

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2013**

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION  
Consolidated Financial Statements and Independent Auditors' Report  
For the Year Ended June 30, 2013**

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# Balsler Horowitz Frank & Wakeling

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

The Boards of Directors of the  
Boys and Girls Club of Santa Ana  
and Boys and Girls Club of Santa Ana Foundation  
Santa Ana, California

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Boys and Girls Club of Santa Ana Boys and Girls Club of Santa Ana and Boys and Girls Club of Santa Ana Foundation and the (the Organization) as of June 30, 2013, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Boys and Girls Club of Santa Ana and Boys and Girls Club of Santa Ana Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Club of Santa Ana and Boys and Girls Club of Santa Ana Foundation as of June 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Balser, Horowitz, Frank & Wakeling*

BALSER, HOROWITZ, FRANK, & WAKELING  
Santa Ana, California  
November 13, 2013

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION  
Consolidated Statement of Financial Position  
June 30, 2013**

<b>Assets:</b>	Boys and Girls Club of Santa Ana	Boys and Girls Club of Santa Ana Foundation	Consolidated
Current assets:			
Cash and cash equivalents	\$ 472,439	\$ 212,580	\$ 685,019
Contributions and grants receivable, net of allowance for uncollectible accounts of \$2,200	88,701	-	88,701
Promises to give	76,585	-	76,585
Investments	104,091	2,603,571	2,707,662
Other assets	33,999	-	33,999
	<hr/>	<hr/>	<hr/>
Total current assets	775,815	2,816,151	3,591,966
Land, building and equipment, net	1,278,608	-	1,278,608
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,054,423</u>	<u>\$ 2,816,151</u>	<u>\$ 4,870,574</u>
<b>Liabilities and net assets:</b>			
Current liabilities:			
Accounts payable	\$ 12,565	\$ 9,688	\$ 22,253
Accrued salaries and other expenses	108,957	-	108,957
	<hr/>	<hr/>	<hr/>
Total current liabilities	121,522	9,688	131,210
	<hr/>	<hr/>	<hr/>
<b>Net assets:</b>			
Unrestricted	1,068,388	2,806,463	3,874,851
Temporarily restricted	864,513	-	864,513
	<hr/>	<hr/>	<hr/>
Total net assets	1,932,901	2,806,463	4,739,364
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 2,054,423</u>	<u>\$ 2,816,151</u>	<u>\$ 4,870,574</u>

See Independent Auditors' Report and Accompanying Notes to the Financial Statements.

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION  
Consolidated Statement of Activities  
For the Year Ended June 30, 2013**

	Boys and Girls Club of Santa Ana	Boys and Girls Club of Santa Ana Foundation	Consolidated
<b>Unrestricted net assets:</b>			
Public support:			
Contributions	\$ 304,618	\$ 9,000	\$ 313,618
Support provided by the Foundation	155,078	(155,078)	-
Bequest revenue	-	10,000	10,000
Special events, net of direct cost	210,091	-	210,091
Trusts and other foundations	355,658	-	355,658
Member registrations	52,547	-	52,547
Grant income	673,042	-	673,042
Purchase of services	6,000	-	6,000
United Way	10,035	-	10,035
Donated facilities	150,000	-	150,000
Donated materials, equipment and services	52,793	-	52,793
Total public support	<u>1,969,862</u>	<u>(136,078)</u>	<u>1,833,784</u>
Other revenue:			
Investment income, net	1,378	234,245	235,623
Miscellaneous	18,387	-	18,387
Total other revenue	<u>19,765</u>	<u>234,245</u>	<u>254,010</u>
Net assets released from restriction	<u>172,313</u>	<u>-</u>	<u>172,313</u>
Total public support and revenue	<u>2,161,940</u>	<u>98,167</u>	<u>2,260,107</u>
Expenses:			
Program services	1,603,884	278	1,604,162
Supporting services:			
Management and general	172,861	-	172,861
Fundraising	199,451	-	199,451
Total supporting services	<u>372,312</u>	<u>-</u>	<u>372,312</u>
Total expenses	<u>1,976,196</u>	<u>278</u>	<u>1,976,474</u>
Increase in unrestricted net assets	<u>185,744</u>	<u>97,889</u>	<u>283,633</u>
<b>Temporarily restricted net assets:</b>			
Public support:			
Capital campaign	155,315	-	155,315
Promises to give	18,585	-	18,585
Net assets released from restriction	<u>(172,313)</u>	<u>-</u>	<u>(172,313)</u>
Increase in temporarily restricted net assets	<u>1,587</u>	<u>-</u>	<u>1,587</u>
Increase in net assets	<u>187,331</u>	<u>97,889</u>	<u>285,220</u>
Net assets, beginning of year	<u>1,745,570</u>	<u>2,708,574</u>	<u>4,454,144</u>
Net assets, end of year	<u>\$ 1,932,901</u>	<u>\$ 2,806,463</u>	<u>\$ 4,739,364</u>

See Independent Auditors' Report and Accompanying Notes to the Financial Statements.

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION  
Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2013**

	Program Services	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising		
Salaries	\$ 944,686	\$ 88,197	\$ 92,026	\$ 180,223	\$ 1,124,909
Payroll taxes	80,226	7,490	7,815	15,305	95,531
Employee benefits	86,469	8,072	8,423	16,495	102,964
Total salaries and related expenses	<u>1,111,381</u>	<u>103,759</u>	<u>108,264</u>	<u>212,023</u>	<u>1,323,404</u>
Contract services	13,415	11,075	45,361	56,436	69,851
Professional fees	31,465	2,148	867	3,015	34,480
Occupancy (building, ground and utilities)	96,189	21,509	21,509	43,018	139,207
Equipment lease	5,841	7,718	7,718	15,436	21,277
Postage	-	1,033	1,546	2,579	2,579
Promotions	1,513	1,041	283	1,324	2,837
Supplies	29,989	2,176	2,174	4,350	34,339
Program events	33,378	-	-	-	33,378
Transportation	13,229	315	315	630	13,859
Scholarships and awards	7,600	-	-	-	7,600
Printing and copying	-	81	1,321	1,402	1,402
Organizational dues	8,038	-	2,341	2,341	10,379
Conference and board meetings	13,755	6,878	6,878	13,756	27,511
Insurance	2,389	7,605	-	7,605	9,994
Donated facilities	150,000	-	-	-	150,000
Donated services	8,400	-	-	-	8,400
Donated materials	44,361	-	-	-	44,361
Miscellaneous	-	6,649	-	6,649	6,649
Total expenses before depreciation	<u>1,570,943</u>	<u>171,987</u>	<u>198,577</u>	<u>370,564</u>	<u>1,941,507</u>
Depreciation	<u>33,219</u>	<u>874</u>	<u>874</u>	<u>1,748</u>	<u>34,967</u>
Total expenses	<u>\$ 1,604,162</u>	<u>\$ 172,861</u>	<u>\$ 199,451</u>	<u>\$ 372,312</u>	<u>\$ 1,976,474</u>
Percentage of total	<u>81.16%</u>	<u>8.75%</u>	<u>10.09%</u>	<u>18.84%</u>	<u>100.00%</u>

See Independent Auditors' Report and Accompanying Notes to the Financial Statements.

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION  
Consolidated Statement of Cash Flows  
For the Year Ended June 30, 2013**

	<u>Boys and Girls Club of Santa Ana</u>	<u>Boys and Girls Club of Santa Ana Foundation</u>	<u>Consolidated</u>
<b>Cash flows from operating activities:</b>			
Increase in net assets	\$ 187,331	\$ 97,889	\$ 285,220
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation	34,967	-	34,967
Unrealized (gain) loss on investments	1,378	(116,566)	(115,188)
(Gain) on sale of investments	-	(41,194)	(41,194)
Increase (decrease) in cash from changes in:			
Contributions and grants receivable	76,265	3,000	79,265
Acquisition of promises to give	(85,585)	-	(85,585)
Proceeds from promises to give	9,000	-	9,000
Other current assets	(11,110)	-	(11,110)
Accounts payable	(20,909)	538	(20,371)
Accrued salaries and other expenses	13,983	-	13,983
	<u>206,091</u>	<u>(56,333)</u>	<u>149,758</u>
Net cash provided by (used by) operating activities			
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(187,390)	-	(187,390)
Purchase of investments	-	(371,665)	(371,665)
Proceeds from sale of investments	-	505,202	505,202
	<u>(187,390)</u>	<u>133,537</u>	<u>(53,853)</u>
Net cash provided by (used by) investing activities			
Net increase (decrease) in cash	<u>18,701</u>	<u>77,204</u>	<u>95,905</u>
Cash and cash equivalents, beginning of year	<u>453,738</u>	<u>135,376</u>	<u>589,114</u>
Cash and cash equivalents, end of year	<u>\$ 472,439</u>	<u>\$ 212,580</u>	<u>\$ 685,019</u>

See Independent Auditors' Report and Accompanying Notes to the Financial Statements.



**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION  
Notes to Consolidated Financial Statements  
June 30, 2013**

**(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***(a) Nature of Organization***

The Boys and Girls Club of Santa Ana (the Club) is a not-for-profit organization whose purpose is to promote the social, educational, vocational, health, character development and guidance of boys and girls ages 6 through 18. Since 1958, the Club has been dedicated to the prevention of juvenile delinquency. The Club offers activities in the areas of physical education, leadership training, group clubs, special events, social education, library, arts and crafts, camping, field trips, tutoring/computer instruction, game rooms and aquatics. All programs emphasize self-worth and positive personal growth.

The Boys and Girls Club of Santa Ana Foundation (the Foundation) is a not-for-profit public benefit corporation in which the Club has a controlling economic interest. The Foundation was incorporated in the State of California in December 1994, for the purpose of receiving, holding, investing, disposing of, or otherwise administering property, bequests, and endowments and to make expenditures to or for the benefit of the Club. The Foundation was created and funded by a vote of the Board of Directors of the Club and, as required by the Foundation's by-laws, consists of a majority of individuals who are themselves members of the Board of Directors of the Club.

The Club and the Foundation (together, the Organization) use the following significant accounting policies:

***(b) Basis of Accounting***

The accompanying financial statements of the Club and the Foundation and the consolidated financial statements of the Organization have been prepared on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

***(c) Principles of Consolidation***

The accompanying consolidated financial statements are presented in conformity with Accounting Standards Codification (ASC) Topic 810, "Consolidation". All significant inter-entity transactions and balances have been eliminated.

The activities and financial position of the Foundation for the year ended June 30, 2013, are included in the accompanying consolidated financial statements pursuant to the principles established by ASC Topic 958, "Not-for-Profit Entities" as the members of the Club Board of Directors comprise a majority voting interest in the Foundation Board of Directors.

***(d) Financial Statement Presentation***

The Organization reports 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.

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION**  
**Notes to Consolidated Financial Statements (Continued)**  
**June 30, 2013**

**(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

*(e) Designation of Unrestricted Net Assets*

The Organization designates a portion of its unrestricted net assets into the following major categories:

*Building and Equipment* – resources identified for specific capital acquisitions, expenditures, and costs of ongoing maintenance of capital assets.

*Board-Designated Endowment* – resources invested to provide income for operations, capital expenditures, or other specifically identified needs of the Organization.

*(f) Restricted and Unrestricted Revenue and Support*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or permanently restricted support, depending on the form of benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

*(g) Cash Equivalents and Investments*

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. This includes a money market mutual fund which is also considered a cash equivalent.

Investments are presented in the consolidated financial statements at fair value. Investments that are donated are recorded at fair value at the date of the donation.

The Organization has adopted the provision of ASC Topic 820, which establishes a hierarchy for measuring fair value under generally accepted accounting principles (“GAAP”). This standard applies to all financial assets and liabilities that are being measured and reported at fair value on a recurring and non-recurring basis. As permitted, the Organization has not applied the provisions of these standards to non-financial assets and liabilities. Fair value is measured in levels, which are described in more detail in Note 6, and are determined based on the observability and reliability of the assumptions used to determine fair value.

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION**  
**Notes to Consolidated Financial Statements (Continued)**  
**June 30, 2013**

**(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

*(h) Grants receivable*

During 2013, the Organization contracted with school districts, charities and foundations, Boys and Girls Club of America, and the Department of Education for the provision of services within Orange County. Some of the contracts have been written as expense reimbursement grants. These grants are payable upon the submission of specified documentation. No allowance for bad debts has been established, as management expects collection of the entire receivable.

*(i) Unconditional promises to give*

Unconditional contributions, including promises to give recorded at estimated fair value, are recognized as revenues when the promise to give is received on a discounted cash flow model. Conditional promises to give are not included as revenue until such time as the conditions are substantially met. A discount rate of 3.00% has been used to calculate the present values of the promises to give. At June 30, 2013, the Organization evaluated the collectability of the promises to give and determined no allowance was necessary. During the year ended June 30, 2013, the Organization received new promises to give totaling \$78,000. Long-term promises to give are due through July 1, 2017.

*(j) Land, Building and Equipment*

Land, building and equipment are recorded at cost, or estimated fair value at the date of donation, if donated. Depreciation of building and equipment is provided over their estimated useful lives of three to forty years using the straight-line method.

*(k) Functional Allocation of Expenses*

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

*(l) Income Taxes*

The Organization is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501 (c)(3) and Section 23701 of the California Revenue and Taxation Code (CR&TC) and, therefore, has made no provision for income taxes in the accompanying consolidated financial statements. In addition, neither the Club nor the Foundation has been determined by the Internal Revenue Service to be a "private foundation" within the meaning of the IRC Section 509 (a). Further, the Club is a voluntary health and welfare organization, as defined in the IRC Section 170(b)(1)(A), to which contributions are tax deductible.

The Foundation is an organization described in IRC Section 509(a)(3): a supporting organization for a publicly supported organization. Donations to the Foundation are also tax deductible.

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION  
Notes to Consolidated Financial Statements (Continued)  
June 30, 2013**

**(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(continued)**

***(l) Income Taxes (continued)***

There was no unrelated business income for the year ended June 30, 2013.

The Organization follows the provisions of Accounting Standards Codification (ASC) 740-10-50, *Accounting for Uncertainty in Income Taxes*. The statement requires that a tax position be recognized or derecognized based on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of the statement had no impact on the Organization's statement of financial position or statement of activities. The Organization does not believe its consolidated financial statements include (or reflect) any uncertain tax positions.

***(m) Use of Estimates***

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***(n) Donated Materials, Equipment and Services***

Donated materials, equipment and services are reflected in the accompanying consolidated financial statements at their estimated market values at the date of receipt. Contributions of services are recognized if the services create or enhance non-financial 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 consolidated financial statements, as there is no objective basis for deriving their value.

Materials, equipment and services valued at \$52,793 were donated to the Club and are included in donated material, equipment and services in the Organization's statement of activities for the year ended June 30, 2013.

***(o) Contributed Facilities***

Contributed use of facilities for the year ended June 30, 2013, is reflected in the accompanying consolidated financial statements at its estimated fair value of \$150,000.

***(p) Concentration of Credit Risk***

Financial instruments which potentially subject the Organization to concentrations of credit risk include marketable debt and equity securities. The Organization places its temporary cash investments with creditworthy, high quality financial institutions. At various times throughout the year the balances deposited in the financial institutions have exceeded federally insured limits. Management believes there is a low risk of loss due to cash concentrations.

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION  
Notes to Consolidated Financial Statements (Continued)  
June 30, 2013**

**(2) PROMISES TO GIVE**

Unconditional promises to give at June 30, 2013, were as follows:

Less than one year	\$ 58,000
One to five years	<u>20,000</u>
Total unconditional promises to give	78,000
Less: discounts to net present value	<u>(1,415)</u>
Unconditional promises to give, net	<u><u>\$ 76,585</u></u>

**(3) LAND, BUILDING AND EQUIPMENT**

Land, building and equipment of the Organization consists of the following at June 30, 2013:

Land	\$ 534,411
Building and improvements	647,196
Capital improvements	236,014
Equipment	266,852
Automobiles	98,412
Teen Center	40,630
Construction in progress	230,612
Furniture	<u>16,860</u>
Land, building and equipment	2,070,987
Less: accumulated depreciation	<u>(792,379)</u>
Land, building and equipment, net	<u><u>\$ 1,278,608</u></u>

Depreciation expense totaled \$34,967 for the year ended June 30, 2013.

The Club purchased land with a U.S. Department of Housing and Urban Development grant. The amount of the land purchase grant was \$464,710. The amount of the grant was included as an increase in temporarily restricted net assets during the year ended June 30, 2005, and remains as a temporarily restricted net asset at June 30, 2013. The land is to be used by the Club to expand its facilities. See Note 10.

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION  
Notes to Consolidated Financial Statements (Continued)  
June 30, 2013**

**(4) RETIREMENT PLAN**

The Club sponsors a 401(k) Retirement Savings Plan, whereby all employees over 20 years of age that have completed 12 months of service shall be eligible to enter the plan. Contributions to the Plan by the Club were \$58,924 for the year ended June 30, 2013.

**(5) SPECIAL EVENTS**

Gross revenues and expenses for special events associated with the Club's fundraising activities for the year ended June 30, 2013, were as follows:

	<u>Ride the Coast</u>	<u>Gala</u>	<u>Total</u>
Gross revenues	\$ 54,430	\$ 238,888	\$ 293,318
Direct costs	<u>(11,125)</u>	<u>(72,102)</u>	<u>(83,227)</u>
Total special events income, net	<u>\$ 43,305</u>	<u>\$ 166,786</u>	<u>\$ 210,091</u>

**(6) INVESTMENTS**

Investments held by the Organization at June 30, 2013, were as follows:

	<u>Fair Value</u>	<u>Cost</u>
Common stock	\$ 886,042	\$ 688,765
Preferred stock	24,880	22,210
Corporate and government agency bonds and bond funds:		
Foundation	1,178,256	1,158,093
Club	104,091	104,747
Orange County Community Foundation Fund	86,098	61,033
Mutual funds	<u>428,295</u>	<u>382,962</u>
Total investments	<u>\$2,707,662</u>	<u>\$2,417,810</u>

The Organization's investments are held primarily by First American Trust Company, as custodian, and managed by an independent investment advisor.

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION  
Notes to Consolidated Financial Statements (Continued)  
June 30, 2013**

**(6) INVESTMENTS (continued)**

Investment income for the year ended June 30, 2013, which was classified as unrestricted, consisted of the following:

	<u>The Club</u>	<u>The Foundation</u>	<u>Total</u>
Interest income	\$ -	\$ 36,328	\$ 36,328
Dividend income	-	57,981	57,981
Gain on sales of investments, net	-	41,194	41,194
Unrealized gain on investments	1,378	116,566	117,944
Investment management fees	<u>-</u>	<u>(17,824)</u>	<u>(17,824)</u>
 Total investment income, net	 <u>\$ 1,378</u>	 <u>\$ 234,245</u>	 <u>\$ 235,623</u>

The fair value of the Organization's investments is measured based on levels of observable and reliable assumptions as follows:

Level 1: Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. These valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION  
Notes to Consolidated Financial Statements (Continued)  
June 30, 2013**

**(6) INVESTMENTS (continued)**

The Organization's investments are measured and reported at fair value on a recurring basis. The following table shows the balances of these assets based on their fair value measurement levels:

	<b>As of June 30, 2012</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Common stock	\$ 886,042	\$ 886,042	\$ -	\$ -
Preferred stock	24,880	24,880	-	-
Corporate and government agency bonds and bond funds:				
Foundation	1,178,256	1,178,256	-	-
Club	104,091	104,091	-	-
Orange County Community Foundation Fund	86,098	-	86,098	-
Mutual funds	428,295	428,295	-	-
Total	\$ 2,707,662	\$ 2,621,564	\$ 86,098	\$ -

Common stock, preferred stock, corporate and government agency bonds and bond funds, and mutual funds: classified as Level 1, as they are traded in active markets for which closing stock prices are readily available.

Orange County Community Foundation Fund: classified as Level 2, as this is not actively traded; however, pricing for similar investments with the same maturities is readily available from various sources.

**(7) COMMITMENTS**

The Club leases its administrative office in Santa Ana, California under a month-to-month operating lease. The Club also leases various office equipment under agreements classified as operating leases through June 1, 2017.

Future minimum lease payments are as follows:

For the Year Ended June 30,	Amount
2014	\$ 14,148
2015	13,779
2016	12,672
2017	11,616
2018	-
	\$ 52,215

The Club's lease expense totaled \$49,404 for the year ended June 30, 2013.



**BOYS AND GIRLS CLUB OF SANTA ANA  
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION  
Notes to Consolidated Financial Statements (Continued)  
June 30, 2013**

**(8) NET ASSETS**

	<u>The Club</u>	<u>The Foundation</u>	<u>Total</u>
<b>Unrestricted net assets:</b>			
Net investment in building and equipment and net current assets	<u>\$1,068,388</u>	<u>\$2,806,463</u>	<u>\$3,874,851</u>
<b>Temporarily restricted net assets:</b>			
Contributions	399,803	-	399,803
Land	<u>464,710</u>	<u>-</u>	<u>464,710</u>
Total temporarily restricted net assets	<u>864,513</u>	<u>-</u>	<u>864,513</u>
Total net assets	<u><u>\$1,932,901</u></u>	<u><u>\$2,806,463</u></u>	<u><u>\$4,739,364</u></u>

**(9) SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

During the year ended June 30, 2013, the Organization paid no cash for interest or income taxes. There were no financing cash flow activities for the year ended June 30, 2013. There were no non-cash investing or financing activities for the year ended June 30, 2013.

**(10) SUBSEQUENT EVENTS**

ASC Topic 855, established general standards for the accounting for and disclosure of events that occur after the date of the consolidated statement of financial position, but before the consolidated financial statements are issued or available to be issued. The Organization's management evaluated subsequent events that occurred through November 13, 2013, the date the consolidated financial statements were available to be issued.

The Organization has announced an expansion campaign with a target of \$2,200,000 committed to create a dedicated Teen Center and renovate the Main Club for optimum utilization. Management expects completion of the project by September of 2014.