

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Financial Statements
Year ended December 31, 2013
(With Independent Auditors' Report Thereon)

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Financial Statements
Year ended December 31, 2013

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Board of Directors
Boys and Girls Club of Laguna Beach
Newport Beach, California

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying statement of financial position of the Boys and Girls Club of Laguna Beach as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boys and Girls Club of Laguna Beach as of December 31, 2013 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended December 31, 2013 reflect certain prior period adjustments as described further in note 11 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The prior year partial comparative information has been derived from the financial statements of the Boys and Girls Club of Laguna Beach for the year ended December 31, 2012, which were audited by other auditors, whose report dated March 12, 2013 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

February 7, 2014
Irvine, California

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Statement of Financial Position

December 31, 2013

(with comparative totals as of December 31, 2012)

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 226,026	196,573
Accounts receivable	18,924	12,019
Investments (note 3)	1,195,383	1,099,529
Unconditional promises to give, net (note 4)	145,500	40,000
Prepaid expenses	79,465	16,547
Land, buildings and equipment, net (note 5)	<u>2,226,166</u>	<u>2,343,479</u>
Total assets	<u>\$ 3,891,464</u>	<u>3,708,147</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 39,398	33,933
Accrued expenses	58,460	-
Unearned revenue and deposits	<u>76,718</u>	<u>2,946</u>
Total liabilities	<u>174,576</u>	<u>36,879</u>
Net assets (note 7):		
Unrestricted:		
Undesignated	2,789,956	2,951,836
Board designated	<u>100,000</u>	<u>-</u>
Total unrestricted net assets	2,889,956	2,951,836
Temporarily restricted	171,203	64,703
Permanently restricted	<u>655,729</u>	<u>654,729</u>
Total net assets	<u>3,716,888</u>	<u>3,671,268</u>
Total liabilities and net assets	<u>\$ 3,891,464</u>	<u>3,708,147</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Statement of Activities

Year ended December 31, 2013

(with comparative totals for the year ended December 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2013	2012
Support and Revenue:					
Contributions (note 8)	\$ 503,614	134,000	1,000	638,614	518,647
Donated services	61,975	-	-	61,975	-
Memberships	103,047	-	-	103,047	105,351
Program activities	725,841	-	-	725,841	754,584
Miscellaneous revenue	10,430	-	-	10,430	17,603
Investment income, net (note 3)	122,328	-	-	122,328	101,621
Special events, net of direct expenses (note 11)	813,551	-	-	813,551	515,242
Net assets released from restrictions (note 7)	27,500	(27,500)	-	-	-
Total support and revenues	<u>2,368,286</u>	<u>106,500</u>	<u>1,000</u>	<u>2,475,786</u>	<u>2,013,048</u>
Expenses:					
Program Services:					
Art	59,562	-	-	59,562	85,500
Basketball	19,267	-	-	19,267	27,499
Main branch	938,066	-	-	938,066	764,207
Preschool	181,294	-	-	181,294	136,198
Snack bar	84,343	-	-	84,343	74,225
Teen center	110,100	-	-	110,100	99,970
TLC branch	446,457	-	-	446,457	350,288
Total program services expenses	<u>1,839,089</u>	<u>-</u>	<u>-</u>	<u>1,839,089</u>	<u>1,537,887</u>
Supporting services					
Management and general	320,707	-	-	320,707	312,844
Fundraising	158,188	-	-	158,188	124,435
Total supporting services expenses	<u>478,895</u>	<u>-</u>	<u>-</u>	<u>478,895</u>	<u>437,279</u>
Total expenses	<u>2,317,984</u>	<u>-</u>	<u>-</u>	<u>2,317,984</u>	<u>1,975,166</u>
Increase (decrease) in net assets	50,302	106,500	1,000	157,802	37,882
Net assets at beginning of year, as restated (note 13)	<u>2,839,654</u>	<u>64,703</u>	<u>654,729</u>	<u>3,559,086</u>	<u>3,633,386</u>
Net assets at end of year	<u>\$ 2,889,956</u>	<u>171,203</u>	<u>655,729</u>	<u>3,716,888</u>	<u>3,671,268</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Statement of Functional Expenses

Year ended December 31, 2013

(with comparative totals for the year ended December 31, 2012)

	Program Services					
	Art	Basketball	Main Branch	Preschool	Snack Bar	Teen Center
Salaries and wages	\$ 42,209	656	450,800	130,478	30,347	71,547
Employee benefits	3,073	-	61,462	6,147	3,073	6,147
Payroll taxes	3,482	54	37,190	10,764	2,504	5,903
Subtotal	48,764	710	549,452	147,389	35,924	83,597
Repairs and maintenance	-	-	33,096	868	124	509
Program supplies	5,659	13,862	121,812	14,778	6,393	15,509
Public relations	-	182	6,090	-	-	-
Office supplies	-	-	4,351	6	-	-
Merchandise expense	19	-	1,823	-	36,004	294
Training	-	-	9,086	20	-	-
Dues and subscriptions	243	-	4,863	486	243	486
Professional services	-	3,171	13,669	-	-	-
Donated services	-	-	48,000	-	-	-
Telephone	199	-	3,984	398	199	398
Insurance	532	-	10,643	1,064	532	1,064
Fundraising	-	-	545	-	-	-
Printing & advertising	-	-	2,072	-	-	-
Donated rent	-	-	-	7,500	-	-
Utilities and janitorial	695	-	43,925	1,585	947	1,389
Depreciation	3,413	1,342	68,290	6,826	3,413	6,826
Automobile	-	-	9,923	40	-	28
Miscellaneous expense	38	-	6,442	334	564	-
Total expenses	<u>\$ 59,562</u>	<u>19,267</u>	<u>938,066</u>	<u>181,294</u>	<u>84,343</u>	<u>110,100</u>

See accompanying notes to financial statements

Program Services		Supporting Services			Totals	
TLC		Management			2013	2012
Branch	Subtotal	and General	Fundraising	Subtotal		
273,343	999,380	197,977	134,597	332,574	1,331,954	1,127,115
33,804	113,706	6,142	3,073	9,215	122,921	104,633
22,550	82,447	16,333	11,104	27,437	109,884	95,695
329,697	1,195,533	220,452	148,774	369,226	1,564,759	1,327,443
6,872	41,469	4,870	169	5,039	46,508	56,499
48,417	226,430	2,082	1,232	3,314	229,744	210,009
-	6,272	4,148	424	4,572	10,844	9,552
238	4,595	5,503	1,116	6,619	11,214	5,173
370	38,510	-	-	-	38,510	34,267
1,596	10,702	2,317	14	2,331	13,033	15,125
2,675	8,996	486	244	730	9,726	11,483
-	16,840	26,033	-	26,033	42,873	24,294
-	48,000	13,975	-	13,975	61,975	-
2,191	7,369	399	199	598	7,967	7,097
5,853	19,688	1,065	532	1,597	21,285	22,059
-	545	195	1,293	1,488	2,033	3,967
-	2,072	-	-	-	2,072	2,266
-	7,500	-	-	-	7,500	-
10,397	58,938	3,147	695	3,842	62,780	52,256
36,180	126,290	6,826	3,413	10,239	136,529	140,989
492	10,483	519	-	519	11,002	12,638
1,479	8,857	28,690	83	28,773	37,630	40,049
<u>446,457</u>	<u>1,839,089</u>	<u>320,707</u>	<u>158,188</u>	<u>478,895</u>	<u>2,317,984</u>	<u>1,975,166</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Statement of Cash Flows

Year ended December 31, 2013

(with comparative totals for the year ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 157,802	37,882
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	136,529	140,989
Unrealized and realized (gain) loss on investments	(88,978)	62,427
(Increase) decrease in accounts receivable	(15,241)	(11,308)
(Increase) decrease in unconditional promises to give	(105,500)	12,773
(Increase) decrease in prepaid expenses	(62,918)	(8,283)
Increase (decrease) in accounts payable	4,479	27,913
Increase (decrease) in unearned revenue and deposits	<u>29,021</u>	<u>(5,061)</u>
Net cash provided by operating activities	<u>55,194</u>	<u>257,332</u>
Cash flows from investing activities:		
Purchase of fixed assets	(19,215)	(70,611)
Purchase of investments	(445,045)	(294,093)
Proceeds from sale of investments	<u>438,519</u>	<u>-</u>
Net cash flows provided (used) by investing activities	<u>(25,741)</u>	<u>(364,704)</u>
Net increase (decrease) in cash and cash equivalents	29,453	(107,372)
Cash and cash equivalents at beginning of year	<u>196,573</u>	<u>303,945</u>
Cash and cash equivalents at end of year	<u>\$ 226,026</u>	<u>196,573</u>

There were no significant noncash investing and financing activities for the years ended December 31, 2013 and 2012.

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2013

(1) Nature of Organization

The Boys and Girls Club of Laguna Beach (“Club”) was incorporated in the State of California in the year 1954 as a nonprofit corporation organized under section 501(c)(3) of the Internal Revenue Code. The specific and primary purpose was to operate an educational and recreational club for boys and girls in the Laguna Beach area in order to promote their physical, mental and moral well being. The majority of the Club’s revenues are received in the forms of contributions and fundraising events, as well as membership and program activity fees.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Club have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Financial Statement Presentation

The Club has implemented the financial statement presentation recommended by the Financial Accounting Standards Boards (FASB) in its Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements*. Under ASC 958-205, the Club 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.

(c) Cash and Cash Equivalents

The Club considers cash, demand deposits and money market funds to be cash and cash equivalents. The following items on the Statement of Financial Position were considered cash and cash equivalents for purposes of the Statement of Cash Flows as of December 31, 2013:

Petty cash	\$ 1,157
Money market funds	171,347
Demand deposits	<u>53,522</u>
Total	<u>\$ 226,026</u>

These accounts may, at times, exceed federally insured limits. The Club has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2013

(2) Summary of Significant Accounting Policies, (continued)

(d) Investments

The Club's investments are carried at fair value using quoted market prices with gains and losses included in the Statement of Activities. Investments include equities and corporate bonds. The funds are subject to gains or losses of principal based on fluctuations in market prices. Investment income from permanently restricted investments is reported as unrestricted income.

(e) Fair Value Measurements

Accounting Standards Codification ("ASC") 820, Fair Value Measurements ("ASC 820"), defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Club accounts for its investments under ASC 820. The Statement establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Club's assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of three broad levels as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonable possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Club's financial statements.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2013

(2) Summary of Significant Accounting Policies, (continued)

(f) Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Club that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(g) Property and Equipment

Property and equipment are recorded at cost, or in the case of donated items, at estimated fair market value at the date of the gift. Maintenance and repairs are expensed when incurred and betterments are capitalized. Property and equipment are depreciated using the straight-line method over their estimated useful lives of three to forty-five years. It is the policy of the Club to capitalize all assets \$1,000 and greater.

(h) Donations and Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other 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. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

(i) Contributed Services and Facilities

Donated materials and other noncash contributions, if received, would be reflected in the accompanying statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value. Donated services in the amount of \$61,975 were recorded during the year ended December 31, 2013.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2013

(2) Summary of Significant Accounting Policies, (continued)

(i) Contributed Services and Facilities, (continued)

On July 1, 2013, the Club entered into a ten year lease agreement with the City of Laguna Beach for the land under the TLC branch at Bluebird Park for rent of \$1 a year. A contribution receivable is recorded for the difference between the fair value of the land at the date of the agreement and the amount paid. The fair value of the land was calculated at \$13 per sq. ft. based on appraisal information of the value of donated land for childcare purposes. The original contribution receivable of \$156,000, net of a present value discount, will be recognized as donated use of facilities over the term of the lease. For the year ended December 31, 2013, the Club recognized \$7,500 of revenue related to the lease.

(j) Membership Dues

Membership dues are reported as income when earned. Amounts received or billed in advance, but not earned, are reported as unearned revenue. As of December 31, 2013 unearned membership dues was \$72,199.

(k) Income Taxes

The Boys and Girls Club of Laguna Beach is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State Revenue and Taxation Code, respectively. The Club's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they are filed. The Club's Forms 199, California Exempt Organization Annual Information Return, are subject to examination by the IRS, generally for four years after they are filed.

(l) Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(m) Advertising Costs

Advertising costs are expensed as incurred by the Club. Total advertising costs for the year ended December 31, 2013 were \$2,072.

(n) Net Assets

To ensure observance of limitations and restrictions placed on the use of financial resources available to the Club, the accounts of the Club are maintained in accordance with the principles of net asset accounting. This is the procedure by which financial resources for various purposes are classified for accounting and reporting purposes into net asset classification established according to their

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2013

(2) Summary of Significant Accounting Policies, (continued)

(n) Net Assets, (continued)

nature and purpose. Separate accounts are maintained for each net asset classification; however, in the accompanying financial statements, net asset classifications that have similar characteristics have been combined into net asset groups as noted below.

Net assets and revenue, gains, expenses, and losses are classified as unrestricted, temporarily restricted, or permanently restricted, as follows:

- Unrestricted net assets represent the portion of expendable funds available for support of the operations of the Club.
- Temporarily restricted net assets consist of contributions that are subject to specific donor imposed stipulations that can be fulfilled by actions of the Club pursuant to those stipulations or that expire by the passage of time. The Club's temporarily restricted net assets consist primarily of contributions that are restricted for expansion or creation of new programs or acquisition of other property and equipment. Temporarily restricted contributions received and spent in the same year have been recorded as unrestricted support.
- Permanently restricted net assets consist of contributions, such as permanent endowment funds, subject to donor imposed stipulations that the principal be maintained permanently by the Club. Generally, the donors permit the Club to use all or part of the income earned on these assets.

(o) Endowments

The Club's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions. The Board of Directors of the Club has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Club classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2013

(2) Summary of Significant Accounting Policies, (continued)

(o) Endowments, (continued)

The remaining portion of the donor-restricted funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Club, and (7) the Club's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Club has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of approximately 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

Funds available for distribution during each year are limited to 5% of its endowment fund's average fair value of the prior 3 years through the third quarter of the fiscal year in which the distribution is planned. In establishing this policy, the Club considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor- restrictions, and the possible effects of inflation. Accordingly, over the long term, the Club expects the current spending policy to allow its endowment to grow at a minimum of 5 percent annually. This is consistent with the Club'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.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2013

(2) Summary of Significant Accounting Policies, (continued)

(p) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. However, management anticipates any variances to be immaterial.

(q) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Boys and Girls Club of Laguna Beach's prior year financial statements, from which this selected financial data was derived.

(r) Subsequent Events

Subsequent events have been evaluated by management through February 7, 2014, which is the date the financial statements were available to be issued.

(3) Investments

The following table presents investments recorded at fair value as of December 31, 2013 and indicates the fair value hierarchy of the valuation techniques used to measure fair value as described in note 2(e).

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 74,294	74,294	-	-
Equity mutual funds	563,164	563,164	-	-
Bond mutual funds	<u>557,925</u>	<u>557,925</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 1,195,383</u>	<u>1,195,383</u>	<u>-</u>	<u>-</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2013

(3) Investments, (continued)

Investment income for the year ended December 31, 2013, consisted of the following:

Investment income:	
Interest and dividend income	\$ 41,072
Unrealized gain	28,899
Realized gain	60,079
Investment fees	<u>(7,722)</u>
	<u>\$ 122,328</u>

(4) Unconditional Promises to Give

Unconditional promises to give are expected to be collected as follows:

Less than one year	\$ 35,600
One to five years	62,400
More than five years	<u>70,200</u>
Subtotal	168,200
Less discount on amounts due in more than one year	<u>(22,700)</u>
Total	<u>\$ 145,500</u>

Changes in donations and pledges receivable for the year ended December 31, 2013 was as follows:

Pledges receivable at beginning of year	\$ 40,000
Pledged support for TLC	156,000
Payments received	(17,800)
Change in allowance for uncollectible pledges	(10,000)
Increase (decrease) in unamortized discount	<u>(22,700)</u>
Pledges receivable at end of year	<u>\$ 145,500</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2013

(5) Property and Equipment

Property and equipment at December 31, 2013 are summarized as follows:

Land	\$ 112,710
Playfield and equipment	2,474
Furniture and equipment	112,535
Automotive equipment	101,956
Building and improvements	<u>3,397,343</u>
Less: Accumulated depreciation	<u>1,500,852</u>
Net property and equipment	<u>\$ 2,226,166</u>

Depreciation and amortization expense was \$136,529 for the year.

(6) Employee Benefit Plan

Employees of the Club are eligible for a defined contribution pension plan administered under the umbrella of the Boys and Girls Club of America. Total contributions to the plan by the Club for the year ended December 31, 2013 was \$38,523. The Club has no liability for the administration or payment of benefits of the plan and, accordingly, the present value of the related vested benefits is not reflected in these financial statements.

(7) Net Assets

Net assets consisted of the following as of at December 31, 2013:

Unrestricted net assets:	
Net investment in property and equipment	\$ 2,226,166
Board designated endowment	100,000
Undesignated – available for programs	<u>563,790</u>
Total unrestricted net assets	<u>2,889,956</u>
Temporarily restricted net assets:	
Time restriction for promises to give	145,500
Accumulated investment income on endowment	24,703
Teen center	<u>1,000</u>
Total temporarily restricted net assets	<u>171,203</u>
Permanently restricted net assets:	
Scholarship	75,519
TLC Branch	87,753
Endowment	<u>492,457</u>
Total permanently restricted net assets	<u>655,729</u>
Total net assets	<u>\$ 3,716,888</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2013

(7) Net Assets, (Continued)

Net assets released from restrictions consist of the following at December 31, 2013:

Allocation of assets for expenditures:	
Release of time restrictions	<u>\$27,500</u>

Endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	27,137	655,729	682,866
Board-designated endowment funds	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total	<u>\$ 100,000</u>	<u>27,137</u>	<u>655,729</u>	<u>782,866</u>

Changes in endowment net assets as of December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ -	24,703	654,729	679,432
Contributions	-	-	1,000	1,000
Investment income	-	27,434	-	27,434
Board designations	100,000	-	-	100,000
Release of restrictions	25,000	(25,000)	-	-
Endowment draw	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
Endowment net assets, end of year	<u>\$ 100,000</u>	<u>27,137</u>	<u>655,729</u>	<u>782,866</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2013

(8) Contribution Revenue

Contribution revenue for the year ended December 31, 2013, consisted of the following:

Corporate contributions	\$ 61,219
Foundation contributions	262,123
United Way	24,075
Government contributions	223,785
Individual contributions	<u>67,412</u>
	<u>\$ 638,614</u>

(9) Lease Commitments

The Club leases certain office equipment under an operating lease agreement expiring on December 31, 2017. In addition, the Club leases land on Bluebird Park from the City of Laguna Beach under a lease expiring on June 23, 2023. This leased land is the location of the Club's branch, TLC. Minimum required future rental payments under leases as of December 31, 2013, are:

Fiscal year:

2014	\$ 10,668
2015	10,668
2016	10,668
2017	<u>10,668</u>
Total minimum future payments	<u>\$ 42,672</u>

Rental expenses for operating agreements were \$10,668 for the year ended December 31, 2013.

(10) Related Party Transactions

The Club has received in-kind contribution attorney services from a member of the Board. The services received during the year ended December 31, 2013 are estimated to be worth \$6,975.

The Club has received in-kind donation in the form of printing services from a member of the Board. The services received during the year ended December 31, 2013 are estimated to be worth \$7,000.

The Club has cash and investments with Union Bank at December 31, 2013. A Board member is an employee at Union Bank. This Board member abstains from decisions made concerning matters that would be a conflict of interest.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2013

(11) Special Events

	<u>Gala</u>	<u>Girls Night Out</u>	<u>Other Events</u>	<u>Total</u>
Special event revenue	\$844,437	103,420	43,929	991,786
Less direct expenses	<u>(139,710)</u>	<u>(24,548)</u>	<u>(13,977)</u>	<u>(178,235)</u>
Net support from special events	<u>\$704,727</u>	<u>78,872</u>	<u>29,952</u>	<u>813,551</u>

(12) Contingencies

There is an outstanding claim against the Boys and Girls Club where unfavorable outcome is possible. The possible loss cannot be estimated at this time.

(13) Adjustment to Beginning Net Assets

During the fiscal year ended December 31, 2013, the following adjustments were made to beginning net assets.

Net assets at beginning of year, as previously reported	\$ 3,671,268
Adjustment to record unearned membership revenue	(60,316)
Adjustment to record accounts receivable	(8,972)
Adjustment to record liability for accrued payroll expenses	(16,784)
Adjustment to record liability for vacation accrual expense	<u>(26,110)</u>
Net assets at beginning of year, as restated	<u>\$ 3,559,086</u>