

BOYS AND GIRLS CLUB OF CYPRESS

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Boys & Girls Club of Cypress,

Report on the Financial Statements

We have audited the accompanying financial statements of the Boys & Girls Club of Cypress (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year 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.

Auditors' Responsibility

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

INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility (Continued)

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 the Boys & Girls Club of Cypress as of December 31, 2016, and the changes in 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.



Guzman & Gray CPAs
Long Beach, CA
June 12, 2017

BOYS AND GIRLS CLUB OF CYPRESS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

	Total
CURRENT ASSETS	
Cash and cash equivalents	\$ 350,931
Certificate of deposit	83,843
Accounts receivable	40,943
Prepaid expenses	10,199
TOTAL CURRENT ASSETS	485,916
PROPERTY AND EQUIPMENT, NET	61,345
OTHER ASSETS	
Deposits	20,000
TOTAL OTHER ASSETS	20,000
TOTAL ASSETS	\$ 567,261

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 3,953
Accrued liabilities	36,143
TOTAL CURRENT LIABILITIES	40,096
TOTAL LIABILITIES	40,096
NET ASSETS	
Unrestricted	390,454
Temporarily restricted	136,711
TOTAL NET ASSETS	527,165
TOTAL LIABILITIES AND NET ASSETS	\$ 567,261

See Independent Auditors' Report and Notes to Financial Statements

BOYS AND GIRLS CLUB OF CYPRESS
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT			
Contributions	\$ 53,994	\$ -	\$ 53,994
Grants	638,317	18,000	656,317
In-kind revenue	204,171		204,171
Special events, net of direct donor benefits (\$36,049)	129,195		129,195
TOTAL SUPPORT	1,025,677	18,000	1,043,677
REVENUE			
Program service	211,492		211,492
Membership dues	41,723		41,723
Other income	3,680		3,680
TOTAL REVENUE	256,895		256,895
NET ASSETS RELEASED FROM RESTRICTION	41,131	(41,131)	
TOTAL PUBLIC SUPPORT AND REVENUE	1,323,703	(23,131)	1,300,572
EXPENSES			
Program services	1,102,758		1,102,758
Management and administration	139,429		139,429
Fundraising	25,349		25,349
TOTAL EXPENSES	1,267,536		1,267,536
CHANGE IN NET ASSETS	56,167	(23,131)	33,036
BEGINNING NET ASSETS	334,287	159,842	494,129
ENDING NET ASSETS	\$ 390,454	\$ 136,711	\$ 527,165

See Independent Auditors' Report and Notes to Financial Statements

BOYS AND GIRLS CLUB OF CYPRESS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ 33,036
Adjustments to reconcile increase or decrease in net assets to net cash provided by operating activities	
Depreciation	7,948
Change in assets and liabilities	
(Increase) decrease in accounts receivable	(1,057)
(Increase) decrease in grants receivable	24,223
(Increase) decrease in prepaids	1,827
Increase (decrease) in accounts payable	(3,567)
Increase (decrease) in accrued liabilities	3,681
Increase (decrease) in deferred revenue	<u>(18,750)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>47,341</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	<u>(48,688)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(48,688)</u>
NET DECREASE IN CASH	(1,347)
CASH AT BEGINNING OF YEAR	<u>352,278</u>
CASH AT END OF YEAR	<u>\$ 350,931</u>
SUPPLEMENTAL DISCLOSURE	
INTEREST PAID	<u>NONE</u>
TAXES PAID	<u>NONE</u>

See Independent Auditors' Report and Notes to Financial Statements

BOYS AND GIRLS CLUB OF CYPRESS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and Administration	Fundraising	Total
Salaries & wages	\$ 602,522	\$ 76,181	\$ 13,851	\$ 692,554
Employee benefits	55,803	7,056	1,282	64,141
Payroll taxes	43,651	5,519	1,003	50,173
Professional fees	23,576	2,981	542	27,099
Dues & memberships	8,586	1,086	197	9,869
In-kind	177,629	22,459	4,083	204,171
Depreciation	6,915	874	159	7,948
Insurance	19,088	2,413	439	21,940
Transportation	13,468	1,703	309	15,480
Staff development	6,167	780	142	7,089
Program	39,857	5,039	917	45,813
Printing	4,685	592	108	5,385
Postage	1,900	240	44	2,184
Repairs & maintenance	26,774	3,385	616	30,775
Program supplies	15,556	1,967	357	17,880
Payroll fees & other taxes	5,875	743	135	6,753
Utilities	27,326	3,455	628	31,409
Office	23,380	2,956	537	26,873
TOTAL EXPENSES	\$ 1,102,758	\$ 139,429	\$ 25,349	\$ 1,267,536

BOYS & GIRLS CLUB OF CYPRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - ORGANIZATION

Nature of Activities

The Boys & Girls Club of Cypress (the "Club") is a nonprofit California corporation located in Cypress, California, and a member of the Boys & Girls Clubs of America, Inc. The Club was organized to promote the physical, mental, and moral well-being of boys and girls from ages five to eighteen by providing education, recreation, and guidance. The Club is supported by contracts from state agencies as well as contributions and support from the general public.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

Basis of Presentation

The net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Club pursuant to those stipulations or that expire by the passage of time. Temporarily restricted resources whose restrictions are met in the same reporting period are recorded as unrestricted.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Club. There were no permanently restricted net assets at the end of the year ending December 31, 2016.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management's estimates. Actual results could differ from these estimates.

Tax Status

The Club is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701(d). The Club is classified by the Internal Revenue Service as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(c)(2). Income for certain activities not directly related the Club's tax-exempt purpose is subject to unrelated business income taxation.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

BOYS & GIRLS CLUB OF CYPRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE – 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Club evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more likely than not be sustained upon examination. As of December 31, 2016, management does not believe the Club has any uncertain tax positions requiring accrual or disclosure. The Club is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Contributed Goods and Services

The value of donated goods and services is reflected as a contribution in the accompanying financial statements at the fair value of these goods and services at the date of contribution. Contributed services are recorded in the financial statements only if they would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. The Club has received approximately \$89,179 worth of goods, \$29,992 worth of services, and \$95,000 worth of rental expenses as of the year ended December 31, 2016.

Concentrations

Excluding in kind-contributions received by the Club, the grant income was more than 59 percent of the total income.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Club, considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable is comprised of the fees charged for Club membership fees, pledges, and certain grants and considers all accounts receivable to be collectible, therefore, the Club does not recognize the need for an allowance for uncollectible amounts.

Functional Allocation of Expenses

The costs of providing services have been summarized on a functional basis in the Statement of Functional Expenses. Certain costs and expenditures have been allocated among program, management and general and development activities based on management's estimates.

Property and Equipment

Properties and equipment are purchased and capitalized at cost. Donated properties and equipment are capitalized at fair market value on the date of the gift. Property and equipment is being depreciated using the straight-line method over its estimated useful life as follows:

Leasehold improvements	7-10 years
Land improvements	7-10 years
Furniture and equipment	3-7 years
Vehicles	5 years

BOYS & GIRLS CLUB OF CYPRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE – 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Club has evaluated events and transactions for potential recognition or disclosure through June 12, 2017, the date the financial statements were available to issue.

NOTE 3 – PROPERTY AND EQUIPMENT

The Club's property and equipment consist of the following at December 31, 2016:

Leasehold improvements	\$ 119,003
Furniture and fixtures	22,682
Vehicles	58,551
Machinery and equipment	45,556
	<u>245,792</u>
Less: accumulated depreciation	<u>(184,447)</u>
Property and equipment, net	<u>\$ 61,345</u>

Depreciation expense is \$7,948 for the year ended December 31, 2016.

NOTE 4 – PENSION PLAN

The Club participates in a defined contribution pension plan through Boys and Girls Club of America, requiring the employer contribution to reflect a standard 5% of compensation for eligible employees. The pension plan requires that a person be employed by the Club for one year and be 21 years of age. The employer contribution to the plan was \$20,112 for the year ended December 31, 2016.

NOTE 5 – DONATED USE OF FACILITIES

The Club has use of the facilities from the City of Cypress at no charge. An in-kind contribution and related expense of \$85,000 have been recognized in the statement of activities. The club uses a facility each year for its annual gala. An in-kind contribution and related expense of \$10,000 have been recognized in the statement of activities.

BOYS & GIRLS CLUB OF CYPRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 – DEPOSIT

In connection with the facility lease, the City of Cypress requires that the Club place \$20,000 into a separate bank account. The City of Cypress has direct access to this account which is used to fund ongoing maintenance and improvements to the site. Further, if a portion of the deposit is used, the Club will have thirty days to replenish the account to the full \$20,000 for future use. There were no maintenance and improvements paid from this deposit during the year ended December 31, 2016.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following for the years ended December 31, 2016:

Bandai (new teen center)	\$ 119,858
Jane Derring fund (musicians)	2,500
Run Seal Beach (sports equipment)	2,373
LA84 (sports equipment)	4,480
Project Learn	7,500
	<hr/>
	\$ 136,711

NOTE 8 – CONTINGENCY AND CONCENTRATION

The Club receives grants that have various compliance requirements which management believes have been adhered to in all material requests. The Club is located in Cypress, California and its operations are largely dependent upon the local economy.

The Club maintains its cash and cash equivalents in financial institutions, which, at times, may exceed federally insured limits. The Club has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash equivalents. Cash deposited in financial institutions differs from cash presented in the statement of financial position due to timing differences.