

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Financial Statements
Year ended December 31, 2017
(With Independent Auditors' Report Thereon)

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Financial Statements
Year ended December 31, 2017

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Board of Directors
Boys and Girls Club of Laguna Beach
Laguna 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, 2017, 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, 2017 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.

Report on Summarized Comparative Information

We have previously audited the Boys and Girls Club of Laguna Beach's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Davis Lan UP". The signature is written in a cursive, flowing style.

Irvine, California
March 23, 2018

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Statement of Financial Position
December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016
<u>Assets</u>		
Cash and cash equivalents	\$ 283,128	238,443
Accounts receivable	77,019	109,921
Investments (note 3)	1,466,676	1,455,706
Unconditional promises to give, net (note 4)	224,647	391,140
Prepaid expenses	36,250	57,083
Land, buildings and equipment, net (note 5)	1,998,847	1,975,364
Total assets	\$ 4,086,567	4,227,657
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 50,340	74,405
Accrued expenses	80,810	77,207
Unearned revenue and deposits	41,821	59,120
Total liabilities	172,971	210,732
Net assets (note 7):		
Unrestricted:		
Undesignated	2,106,527	2,099,503
Board designated	514,869	449,977
Total unrestricted net assets	2,621,396	2,549,480
Temporarily restricted	286,471	461,716
Permanently restricted	1,005,729	1,005,729
Total net assets	3,913,596	4,016,925
Total liabilities and net assets	\$ 4,086,567	4,227,657

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Statement of Activities

December 31, 2017

(with comparative totals for the year ended December 31, 2016)

	Unrestricted	Temporarily	Permanently	Totals	
		Restricted	Restricted	2017	2016
Support and Revenue:					
Contributions (note 8)	\$ 593,223	19,807	-	613,030	680,452
Government grants (note 8)	85,000	-	-	85,000	105,305
Donated services	110,427	-	-	110,427	15,970
Memberships	86,315	-	-	86,315	88,971
Program activities	785,644	-	-	785,644	781,499
Miscellaneous revenue	734	-	-	734	3,013
Investment income/(loss) (note 3)	130,468	51,202	-	181,670	117,519
Special events, net of direct expenses (note 11)	625,131	-	-	625,131	740,902
Net assets released from restrictions (note 7)	246,254	(246,254)	-	-	-
Total support and revenues	<u>2,663,196</u>	<u>(175,245)</u>	<u>-</u>	<u>2,487,951</u>	<u>2,533,631</u>
Expenses:					
Program Services:					
Art	71,137	-	-	71,137	67,545
Basketball	25,203	-	-	25,203	31,988
Main branch	1,058,660	-	-	1,058,660	1,013,668
Preschool	175,471	-	-	175,471	173,520
Snack bar	32,618	-	-	32,618	37,921
Teen center	142,176	-	-	142,176	106,825
Bluebird branch	301,283	-	-	301,283	274,628
Lang branch	193,686	-	-	193,686	197,668
Total program services expenses	<u>2,000,234</u>	<u>-</u>	<u>-</u>	<u>2,000,234</u>	<u>1,903,763</u>
Supporting services					
Management and general	292,265	-	-	292,265	263,172
Fundraising	298,781	-	-	298,781	226,726
Total supporting services expenses	<u>591,046</u>	<u>-</u>	<u>-</u>	<u>591,046</u>	<u>489,898</u>
Total expenses	<u>2,591,280</u>	<u>-</u>	<u>-</u>	<u>2,591,280</u>	<u>2,393,661</u>
Increase (decrease) in net assets	71,916	(175,245)	-	(103,329)	139,970
Net assets at beginning of year	<u>2,549,480</u>	<u>461,716</u>	<u>1,005,729</u>	<u>4,016,925</u>	<u>3,876,955</u>
Net assets at end of year	<u>\$ 2,621,396</u>	<u>286,471</u>	<u>1,005,729</u>	<u>3,913,596</u>	<u>4,016,925</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Statement of Functional Expenses

December 31, 2017

(with comparative totals for the year ended December 31, 2016)

	Program Services					Teen
	Art	Basketball	Main Branch	Preschool	Snack Bar	Center
Salaries and wages	\$ 50,700	-	582,000	116,479	11,463	101,301
Employee benefits	3,252	-	41,231	13,478	-	6,734
Payroll taxes	4,520	-	52,353	8,976	1,160	7,785
Subtotal	58,472	-	675,584	138,933	12,623	115,820
Repairs and maintenance	-	400	52,815	321	-	1,551
Program supplies	3,596	13,905	135,749	14,008	120	5,746
Public relations	-	-	17,223	-	-	20
Office supplies	-	-	11,790	-	-	-
Merchandise expense	-	-	-	-	17,858	-
Training	-	-	21,448	339	-	-
Dues and subscriptions	416	-	4,808	989	90	824
Professional services	-	9,299	839	-	-	1,200
Donated services	-	-	-	-	-	-
Telephone	663	-	7,661	1,576	143	1,313
Insurance	2,326	-	27,812	5,383	518	4,483
Printing & advertising	-	-	580	-	-	-
Donated facilities	-	-	-	-	-	-
Utilities and janitorial	2,428	-	28,017	5,768	557	4,809
Depreciation	3,236	-	37,391	7,689	709	6,410
Automobile	-	-	11,808	223	-	-
Miscellaneous expense	-	1,599	25,135	242	-	-
Total expenses	\$ 71,137	25,203	1,058,660	175,471	32,618	142,176

See accompanying notes to financial statements

			Supporting Services			Totals	
Bluebird	Lang	Subtotal	Management and General	Fundraising	Subtotal	2017	2016
187,457	76,973	1,126,373	130,799	216,435	347,234	1,473,607	1,336,017
19,572	7,561	91,828	25,336	18,367	43,703	135,531	104,599
16,339	6,819	97,952	9,965	16,044	26,009	123,961	113,926
<u>223,368</u>	<u>91,353</u>	<u>1,316,153</u>	<u>166,100</u>	<u>250,846</u>	<u>416,946</u>	<u>1,733,099</u>	<u>1,554,542</u>
1,219	117	56,423	-	2,420	2,420	58,843	57,590
16,290	4,538	193,952	318	491	809	194,761	192,927
35	1	17,279	770	567	1,337	18,616	13,180
9	-	11,799	125	-	125	11,924	13,148
-	-	17,858	-	-	-	17,858	23,012
138	35	21,960	210	-	210	22,170	28,792
1,590	650	9,367	1,182	1,785	2,967	12,334	11,803
-	-	11,338	39,202	120	39,322	50,660	67,764
-	-	-	22,132	-	22,132	22,132	15,970
3,276	3,640	18,272	1,884	2,845	4,729	23,001	19,678
8,776	3,657	52,955	6,237	9,989	16,226	69,181	80,314
-	-	580	-	-	-	580	824
13,933	73,620	87,553	-	-	-	87,553	84,990
5,552	8,026	55,157	6,896	10,415	17,311	72,468	76,096
12,363	5,056	72,854	19,704	13,883	33,587	106,441	99,895
595	353	12,979	-	-	-	12,979	10,305
<u>14,139</u>	<u>2,640</u>	<u>43,755</u>	<u>27,505</u>	<u>5,420</u>	<u>32,925</u>	<u>76,680</u>	<u>42,830</u>
<u>301,283</u>	<u>193,686</u>	<u>2,000,234</u>	<u>292,265</u>	<u>298,781</u>	<u>591,046</u>	<u>2,591,280</u>	<u>2,393,661</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Statement of Cash Flows
December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (103,329)	139,970
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	106,441	99,895
(Gain) loss on investments	(157,695)	(102,657)
(Increase) decrease in accounts receivable	32,902	(69,800)
(Increase) decrease in unconditional promises to give	166,493	11,313
(Increase) decrease in prepaid expenses	20,833	(23,035)
Increase (decrease) in accounts payable	(24,065)	24,937
Increase (decrease) in accrued expenses	3,603	14,502
Increase (decrease) in unearned revenue and deposits	(17,299)	216
Net cash provided by operating activities	27,884	95,341
Cash flows from investing activities:		
Purchase of fixed assets	(41,618)	(22,271)
Purchase of investments	(1,458,098)	(350,000)
Proceeds from sale of investments	1,516,517	22,636
Net cash flows provided (used) by investing activities	16,801	(349,635)
Net increase (decrease) in cash and cash equivalents	44,685	(254,294)
Cash and cash equivalents at beginning of year	238,443	492,737
Cash and cash equivalents at end of year	\$ 283,128	238,443
Noncash investing and financing activities were as follows:		
Donated fixed assets	\$ 87,553	-

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2017

(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 wellbeing. 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, 2017:

Petty cash	\$ 764
Money market funds	100,009
Demand deposits	<u>182,355</u>
Total	<u>\$ 283,128</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, 2017

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

(d) Investments

The Club's financial statements are presented in accordance with ASC 958-320, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under ASC 958-320, the Club is required to report certain information related to the fair value and type of investments held. Donated investments are recorded at the fair market value at the date of donation and thereafter carried in accordance with ASC 958-320. Net appreciation (depreciation) in the fair value of investments, which consists of the realized and unrealized gains or losses on those investments, is shown in the Statement of Activities. Investment income (loss) is allocated to unrestricted and temporarily restricted investment accounts based on each account's respective average percentage of the total investment portfolio.

(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

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2017

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

(e) Fair Value Measurements, (continued)

observability and a lesser degree of judgment used in measuring fair value. It is reasonably 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.

(f) Unconditional Promises to Give

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

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2017

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

(i) Contributed Services and Facilities, (continued)

recognized in the financial statements as there is no objective basis of deriving their value. Donated services in the amount of \$110,427 were recorded during the year ended December 31, 2017.

On July 1, 2013, the Club entered into a ten-year lease agreement with the City of Laguna Beach for the land under the Bluebird location 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 \$133,000, 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, 2017, the Club recognized \$13,933 of expense related to the lease.

On August 25, 2014, the Club entered into a five-year lease agreement with the City of Laguna Beach for the property designated as the Lang location 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 \$6,704 a month based upon similar property rents nearby leased by the City. The original contribution receivable of \$368,000, 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, 2017, the Club recognized \$73,620 of expense 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, 2017, unearned membership dues were \$36,673.

(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 FTB, 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.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2017

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

(m) Advertising Costs

Advertising costs are expensed as incurred by the Club. Total advertising costs for the year ended December 31, 2017 were \$580.

(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 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, 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. However, only donor-restricted funds are shown as "permanently restricted." As required by generally accepted accounting principles, net assets associated with endowment funds, including

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2017

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

(o) Endowments, (continued)

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.

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. Donor endowed and quasi-endowment assets are invested by the Beacon Pointe in a manner that is intended to provide 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.

Spending Policy

Funds available for distribution during each year are limited to 3% 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

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2017

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

(o) Endowments, (continued)

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% 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.

(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 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) Line of Credit

As of December 31, 2017, the Club had available a \$125,000 unsecured line of credit from Union Bank at an interest rate of 8%, none of which was outstanding at that date.

(s) Subsequent Events

Subsequent events have been evaluated by management through March 23, 2018, which is the date the financial statements were available to be issued.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2017

(3) Investments

Investment income (loss) for the year ended December 31, 2017, consisted of the following:

Investment income (loss):	
Interest and dividend income	\$ 34,777
Unrealized gain (loss)	(35,773)
Realized gain	193,468
Investment fees	<u>(10,802)</u>
	<u>\$ 181,670</u>

Fair values of assets measured on a recurring basis at December 31, 2017:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Stocks	\$ 315,721	315,721	-	-
Bonds funds	644,958	644,958	-	-
Equity funds	<u>505,997</u>	<u>505,997</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,466,676</u>	<u>1,466,676</u>	<u>-</u>	<u>-</u>

(4) Unconditional Promises to Give

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

Less than one year	\$ 88,900
One to five years	135,747
More than five years	<u>-</u>
Total	<u>\$ 224,647</u>

Changes in donations and pledges receivable for the year ended December 31, 2017 was as follows:

Pledges receivable at beginning of year	\$ 391,140
New pledges	19,807
Payments received	<u>(186,300)</u>
Pledges receivable at year end	<u>\$ 224,647</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2017

(5) Property and Equipment

Property and equipment at December 31, 2017 are summarized as follows:

Land	\$ 112,710
Playfield and equipment	2,475
Furniture and equipment	188,544
Automotive equipment	101,956
Building and improvements	<u>3,524,998</u>
Total property and equipment	3,930,683
Less: Accumulated depreciation	<u>(1,931,836)</u>
Net property and equipment	<u>\$ 1,998,847</u>

Depreciation and amortization expense was \$106,441 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, 2017 was \$51,830. The Club does not hold or manage plan assets and is not responsible 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, 2017:

Unrestricted net assets:	
Net investment in property and equipment	\$ 1,998,847
Board designated endowment	514,869
Undesignated – available for programs	<u>107,680</u>
Total unrestricted net assets	<u>2,621,396</u>
Temporarily restricted net assets:	
Time restriction for promises to give	224,647
Interest accrued on endowment	56,824
Scholarship Fund	<u>5,000</u>
Total temporarily restricted net assets	<u>286,471</u>
Permanently restricted net assets:	
Scholarship	75,519
Bluebird Branch	87,753
Endowment	<u>842,457</u>
Total permanently restricted net assets	<u>1,005,729</u>
Total net assets	<u>\$ 3,913,596</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2017

(7) Net Assets, (continued)

Net assets released from restrictions consist of the following at December 31, 2017:

Allocation of assets for expenditures:	
Release of time restrictions	\$ 186,300
Release of purpose restrictions	<u>59,954</u>
Total release of restrictions	<u>\$ 246,254</u>

Endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	56,824	1,005,729	1,062,553
Board-designated endowment funds	<u>514,869</u>	<u>-</u>	<u>-</u>	<u>514,869</u>
Total	<u>\$ 514,869</u>	<u>56,824</u>	<u>1,005,729</u>	<u>1,577,422</u>

Changes in endowment net assets as of December 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 384,401	65,576	1,005,729	1,455,706
Contributions	-	-	-	-
Investment income	130,468	51,202	-	181,670
Release of restriction	<u>-</u>	<u>(59,954)</u>	<u>-</u>	<u>(59,954)</u>
Endowment net assets, end of year	<u>\$ 514,869</u>	<u>56,824</u>	<u>1,005,729</u>	<u>1,577,422</u>

(8) Contribution Revenue

Contribution revenue for the year ended December 31, 2017, consisted of the following:

Corporate contributions	\$ 27,393
Foundation contributions	504,099
Government grants	85,000
Individual contributions	<u>81,538</u>
	<u>\$ 698,030</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2017

(9) Lease Commitments

The Club leases certain office equipment under an operating lease agreement expiring on December 31, 2020. Minimum required future rental payments under the lease as of December 31, 2017, are:

<u>Fiscal year:</u>	
2018	\$ 14,880
2019	14,880
2020	<u>14,880</u>
Total minimum future payments	<u>\$ 44,640</u>

Rental expenses for operating agreements were \$14,880 for the year ended December 31, 2017.

(10) Related Party Transactions

The Club has received in-kind donations in the form of printing services from a member of the Board. The services received during the year ended December 31, 2017 are estimated to be worth \$3,993.

The Club has a bank account with Union Bank at December 31, 2017. 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.

The Club holds the annual Gala event at the Montage Laguna Beach each year. A member of the Board is an employee at the Montage Laguna Beach.

The Club's attorney, who provides services to the Club throughout the year, is related to a member of the Board.

(11) Special Events

	<u>Gala</u>	<u>Girls Night Out</u>	<u>The Ranch</u>	<u>Other Events</u>	<u>Total</u>
Special event revenue	\$ 505,566	157,097	236,305	60,796	959,764
Less direct expenses	<u>(130,696)</u>	<u>(40,334)</u>	<u>(138,395)</u>	<u>(25,208)</u>	<u>(334,633)</u>
Net support from special events	<u>\$ 374,870</u>	<u>116,763</u>	<u>97,910</u>	<u>35,588</u>	<u>625,131</u>