

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

**COMBINED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

As of and for the Year Ended June 30, 2016

**BOYS AND GIRLS CLUB OF SANTA ANA
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION
Combined Financial Statements and Independent Auditors' Report
As of and for the Year Ended June 30, 2016**

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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 Combined Financial Statements

We have audited the accompanying combined financial statements of Boys and Girls Club of Santa Ana and Boys and Girls Club of Santa Ana Foundation (the Organization) as of June 30, 2016, which comprise the combined statement of financial position as of June 30, 2016, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 Organization'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 combined 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 combined 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, 2016, 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.

*Ronald Blue & Co.
CPAs and Consultants, LLP*

Santa Ana, California
October 13, 2016

**BOYS AND GIRLS CLUB OF SANTA ANA
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION
Combined Statement of Financial Position
June 30, 2016**

	Boys and Girls Club of Santa Ana	Boys and Girls Club of Santa Ana Foundation	Combined
Assets:	<u> </u>	<u> </u>	<u> </u>
Current assets:			
Cash and cash equivalents	\$ 1,005,389	\$ 158,022	\$ 1,163,411
Contributions and grants receivable, net of allowance for uncollectible accounts of \$211	10,339	-	10,339
Promises to give, net	9,854	-	9,854
Investments	-	2,674,158	2,674,158
Other assets	44,021	-	44,021
	<u> </u>	<u> </u>	<u> </u>
Total current assets	1,069,603	2,832,180	3,901,783
Land, building and equipment, net	3,163,746	-	3,163,746
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,233,349</u>	<u>\$ 2,832,180</u>	<u>\$ 7,065,529</u>
Liabilities and net assets:			
Current liabilities:			
Accounts payable	\$ 85,601	\$ -	\$ 85,601
Accrued salaries and other liabilities	148,824	-	148,824
	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	234,425	-	234,425
	<u> </u>	<u> </u>	<u> </u>
Commitments:			
See Notes (4) and (7)			
Net assets:			
Unrestricted	3,988,924	2,832,180	6,821,104
Temporarily restricted	10,000	-	10,000
	<u> </u>	<u> </u>	<u> </u>
Total net assets	3,998,924	2,832,180	6,831,104
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 4,233,349</u>	<u>\$ 2,832,180</u>	<u>\$ 7,065,529</u>

See Accompanying Notes to the Financial Statements.

**BOYS AND GIRLS CLUB OF SANTA ANA
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION
Combined Statement of Activities
For the Year Ended June 30, 2016**

	Boys and Girls Club of Santa Ana	Boys and Girls Club of Santa Ana Foundation	Combined
Unrestricted net assets:			
Public support:			
Contributions	\$ 225,641	\$ 87,680	\$ 313,321
Support provided by the Foundation	185,000	(185,000)	-
Special events, net of direct cost	264,972	-	264,972
Trusts and other foundations	1,222,432	-	1,222,432
Member registrations	22,863	-	22,863
Grant income	644,918	-	644,918
United Way	162,231	-	162,231
Donated facilities	354,645	-	354,645
Donated materials	72,761	-	72,761
Total public support	<u>3,155,463</u>	<u>(97,320)</u>	<u>3,058,143</u>
Other revenue:			
Investment income, net	-	22,525	22,525
Miscellaneous	55,280	-	55,280
Total other revenue	<u>55,280</u>	<u>22,525</u>	<u>77,805</u>
Net assets released from restriction	<u>45,637</u>	<u>-</u>	<u>45,637</u>
Total public support and revenue	<u>3,256,380</u>	<u>(74,795)</u>	<u>3,181,585</u>
Expenses:			
Program services	<u>2,450,552</u>	<u>1,286</u>	<u>2,451,838</u>
Supporting services:			
Management and general	270,687	-	270,687
Fundraising	326,885	-	326,885
Total supporting services	<u>597,572</u>	<u>-</u>	<u>597,572</u>
Total expenses	<u>3,048,124</u>	<u>1,286</u>	<u>3,049,410</u>
Increase (decrease) in unrestricted net assets	<u>208,256</u>	<u>(76,081)</u>	<u>132,175</u>
Temporarily restricted net assets:			
Public support:			
Capital campaign	50,287	-	50,287
Net assets released from restriction	<u>(45,637)</u>	<u>-</u>	<u>(45,637)</u>
Increase in temporarily restricted net assets	<u>4,650</u>	<u>-</u>	<u>4,650</u>
Increase (decrease) in net assets	<u>212,906</u>	<u>(76,081)</u>	<u>136,825</u>
Net assets, beginning of year	<u>3,786,018</u>	<u>2,908,261</u>	<u>6,694,279</u>
Net assets, end of year	<u>\$ 3,998,924</u>	<u>\$ 2,832,180</u>	<u>\$ 6,831,104</u>

See Accompanying Notes to the Financial Statements.

**BOYS AND GIRLS CLUB OF SANTA ANA
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION
Combined Statement of Functional Expenses
For the Year Ended June 30, 2016**

	Program Services	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising		
Salaries	\$ 1,253,242	\$ 135,196	\$ 139,850	\$ 275,046	\$ 1,528,288
Payroll taxes	101,088	9,438	9,848	19,286	120,374
Employee benefits	134,221	12,530	13,075	25,605	159,826
Total salaries and related expenses	<u>1,488,551</u>	<u>157,164</u>	<u>162,773</u>	<u>319,937</u>	<u>1,808,488</u>
Contract services	26,432	21,819	89,370	111,189	137,621
Professional fees	34,409	2,349	947	3,296	37,705
Occupancy (building, ground and utilities)	119,471	26,714	26,714	53,428	172,899
Equipment	8,101	10,704	10,705	21,409	29,510
Postage	-	1,963	2,937	4,900	4,900
Promotions	8,077	5,558	1,519	7,077	15,154
Supplies	56,920	4,130	4,130	8,260	65,180
Program events	68,262	-	-	-	68,262
Transportation	15,418	367	367	734	16,152
Scholarships and awards	42,883	-	-	-	42,883
Printing and copying	-	406	6,640	7,046	7,046
Organizational dues	8,696	-	2,533	2,533	11,229
Conference and board meetings	30,586	15,294	15,292	30,586	61,171
Insurance	4,187	13,328	-	13,328	17,515
Donated facilities	354,645	-	-	-	354,645
Donated materials	72,761	-	-	-	72,761
Miscellaneous	-	7,933	-	7,933	7,933
Total expenses before depreciation	<u>2,339,399</u>	<u>267,729</u>	<u>323,927</u>	<u>591,656</u>	<u>2,931,054</u>
Depreciation	<u>112,440</u>	<u>2,958</u>	<u>2,958</u>	<u>5,916</u>	<u>118,356</u>
Total expenses	<u>\$ 2,451,839</u>	<u>\$ 270,687</u>	<u>\$ 326,885</u>	<u>\$ 597,572</u>	<u>\$ 3,049,410</u>
Percentage of total	<u>80.40%</u>	<u>8.88%</u>	<u>10.72%</u>	<u>19.60%</u>	<u>100.00%</u>

See Accompanying Notes to the Financial Statements.

**BOYS AND GIRLS CLUB OF SANTA ANA
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION
Combined Statement of Cash Flows
For the Year Ended June 30, 2016**

	<u>Boys and Girls Club of Santa Ana</u>	<u>Boys and Girls Club of Santa Ana Foundation</u>	<u>Combined</u>
Cash flows from operating activities:			
Increase (decrease) in net assets	\$ 212,906	\$ (76,081)	\$ 136,825
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation	118,356	-	118,356
Unrealized gain (loss) on investments	-	(145,316)	(145,316)
Gain on sale of investments	-	82,578	82,578
Increase (decrease) in cash from changes in:			
Contributions and grants receivable	109,288	-	109,288
Intercompany transfers	-	-	-
Proceeds from promises to give	4,713	-	4,713
Other current assets	7,949	-	7,949
Accounts payable	25,059	-	25,059
Accrued salaries and other liabilities	(28,428)	-	(28,428)
	<u>449,843</u>	<u>(138,819)</u>	<u>311,024</u>
Net cash provided by (used by) operating activities			
	<u>449,843</u>	<u>(138,819)</u>	<u>311,024</u>
Cash flows from investing activities:			
Purchases of property and equipment	(5,632)	-	(5,632)
Purchase of investments	-	(661,520)	(661,520)
Proceeds from sale of investments	-	756,027	756,027
	<u>(5,632)</u>	<u>94,507</u>	<u>88,875</u>
Net cash provided by (used by) investing activities			
	<u>(5,632)</u>	<u>94,507</u>	<u>88,875</u>
Net increase (decrease) in cash	<u>444,211</u>	<u>(44,312)</u>	<u>399,899</u>
Cash and cash equivalents, beginning of year	<u>561,178</u>	<u>202,334</u>	<u>763,512</u>
Cash and cash equivalents, end of year	<u>\$ 1,005,389</u>	<u>\$ 158,022</u>	<u>\$ 1,163,411</u>

See Accompanying Notes to the Financial Statements.

**BOYS AND GIRLS CLUB OF SANTA ANA
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION
Notes to Combined Financial Statements
June 30, 2016**

(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 1954, 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 combined 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 Combination

The accompanying combined financial statements are presented in conformity with accounting principles generally accepted in the United States of America. All significant inter-entity transactions and balances have been eliminated.

The activities and financial position of the Foundation for the year ended June 30, 2016, are included in the accompanying combined financial statements pursuant to the principles established by accounting principles generally accepted in the United States of America 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 combined 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 Combined Financial Statements (Continued)
June 30, 2016**

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

(e) 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.

(f) Cash Equivalents and Investments

For purposes of the combined 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 combined 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 a hierarchy for measuring fair value under accounting principles generally accepted in the United States of America. 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.

(g) Grants Receivable

During 2016, 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. An allowance for bad debts has been established based on a percentage of receivables, although management expects collection of the entire receivable.

**BOYS AND GIRLS CLUB OF SANTA ANA
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION
Notes to Combined Financial Statements (Continued)
June 30, 2016**

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

(h) 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, 2016, the Organization evaluated the collectability of the promises to give and determined no allowance was necessary. During the year ended June 30, 2016, the Organization collected \$5,000 on existing promises, for a net of \$10,000 remaining as a receivable. See Note 2. Long-term promises to give are due through July 1, 2017.

(i) 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. The Organization capitalizes all building and equipment expenditures greater than \$1,000.

(j) Functional Allocation of Expenses

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

(k) 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 combined 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.

There was no unrelated business income for the year ended June 30, 2016.

The Organization does not believe its combined financial statements include (or reflect) any uncertain tax positions.

**BOYS AND GIRLS CLUB OF SANTA ANA
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION
Notes to Combined Financial Statements (Continued)
June 30, 2016**

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

(l) Use of Estimates

The preparation of the combined 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.

(m) Donated Facilities

Donated use of 15 school classrooms and playground facilities at 45 school sites in the Santa Ana Unified School District for the year ended June 30, 2016, is reflected in the accompanying combined financial statements at its estimated fair value of \$354,645.

(n) Donated Materials

Donated materials are reflected in the accompanying combined 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 combined financial statements, as there is no objective basis for deriving their value.

Materials valued at \$72,761 were donated to the Club and are included in donated materials in the Organization's statement of activities for the year ended June 30, 2016.

(o) 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 Combined Financial Statements (Continued)
June 30, 2016**

(2) PROMISES TO GIVE

Unconditional promises to give at June 30, 2016, were as follows:

Less than one year	\$	5,000
One to five years		5,000
Total unconditional promises to give		10,000
Less: discounts to net present value		(146)
Unconditional promises to give, net	\$	9,854

(3) LAND, BUILDING AND EQUIPMENT

Land, building and equipment of the Organization consists of the following at June 30, 2016:

Land	\$	534,411
Building and improvements		647,196
Capital improvements		1,826,068
Equipment		343,193
Automobiles		98,412
Teen Center		662,194
Furniture		119,245
Land, building and equipment		4,230,719
Less: accumulated depreciation		(1,066,973)
Land, building and equipment, net	\$	3,163,746

Depreciation expense totaled \$118,356 for the year ended June 30, 2016.

**BOYS AND GIRLS CLUB OF SANTA ANA
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION
Notes to Combined Financial Statements (Continued)
June 30, 2016**

(4) RETIREMENT PLAN

The Club sponsors a 401(k) Retirement Savings Plan, whereby all employees over 20 years of age that work over 1,000 hours per year, and have completed 12 months of service shall be eligible to enter the plan. Contributions to the Plan by the Club were \$64,836 for the year ended June 30, 2016, and are included in employee benefits expense on the combined statement of functional expenses.

(5) SPECIAL EVENTS

Gross revenues and expenses for special events associated with the Club's fundraising activities for the year ended June 30, 2016, were as follows:

	<u>Leadership Breakfast</u>	<u>Bruery Reserve Society Event</u>	<u>Gala</u>	<u>Total</u>
Gross revenues	\$ 41,500	\$ 42,179	\$ 325,331	\$ 409,010
Direct costs	<u>(28,297)</u>	<u>(836)</u>	<u>(114,905)</u>	<u>(144,038)</u>
Total special events income, net	<u>\$ 13,203</u>	<u>\$ 41,343</u>	<u>\$ 210,426</u>	<u>\$ 264,972</u>

(6) INVESTMENTS

Investments held by the Organization at June 30, 2016, were as follows:

	<u>Fair Value</u>	<u>Cost</u>
Common stock	\$ 1,078,565	\$ 829,672
Preferred stock	25,940	22,210
Other pooled funds and bonds	1,145,715	1,183,924
Orange County Community Foundation Fund	94,984	61,033
Mutual funds	<u>328,954</u>	<u>304,492</u>
Total investments	<u>\$ 2,674,158</u>	<u>\$ 2,401,331</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 Combined Financial Statements (Continued)
June 30, 2016**

(6) INVESTMENTS (continued)

Investment income for the year ended June 30, 2016, which was classified as unrestricted, consisted of the following:

	Boys and Girls Club of Santa Ana	Boys and Girls Club of Santa Ana Foundation	Total
Interest income	\$ -	\$ 22,134	\$ 22,134
Dividend income	-	83,290	83,290
Gain on sales of investments, net	-	82,578	82,578
Unrealized gain (loss) on investments	-	(145,316)	(145,316)
Investment management fees	-	(20,161)	(20,161)
	<u> </u>	<u> </u>	<u> </u>
Total investment income, net	<u>\$ -</u>	<u>\$ 22,525</u>	<u>\$ 22,525</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 Combined Financial Statements (Continued)
June 30, 2016**

(6) INVESTMENTS (continued)

The Organization's investments are measured and reported at fair value on a recurring basis. The following table shows the balances as of June 30, 2016, of these assets based on their fair value measurement levels:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 1,078,565	\$1,078,565	\$ -	\$ -
Preferred stock	25,940	25,940	-	-
Other pooled funds and bonds	1,145,715	1,145,715	-	-
Orange County Community Foundation Fund	94,984	-	94,984	-
Mutual funds	328,954	328,954	-	-
Total	<u>\$ 2,674,158</u>	<u>\$2,579,174</u>	<u>\$ 94,984</u>	<u>\$ -</u>

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, 2019.

Future minimum lease payments are as follows:

<u>For the Year Ended June 30,</u>	<u>Amount</u>
2017	\$ 11,502
2018	9,720
2019	<u>3,240</u>
	<u>\$ 24,462</u>

The Club's lease expense totaled \$9,225 for the year ended June 30, 2016.

**BOYS AND GIRLS CLUB OF SANTA ANA
AND BOYS AND GIRLS CLUB OF SANTA ANA FOUNDATION
Notes to Combined Financial Statements (Continued)
June 30, 2016**

(8) NET ASSETS

	Boys and Girls Club of Santa Ana	Boys and Girls Club of Santa Ana Foundation	Total
Unrestricted net assets:			
Net investment in building and equipment and net current assets	\$ 3,988,924	\$ 2,832,180	\$6,821,104
Temporarily restricted net assets:			
Contributions - scholarships	10,000	-	10,000
Total net assets	\$ 3,998,924	\$ 2,832,180	\$6,831,104

(9) SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

During the year ended June 30, 2016, the Organization paid no cash for interest or income taxes. There were no financing cash flow activities for the year ended June 30, 2016. There were no non-cash investing or financing activities for the year ended June 30, 2016.

(10) SUBSEQUENT EVENTS

(a) Merger and Rebranding

Effective July 1, 2016 Boys & Girls Club of Santa Ana completed a merger with Boys Club of the Harbor Area to form Boys & Girls Clubs of Central Orange Coast. With the merger, the Club's services have been expanded beyond Santa Ana to the communities previously served by Boys Club of the Harbor Area including in the cities of Costa Mesa, Irvine, and Newport Beach. Separately, the Club has added services in the City of Orange. The newly rebranded Boys & Girls Clubs of Central Orange Coast will step up its science, technology, engineering and math (STEM) education as well as arts curriculum through club and after school programs in each city.

The merger was accounted for using the carryover method, therefore, the assets, liabilities, and net assets of Boys Club of the Harbor Area were transferred to Boys & Girls Clubs of Central Orange Coast at their existing book value. As of July 1, 2016, assets (and net assets) in the amount of \$587,300 were transferred, resulting in total assets (and total liabilities and net assets) of \$4,771,515 on Boys & Girls Clubs of Central Orange Coast's financial statements.

(b) Management's Review

The Organization's management evaluated subsequent events that occurred through October 13, 2016, the date the combined financial statements were available to be issued.