

BOYS AND GIRLS CLUBS OF ANAHEIM, INC.

**CERTIFIED PUBLIC ACCOUNTANTS'
AUDITED FINANCIAL STATEMENTS**

DECEMBER 31, 2014

BOYS AND GIRLS CLUBS OF ANAHEIM, INC.

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boys & Girls Club of Anaheim, Inc.
Anaheim, California

We have audited the accompanying financial statements of Boys & Girls Club of Anaheim, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Club of Anaheim, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Stephens, Reidinger + Beller LLP

Newport Beach, California
June 29, 2015

BOYS & GIRLS CLUB OF ANAHEIM, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 146,052	\$ 196,428
Investment securities	769,696	627,256
Accounts receivable	26,100	69,520
Prepaid expenses	5,764	2,000
Total current assets	<u>947,612</u>	<u>895,204</u>
Property and equipment, net of accumulated depreciation	<u>330,133</u>	<u>357,595</u>
Total assets	<u><u>\$ 1,277,745</u></u>	<u><u>\$ 1,252,799</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	20,000	30,454
Deferred revenue	58,333	45,768
Total liabilities	<u>78,333</u>	<u>76,222</u>
Net assets		
Unrestricted	<u>1,199,412</u>	<u>1,176,577</u>
Total net assets	<u>1,199,412</u>	<u>1,176,577</u>
Total liabilities and net assets	<u><u>\$ 1,277,745</u></u>	<u><u>\$ 1,252,799</u></u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF ANAHEIM, INC.

STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
Revenues, grants and other support		
Grants	\$ 440,958	\$ 472,219
Contributed facilities	12,000	12,000
Donations	92,048	37,595
United Way	2,754	4,493
Memberships	12,638	21,868
Interest	128	295
Realized and unrealized net gain on investments	29,084	36,340
Total revenues and support	<u>589,610</u>	<u>584,810</u>
Fundraising events		
Revenues	449,951	460,930
Expenses	<u>(91,636)</u>	<u>(82,997)</u>
Net support from fundraising events	<u>358,315</u>	<u>377,933</u>
Total revenues, grants and other support	947,925	962,743
Expenses		
Program services	760,743	946,122
Support services	<u>164,347</u>	<u>195,143</u>
Total expenses	<u>925,090</u>	<u>1,141,265</u>
Increase/(Decrease) in net assets	22,835	(178,522)
Net assets at beginning of year	<u>1,176,577</u>	<u>1,355,099</u>
Net assets at end of year	<u><u>\$ 1,199,412</u></u>	<u><u>\$ 1,176,577</u></u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF ANAHEIM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

	<u>Program Services</u>	<u>Management and general</u>	<u>Total</u>
Salaries	\$ 460,960	\$ 94,833	\$ 555,793
Payroll services	3,011	450	3,461
Employee benefits	14,206	21,310	35,516
Advertising/Marketing	964	-	964
Utilities	8,087	5,392	13,479
Insurance	28,878	5,915	34,793
Repairs and maintenance	14,378	-	14,378
Office expenses	5,036	560	5,596
Dues and subscriptions	11,381	1,265	12,646
Rent	7,200	4,800	12,000
Taxes and licenses	27,817	16,337	44,154
Telephone	13,114	2,686	15,800
Transportation	28,928	-	28,928
Training	337	-	337
Supplies	6,800	3,559	10,359
Professional fees	18,175	3,207	21,382
Program expenses	83,688	-	83,688
Conference	1,694	423	2,117
Bank charges	-	1,924	1,924
Miscellaneous	-	313	313
Depreciation	26,089	1,373	27,462
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Total Expenses	<u>\$ 760,743</u>	<u>\$ 164,347</u>	<u>\$ 925,090</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF ANAHEIM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013

	Program Services	Management and general	Total
Salaries	\$ 634,757	\$ 103,332	\$ 738,089
Payroll services	3,526	574	4,100
Employee benefits	56,007	9,118	65,125
Advertising/Marketing	-	7,307	7,307
Utilities	11,694	2,923	14,617
Insurance	38,974	9,743	48,717
Repairs and maintenance	19,047	4,762	23,809
Office expenses	5,274	1,318	6,592
Dues and subscriptions	8,766	2,191	10,957
Rent	9,600	2,400	12,000
Taxes and licenses	49,429	8,047	57,476
Telephone	10,509	2,627	13,136
Transportation	46,715	2,982	49,697
Training	3,813	3,814	7,627
Supplies	4,721	7,132	11,853
Professional fees	5,612	6,750	12,362
Program expenses	17,917	-	17,917
Conference	-	5,193	5,193
Bank charges	-	5,804	5,804
Miscellaneous	-	657	657
Depreciation	19,761	8,469	28,230
	<u>\$ 946,122</u>	<u>\$ 195,143</u>	<u>\$ 1,141,265</u>
Total Expenses	<u>\$ 946,122</u>	<u>\$ 195,143</u>	<u>\$ 1,141,265</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF ANAHEIM, INC.

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Increase/(Decrease) in net assets	\$ 22,835	\$ (178,522)
Adjustments to reconcile change in net assets		
Depreciation	27,462	28,230
Realized and unrealized gains on investments	(29,084)	(36,340)
Decrease (increase) in operating assets		
Accounts receivable	43,420	(10,086)
Prepaid expenses	(3,764)	3,822
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(10,454)	20,752
Unearned revenue	12,565	(20,732)
Net cash flows used by operating activities	<u>62,980</u>	<u>(192,876)</u>
Cash flows from investments activities		
Purchase of investments	(113,356)	6,921
Purchase of fixed assets	<u>-</u>	<u>(2,199)</u>
Net cash provided/used by investment activities	<u>(113,356)</u>	<u>4,722</u>
Net decrease in cash and cash equivalents	(50,376)	(188,154)
Cash and cash equivalents at beginning of year	<u>196,428</u>	<u>384,582</u>
Cash and cash equivalents at end of year	<u><u>\$ 146,052</u></u>	<u><u>\$ 196,428</u></u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF ANAHEIM, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 1: ORGANIZATION AND NATURE OF SERVICES

The Boys and Girls Clubs of Anaheim, Inc. (the “Club”) is a non-profit corporation operating in Orange County, California. The Organization was incorporated on May 30, 1989 to provide school-age children and young adults between the ages of 6 to 18 low cost educational and recreational programs after school and throughout summers and holidays. As of December 31, 2014 there were four centers operating in the Anaheim City area.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Boys & Girls Club of Anaheim, Inc. reports financial information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no temporarily or permanently restricted net assets at December 31, 2014 and 2013.

Donated Services and Materials

Donated materials have been included in the accompanying financial statements where estimates of market value were available to measure the value of such materials. Donated services are recognized when a nonfinancial asset is created or specialized skills are required and the Club would otherwise need to purchase the services. In addition a substantial number of volunteers have donated their time to the Club. The value of this time and related expense has not been included in the accompanying financial statements except to the extent such services meet the criteria set forth above.

Cash Equivalents

For purposes of the statement of cash flows, the Club considers all cash and other highly liquid investments with maturities of six months or less to be cash equivalents.

BOYS & GIRLS CLUB OF ANAHEIM, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

The Club has cash balances in a bank that at times may be in excess of the Federal Deposit Insurance Corporation's (FDIC) insurance limit. The Club has not incurred losses related to carrying cash balances in excess of the FDIC insurance limit and maintains its cash with high quality financial institutions which the Club believes limits these risks.

Investments Securities

Investments in marketable securities which are available for sale are carried in the financial statements at fair value. Realized and unrealized gains and losses are included in the Statement of Activities.

Accounts Receivable

Accounts receivables of \$26,100 at December 31, 2014 and \$69,520 at December 31, 2013 are all receivable in one year or less and in the opinion of management are fully collectable. Therefore, no allowance for doubtful accounts has been provided.

Property and Equipment

Property and equipment purchased by the Club are carried at cost. Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and gains or losses are credited or charged to income.

Contributed property and equipment are reported as support and carried at fair value at the time of donation. Assets donated with restrictions regarding their use and contributions of cash that must be used for property or equipment are reported as restricted support. Absent donor stipulations regarding how long their donated assets must be maintained, the Club reports expirations of restrictions when the donated or acquired assets are placed into service.

Depreciation is recorded on the straight-line basis over the estimated useful lives of the related assets.

BOYS & GIRLS CLUB OF ANAHEIM, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Club is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue Taxation code. No provision for income tax liability is therefore required.

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 increases 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 the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Club uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience, management's analysis of specific promises made and other receivable collections.

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 and disclosure of contingent 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.

Expense Allocation

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

Deferred Revenue

Funds received in advance of program services or activities to be performed or delivered in future periods are recorded as deferred revenue in the accompanying Statement of Financial

BOYS & GIRLS CLUB OF ANAHEIM, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Position. Revenues relating to such advance payments are recognized as the required services or activities are performed and related exchange transaction is completed.

Subsequent Events

Management has evaluated subsequent events through June 29, 2015, the date which the financial statements were available for issue.

NOTE 3: CASH

	<u>2014</u>	<u>2013</u>
Citibank - Checking Account	\$ 7,950	\$ 5,518
Citibank - Payroll Account	273	229
Pacific Western Bank	-	1,070
Citibank – Money Market Account	7,392	100
Pacific Western Bank – Capital	40,847	25,828
Pacific Western Bank – Grants	43,782	-
Orange Community Bank CD	-	147,997
Genworth Financial Trust Account	20,196	15,686
Pacific Western Bank – Discretionary	25,612	-
Total	<u>\$ 146,052</u>	<u>\$ 196,428</u>

BOYS & GIRLS CLUB OF ANAHEIM, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2014

NOTE 4: INVESTMENTS IN MARKETABLE SECURITIES

The fair value and measurement level of marketable debt and equity securities at December 31, 2014 and 2013 are as follows:

<u>December 31, 2014</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Quoted Prices for Similar Assets or Unobservable Data (Level 2 or 3)</u>
Debt securities	\$ 39,638	\$ 39,638	\$ -
Equity securities	<u>730,058</u>	<u>730,058</u>	<u>-</u>
Total marketable securities	<u>\$ 769,696</u>	<u>\$ 769,696</u>	<u>\$ -</u>

<u>December 31, 2013</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Quoted Prices for Similar Assets or Unobservable Data (Level 2 or 3)</u>
Debt securities	\$ 295,748	\$ 295,748	\$ -
Equity securities	<u>331,508</u>	<u>331,508</u>	<u>-</u>
Total marketable securities	<u>\$ 627,256</u>	<u>\$ 627,256</u>	<u>\$ -</u>

As described in Note 2, these investments are included in the accompanying statement of financial position at fair value and the unrealized gains or losses are reported in the statement of activities. The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Investments in marketable securities are considered to have the highest “Level 1” priority and are valued at quoted prices in active markets for identical assets. Investments using observable inputs other than quoted prices for identical assets are classified as “Level 2” measurement. Assets valued using unobservable data represent “Level 3” valuations. The Club’s investments are all considered Level 1.

BOYS & GIRLS CLUB OF ANAHEIM, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2014

NOTE 5: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$26,100 and \$69,520 at December 31, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
Anaheim Family YMCA	\$ -	\$ 28,728
Community Development Block Grant (CDBG)	22,500	27,500
Paseo Village	-	4,167
Other	<u>3,600</u>	<u>9,125</u>
Total	<u>\$ 26,100</u>	<u>\$ 69,520</u>

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment for the Club as of December 31, 2014 and 2013 are as follows:

Depreciation expense was \$27,462 and \$28,230 for the years ended December 31, 2014 and 2013, respectively.

	<u>2014</u>	<u>2013</u>
Building facilities	\$ 529,831	\$ 529,831
Equipment	153,903	153,903
Furniture & Fixtures	<u>18,111</u>	<u>18,111</u>
	701,845	701,845
Less: Accumulated Depreciation	<u>(371,712)</u>	<u>(344,250)</u>
	<u>\$ 330,133</u>	<u>\$ 357,595</u>

NOTE 7: CONTRIBUTED FACILITIES

Two of the centers of the Club are in facilities provided by the City of Anaheim. The estimated rental value of the property is reported as support and an expense in the period in which the facilities are used by the Club. The rental value of the contributed facilities is estimated at \$12,000 annually.