

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND
BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
FOUNDATION**

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

As of and for the Year Ended June 30, 2017

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION
Combined Financial Statements with Independent Auditors' Report
As of and for the Year Ended June 30, 2017**

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INDEPENDENT AUDITORS' REPORT

The Boards of Directors of the
Boys & Girls Clubs of Central Orange Coast
and Boys & Girls Clubs of Central Orange Coast Foundation
Santa Ana, California

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Boys & Girls Clubs of Central Orange Coast and Boys & Girls Clubs of Central Orange Coast Foundation (the Organization) as of June 30, 2017, which comprise the combined statement of financial position as of June 30, 2017, 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 & Girls Clubs of Central Orange Coast and Boys & Girls Clubs of Central Orange Coast Foundation as of June 30, 2017, and the results of its net assets 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*

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION
Combined Statement of Financial Position
June 30, 2017**

Assets:	<u>Clubs</u>	<u>Foundation</u>	<u>Combined</u>
Current assets:			
Cash and cash equivalents	\$ 1,352,225	\$ 191,762	\$ 1,543,987
Contributions and grants receivable, net of allowance for uncollectible accounts of \$2,171	106,364	-	106,364
Promises to give, net	4,854	-	4,854
Investments	-	2,762,109	2,762,109
Other assets	48,679	-	48,679
	<hr/>	<hr/>	<hr/>
Total current assets	1,512,122	2,953,871	4,465,993
Land, building and equipment, net	3,534,838	-	3,534,838
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 5,046,960</u>	<u>\$ 2,953,871</u>	<u>\$ 8,000,831</u>
 Liabilities and net assets:			
Current liabilities:			
Accounts payable	\$ 106,515	\$ -	\$ 106,515
Accrued salaries and other liabilities	223,305	-	223,305
	<hr/>	<hr/>	<hr/>
Total current liabilities	329,820	-	329,820
	<hr/>	<hr/>	<hr/>
 Commitments:			
See Notes (4), (7) and (8)			
 Net assets:			
Unrestricted	4,697,140	2,953,871	7,651,011
Temporarily restricted	20,000	-	20,000
	<hr/>	<hr/>	<hr/>
Total net assets	4,717,140	2,953,871	7,671,011
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 5,046,960</u>	<u>\$ 2,953,871</u>	<u>\$ 8,000,831</u>

See Accompanying Notes to the Financial Statements.

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION
Combined Statement of Activities
For the Year Ended June 30, 2017**

	<u>Clubs</u>	<u>Foundation</u>	<u>Combined</u>
Unrestricted net assets:			
Public support:			
Contributions	\$ 534,933	\$ 68,250	\$ 603,183
Support provided by the Foundation	181,500	(181,500)	-
Special events, net of direct cost	393,357	-	393,357
Trusts and other foundations	1,297,993	-	1,297,993
Member registrations	826,329	-	826,329
Grant income	715,522	-	715,522
United Way	253,738	-	253,738
Donated services	1,647	-	1,647
Donated facilities	354,645	-	354,645
Donated materials	113,664	-	113,664
Total public support	<u>4,673,328</u>	<u>(113,250)</u>	<u>4,560,078</u>
Other revenue:			
Investment income, net	-	234,418	234,418
Rental and other income	96,915	1,423	98,338
Total other revenue	<u>96,915</u>	<u>235,841</u>	<u>332,756</u>
Net assets released from restriction	<u>40,375</u>	<u>-</u>	<u>40,375</u>
Total public support and revenue	<u>4,810,618</u>	<u>122,591</u>	<u>4,933,209</u>
Expenses:			
Program services	3,923,390	900	3,924,290
Supporting services:			
Management and general	414,234	-	414,234
Fundraising	464,884	-	464,884
Total supporting services	<u>879,118</u>	<u>-</u>	<u>879,118</u>
Total expenses	<u>4,802,508</u>	<u>900</u>	<u>4,803,408</u>
Increase in unrestricted net assets	<u>8,110</u>	<u>121,691</u>	<u>129,801</u>
Temporarily restricted net assets:			
Public support:			
Capital campaign	50,375	-	50,375
Net assets released from restriction	(40,375)	-	(40,375)
Increase in temporarily restricted net assets	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Increase in net assets	<u>18,110</u>	<u>121,691</u>	<u>139,801</u>
Net assets, beginning of year	<u>4,699,030</u>	<u>2,832,180</u>	<u>7,531,210</u>
Net assets, end of year	<u>\$ 4,717,140</u>	<u>\$ 2,953,871</u>	<u>\$ 7,671,011</u>

See Accompanying Notes to the Financial Statements.

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION
Combined Statement of Functional Expenses
For the Year Ended June 30, 2017**

	Program Services	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising		
Salaries	\$ 2,083,084	\$ 194,477	\$ 202,923	\$ 397,400	\$ 2,480,484
Payroll taxes	177,791	16,599	17,320	33,919	211,710
Employee benefits	204,038	19,047	19,876	38,923	242,961
Total salaries and related expenses	<u>2,464,913</u>	<u>230,123</u>	<u>240,119</u>	<u>470,242</u>	<u>2,935,155</u>
Contract services	28,490	23,520	96,334	119,854	148,344
Professional fees	65,089	4,444	1,792	6,236	71,325
Occupancy (building, ground and utilities)	276,389	61,802	61,802	123,604	399,993
Equipment	16,835	22,244	22,246	44,490	61,325
Postage	-	3,361	5,031	8,392	8,392
Promotions	7,901	5,436	1,486	6,922	14,823
Supplies	96,262	6,985	6,985	13,970	110,232
Program events	156,453	-	-	-	156,453
Transportation	37,128	883	883	1,766	38,894
Scholarships and awards	52,205	-	-	-	52,205
Printing and copying	-	313	5,124	5,437	5,437
Organizational dues	9,566	-	2,786	2,786	12,352
Conference and board meetings	29,787	14,895	14,893	29,788	59,575
Insurance	7,914	25,188	-	25,188	33,102
Donated services	1,647	-	-	-	1,647
Donated facilities	354,645	-	-	-	354,645
Donated materials	113,664	-	-	-	113,664
Miscellaneous	-	9,637	-	9,637	9,637
Total expenses before depreciation	<u>3,718,888</u>	<u>408,831</u>	<u>459,481</u>	<u>868,312</u>	<u>4,587,200</u>
Depreciation	<u>205,402</u>	<u>5,403</u>	<u>5,403</u>	<u>10,806</u>	<u>216,208</u>
Total expenses	<u>\$ 3,924,290</u>	<u>\$ 414,234</u>	<u>\$ 464,884</u>	<u>\$ 879,118</u>	<u>\$ 4,803,408</u>
Percentage of total	<u>81.70%</u>	<u>8.62%</u>	<u>9.68%</u>	<u>18.30%</u>	<u>100.00%</u>

See Accompanying Notes to the Financial Statements.

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION
Combined Statement of Cash Flows
For the Year Ended June 30, 2017**

	Clubs	Foundation	Combined
Cash flows from operating activities:			
Increase in net assets	\$ 18,110	\$ 121,691	\$ 139,801
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation	216,208	-	216,208
Unrealized gain (loss) on investments	-	102,703	102,703
Gain on sale of investments	-	69,640	69,640
Increase (decrease) in cash from changes in:			
Contributions and grants receivable	(96,025)	-	(96,025)
Proceeds from promises to give	5,000	-	5,000
Other current assets	(4,658)	-	(4,658)
Accounts payable	20,914	-	20,914
Accrued salaries and other liabilities	74,481	-	74,481
	234,030	294,034	528,064
Cash flows from investing activities:			
Purchase of investments	-	(723,122)	(723,122)
Proceeds from sale of investments	-	462,828	462,828
	-	(260,294)	(260,294)
Net cash used by investing activities	-	(260,294)	(260,294)
Net increase in cash	234,030	33,740	267,770
Cash and cash equivalents, beginning of year	1,118,195	158,022	1,276,217
Cash and cash equivalents, end of year	\$ 1,352,225	\$ 191,762	\$ 1,543,987

See Accompanying Notes to the Financial Statements.

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION**
Notes to Combined Financial Statements
June 30, 2017

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Nature of Organization*

Boys & Girls Clubs of Central Orange Coast (the Club) is a not-for-profit organization whose purpose is to ensure every child has mentors and champions in life. Throughout our 75 year history, the Club has spearheaded new initiatives and provided greater access to programs for children and families, keeping our eye on reducing community challenges and empowering those we serve. Our commitment is simple: no matter what background, socio-economic status, or obstacle, EVERY child and teen we serve will receive a first-class mentoring experience and the support they need to succeed.

Boys & Girls Clubs of Central Orange Coast Foundation (the Foundation) is a not-for-profit public benefit corporation in which the Club has a controlling 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 provides donors with the opportunity to support the Club through planned gifts that maximize efficiency and long term financial and estate planning. The Foundation allows donors an option to leave a legacy gift that will support the Club and the kids we serve for generations to come.

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. Immediately prior to the merger, Boys & Girls Club of Santa Ana consisted of \$4,233,349 in assets, \$234,425 in liabilities, \$3,98,924 in unrestricted net assets and \$10,000 in temporarily restricted net assets. As of July 1, 2016, assets (and net assets) in the amount of \$700,106 were transferred from Boys Club of the Harbor Area, resulting in total assets (and total liabilities and net assets) of \$4,699,030 on Boys & Girls Clubs of Central Orange Coast's financial statements.

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.

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION
Notes to Combined Financial Statements (Continued)
June 30, 2017**

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

(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, 2017, 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.

(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.

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION**
Notes to Combined Financial Statements (Continued)
June 30, 2017

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

(c) Contributions and Grants Receivable

During 2017, 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.

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

(e) 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 \$5,000.

(f) 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.

(g) 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.

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION
Notes to Combined Financial Statements (Continued)
June 30, 2017**

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

(g) Income Taxes (continued)

There was no unrelated business income for the year ended June 30, 2017.

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

(h) 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.

(i) Donated Services

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. Donated services for the year ended June 30, 2017, is reflected in the accompanying combined financial statements at its estimated fair value of \$1,647.

(j) 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, 2017, is reflected in the accompanying combined financial statements at its estimated fair value of \$354,645.

(k) Donated Materials

Donated materials are reflected in the accompanying combined financial statements at their estimated market values at the date of receipt. Materials valued at \$113,664 were donated to the Club and are included in donated materials in the Organization's statement of activities for the year ended June 30, 2017.

(l) 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 & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION**
Notes to Combined Financial Statements (Continued)
June 30, 2017

(2) PROMISES TO GIVE

Unconditional promises to give at June 30, 2017, were as follows:

One to five years	\$	5,000
Total unconditional promises to give		5,000
Less: discounts to net present value		(146)
Unconditional promises to give, net	\$	4,854

(3) LAND, BUILDING AND EQUIPMENT

Land, building and equipment of the Organization consists of the following at June 30, 2017:

Land	\$	534,411
Building and improvements		3,095,219
Capital improvements		1,826,068
Equipment		343,193
Automobiles		98,412
Teen Center		662,194
Furniture		359,826
Land, building and equipment		6,919,323
Less: accumulated depreciation		(3,384,485)
Land, building and equipment, net	\$	3,534,838

Depreciation expense totaled \$216,208 for the year ended June 30, 2017.

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION**
Notes to Combined Financial Statements (Continued)
June 30, 2017

(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 \$86,831 for the year ended June 30, 2017, 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, 2017, were as follows:

	Leadership Breakfast	Bruery Reserve Society Event	Gala	Hi-Time Chili Cook-off	Golf Tournament	Total
Gross revenues	\$ 41,346	\$ 60,357	\$ 348,480	\$ 39,460	\$ 56,746	\$ 546,389
Direct costs	<u>(22,081)</u>	<u>(3,739)</u>	<u>(102,885)</u>	<u>(153)</u>	<u>(24,174)</u>	<u>(153,032)</u>
Total special events income, net	<u>\$ 19,265</u>	<u>\$ 56,618</u>	<u>\$ 245,595</u>	<u>\$ 39,307</u>	<u>\$ 32,572</u>	<u>\$ 393,357</u>

(6) INVESTMENTS

Investments held by the Organization at June 30, 2017, were as follows:

	Fair Value	Cost
Common stock	\$ 1,093,652	\$ 868,256
Preferred stock	26,390	22,210
Other pooled funds and bonds	1,191,861	1,212,314
Orange County Community Foundation Fund	105,791	61,033
Mutual funds	<u>344,415</u>	<u>328,925</u>
Total investments	<u>\$ 2,762,109</u>	<u>\$ 2,492,738</u>

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

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION
Notes to Combined Financial Statements (Continued)
June 30, 2017**

(6) INVESTMENTS (continued)

Investment income for the year ended June 30, 2017, which was classified as unrestricted, consisted of the following:

	<u>Clubs</u>	<u>Foundation</u>	<u>Total</u>
Interest income	\$ -	\$ 18,771	\$ 18,771
Dividend income	-	63,660	63,660
Gain on sales of investments, net	-	69,640	69,640
Unrealized gain (loss) on investments	-	102,703	102,703
Investment management fees	<u>-</u>	<u>(20,356)</u>	<u>(20,356)</u>
 Total investment income, net	 <u>\$ -</u>	 <u>\$ 234,418</u>	 <u>\$ 234,418</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 & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION**
Notes to Combined Financial Statements (Continued)
June 30, 2017

(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, 2017, 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	\$ 1,093,652	\$ 1,093,652	\$ -	\$ -
Preferred stock	26,390	26,390	-	-
Other pooled funds and bonds	1,191,861	1,191,861	-	-
Orange County Community Foundation Fund	105,791	-	105,791	-
Mutual funds	344,415	344,415	-	-
Total	<u>\$ 2,762,109</u>	<u>\$ 2,656,318</u>	<u>\$ 105,791</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>
2018	\$ 13,613
2019	<u>4,537</u>
	<u>\$ 18,150</u>

The Club's equipment lease expense totaled \$14,999 for the year ended June 30, 2017.

**BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST
AND BOYS & GIRLS CLUBS OF CENTRAL ORANGE COAST FOUNDATION
Notes to Combined Financial Statements (Continued)
June 30, 2017**

(8) LINE OF CREDIT

In November 2016, the Organization entered into an operating line of credit (OLOC) agreement of \$500,000 with a bank. The interest rate is 4.0% for the OLOC (prime, minimum 4.0%) at June 30, 2017. The OLOC expires November 2017. There was no amount outstanding for the OLOC at June 30, 2017.

(9) NET ASSETS

	Clubs	Foundation	Total
Unrestricted net assets:			
Net investment in building and equipment and net current assets	\$ 4,697,140	\$ 2,953,871	\$7,651,011
Temporarily restricted net assets:			
Contributions - scholarships	20,000	-	20,000
Total net assets	\$ 4,717,140	\$ 2,953,871	\$7,671,011

(10) SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

During the year ended June 30, 2017, the Organization paid no cash for interest or income taxes. There were no financing cash flow activities for the year ended June 30, 2017. There were no non-cash investing or financing activities for the year ended June 30, 2017.

(11) SUBSEQUENT EVENTS

(a) Building Escrow

In October 2017, the Organization entered into escrow for the purchase of property, with a purchase price of \$1,400,000 and anticipated incurrence of debt in the amount of \$1,050,000. Escrow is subject to normal closing contingencies.

(b) Management's Review

The Organization's management evaluated subsequent events that occurred through October 20, 2017, the date the combined financial statements were available to be issued.