93,940)		(13,082)	(107,022)
Cash at beginning of year	<u>279,939</u>		<u>24,006</u>	<u>303,945</u>
CASH AT END OF YEAR	<u>\$ 185,999</u>		<u>\$ 10,924</u>	<u>\$ 196,923</u>

See notes to financial statements.

Year Ended December 31, 2011

<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ (130,684)	\$ 1,126	\$ (129,558)
6,934		6,934
148,837		148,837
(712)		(712)
4,796		4,796
(46,757)	10,000	(36,757)
(13,485)		(13,485)
<u>514</u>		<u>514</u>
<u>100,127</u>	<u>10,000</u>	<u>110,126</u>
(30,557)	11,126	(19,431)
28,665	10,479	39,144
<u>(1,963)</u>		<u>(1,963)</u>
26,702	10,479	37,181
	<u>1,126</u>	<u>1,126</u>
	<u>1,126</u>	<u>1,126</u>
(3,855)	21,605	17,750
<u>283,794</u>	<u>2,401</u>	<u>286,195</u>
<u>\$ 279,939</u>	<u>\$ 24,006</u>	<u>\$ 303,945</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

STATEMENTS OF FUNCTIONAL EXPENSES

	<u>Year Ended December 31, 2012</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Item of expense:				
Salaries, payroll taxes and employee benefits	\$ 1,026,970	\$ 111,216	\$ 101,657	\$ 1,239,843
Special events			149,310	149,310
Supplies and program costs	201,156	8764	84	210,004
Cost of merchandise sold	34,267			34,267
Printing and advertising		2,266		2,266
Insurance	101,321	2,190	6,148	109,659
Utilities and telephone	28,609	2,477	2,477	33,563
Outside services	4,633	5,596		10,229
Accounting	7,033	3,516	3,516	14,065
Repairs and maintenance	67,906	14,227	157	82,290
Office	18,655	5,131	17,118	40,904
Board meetings		4,308		4,308
Dues		11,483		11,483
Automobile	11,374	1,202	62	12,638
Public relations/marketing	425	8,395	732	9,552
Training	5,729	8,277	1,120	15,126
Depreciation/amortization - Note D	134,000	6,989		140,989
TOTAL EXPENSES	<u>\$ 1,642,078</u>	<u>\$ 196,038</u>	<u>\$ 282,380</u>	<u>\$ 2,120,496</u>

See notes to financial statements.

Year Ended December 31, 2011

Program Services	Management and General	Fund Raising	Total
\$ 992,756	\$ 46,388	\$ 105,785	\$ 1,144,929
		136,409	136,409
163,391		308	163,699
29,502			29,502
	3,887		3,887
67,184	21,730	5,496	94,410
28,666	2,940	2,550	34,156
7,112	4,248		11,360
7,277	3,638	3,638	14,553
35,818	28,725	387	64,930
5,947	27,415	3,401	36,763
	3,252		3,252
	8,567		8,567
6,040	1,451	51	7,542
114	1,949	3,812	5,875
11,633	1,755	10	13,398
142,112	6,725		148,837
<u>\$ 1,497,552</u>	<u>\$ 162,670</u>	<u>\$ 261,847</u>	<u>\$ 1,922,069</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The Boys and Girls Club of Laguna Beach is a non-profit corporation organized under section 501(c)(3) of the Internal Revenue Code. The organization's purpose is to operate an educational and recreation club for boys and girls in the Laguna Beach area in order to promote their physical, mental, and moral well being.

Property and Equipment: Property and equipment purchases by the organization are recorded at cost. Assets acquired by donation are carried at estimated market value as of the contribution date. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, ranging from five to forty-five years.

Basis of Presentation: The financial statements have been prepared on the accrual basis of accounting. The financial resources are maintained in accordance with the principles of fund accounting. The organizations funds are unrestricted, temporarily, and permanently restricted and fund transfers are made at the discretion of the Board of Directors and according to donors' wishes.

Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed services: A substantial number of unpaid volunteers have made significant contributions of time. Where possible, amounts have been reflected in the financial statements for donated services, however; in most cases no objective basis is available to measure its value.

Expendable Restricted Resources: Operating funds restricted by the donor for particular operating purposes are deemed to be earned and reported as revenues of operating funds when the funds are used in compliance with the specific restrictions. Such amounts received but not earned are reported as temporarily restricted net assets.

Cash and Cash Equivalents: Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE B: PERMANENTLY RESTRICTED ENDOWMENT FUNDS

The organization's endowment funds consist of invested donor-restricted contributions to be utilized for the purposes indicated below. The Board of Directors has a policy of appropriating for distribution each year, 5 percent of its endowment fund's average fair value over the prior three years through the third quarter of the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at a minimum of 5 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Permanently restricted net assets are available for the following purposes:

	December 31	
	2012	2011
Scholarship program	\$ 65,293	\$ 65,293
TLC program	84,029	84,029
Endowment - general operations	505,407	505,000
	<u>\$ 654,729</u>	<u>\$ 654,322</u>

NOTE C: INVESTMENTS

Cost and fair value of marketable equity securities at December 31, 2012, are as follows:

	Cost	Net Unrealized Gains	Fair Value
Equity securities	<u>\$ 1,011,919</u>	<u>\$ 87,610</u>	<u>\$ 1,099,529</u>

Net unrealized holding losses in the amount of \$87,130 have been included in investment income for the year ended December 31, 2012.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

NOTE D: PRIOR PERIOD ADJUSTMENTS

During 2012, a mathematical error in calculating depreciation for prior years was detected. Correction of the error resulted in an increase in depreciation expense of \$11,708 for 2011. The effect on beginning retained and accumulated depreciation was decrease and increase of \$34,901, respectively. In 2012 it was also determined that nonoperating gains and losses from endowment funds were incorrectly classified as restricted income. GAAP requires losses on investments of donor-restricted funds should first reduce any net appreciation reflected in temporarily restricted net assets and any remaining losses should reduce unrestricted net losses. The effect of the restatement of unrestricted losses was an increase of \$29,578. The effect on beginning retained earnings and investments was \$1,893.

NOTE E: DEFINED CONTRIBUTION PLAN

The organization participates in a defined contribution plan under the umbrella of the Boys and Girls Club of America. The plan covers all full time employees after one year of service. Contributions are determined as 5% of each covered employee's salary and totaled \$44,899 and \$34,808 in 2012 and 2011, respectively.

NOTE F: UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give to the Major Donor Campaign at December 31, 2012 are as

	Major Donor
Receivable in less than one year	<u>\$ 40,000</u>
Receivable in one to four years	
Total unconditional promises to give	<u>40,000</u>
Less discounts to net present value	
Net unconditional promises to give at December 31, 2012	<u><u>\$ 40,000</u></u>

NOTE G: COMMITMENTS

The organization has a commitment to Montage Resort for food and beverage for the May, 2013 Gala in the amount of \$69,013 of which \$10,352 is prepaid and non-refundable at December 31, 2012.