

BOYS AND GIRLS CLUB OF FULLERTON

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2020

BOYS AND GIRLS CLUB OF FULLERTON
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2020

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Independent Auditors' Report

Board of Directors
Boys and Girls Club of Fullerton
Fullerton, California.

Report on the Financial Statements

We have audited the accompanying financial statements of Boys and Girls Club of Fullerton, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows 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.

Auditor's 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 organization'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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Club of Fullerton as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Boys and Girls Club of Fullerton's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 12, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

J. Manuel Ferrando, CPA, Inc.

A Professional Accountancy Corporation
Cerritos, California
October 15, 2021

BOYS AND GIRLS CLUB OF FULLERTON

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

(With comparative totals for December 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 1,723,933	\$ 576,444
Accounts receivable, net (Note 2)	11,453	26,105
Prepaid expenses and other assets (Note 3)	149,052	175,708
Grant Receivable (note 4)	494,256	600,401
Property and equipment, net (Note 5)	<u>59,954</u>	<u>107,217</u>
Total assets	<u>\$ 2,438,646</u>	<u>\$ 1,485,875</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 51,298	\$ 49,910
PPP Loan Payable (Note 6)	<u>154,182</u>	<u>-</u>
Total liabilities	205,480	49,910
Commitments and contingencies (Note 7)		
Net assets:		
Net assets without donor restrictions	1,732,124	945,481
Net assets with donor restrictions	<u>501,042</u>	<u>490,484</u>
Total net assets	<u>2,233,166</u>	<u>1,435,965</u>
Total liabilities and net assets	<u>\$ 2,438,646</u>	<u>\$ 1,485,875</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF FULLERTON

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

(With comparative totals for year ended December 31, 2019)

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	Total <u>2020</u>	Total <u>2019</u>
Support and revenues:				
Contributions:				
Public donations	\$ 298,547	\$ 22,500	\$ 321,047	\$ 315,814
Government grants	1,075,075		1,075,075	685,785
Special fund raising events	112,895		112,895	271,097
Program service fees	378,370		378,370	760,000
Interest income	6,342		6,342	9,265
Endowment Fund	<u>82,000</u>	<u>-</u>	<u>82,000</u>	<u>79,000</u>
Total support and revenues	1,953,229	22,500	1,975,729	2,120,961
Released from restriction	11,942	(11,942)	-	
Expenditures:				
Program services	968,978		968,978	1,296,896
Support services				
Administration	106,472.00		106,472	219,272
Fund raising	<u>103,078</u>	<u>-</u>	<u>103,078</u>	<u>147,425</u>
Total expenditures	<u>1,178,528</u>	<u>-</u>	<u>1,178,528</u>	<u>1,663,593</u>
Change in net assets	786,643	10,558	797,201	457,368
Net assets, beginning of year	<u>945,481</u>	<u>490,484</u>	<u>1,435,965</u>	<u>978,597</u>
Net assets, end of year	<u>\$ 1,732,124</u>	<u>\$ 501,042</u>	<u>\$2,233,166</u>	<u>\$1,435,965</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF FULLERTON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

(With comparative totals for year ended December 31, 2019)

	Program <u>Services</u>	<u>Support Services</u>		Total <u>2020</u>	Total <u>2019</u>
		<u>Administration</u>	<u>Fundraising</u>		
Salaries and Wages	\$ 563,960	\$ 52,503	\$ 52,503	\$ 668,966	\$ 835,335
Payroll Taxes	47,427	4,181	4,181	55,789	73,727
Bank charges	3,768			3,768	8,908
Depreciation Expense	31,179			31,179	55,225
Dues & Subscriptions	7,036			7,036	7,415
Employee Benefits	54,987	3,165	3,165	61,317	63,030
Insurance	36,460	4,449	1,000	41,909	47,990
Janitorial	3,769			3,769	2,861
Marketing	777	777	777	2,331	2,310
Meeting & Conference		254		254	1,825
Outside Services	26,726	17,453	2,552	46,731	32,812
Postage	458	458	459	1,375	2,296
Printing	2,928	1,302	1,320	5,550	5,381
Program Costs	69,917			69,917	165,574
Rent	54,765	20,394		75,159	111,550
Repair & Maintenance	9,732			9,732	11,248
Supplies and office expense	499	116	119	734	4,757
Telephone and Tech Services	16,142	1,420	1,419	18,981	44,979
Utilities	8,448			8,448	13,831
Loss on write down of assets	30,000			30,000	90,596
Direct Costs Fundraising	-	-	35,583	35,583	81,943
	<u>\$ 968,978</u>	<u>\$ 106,472</u>	<u>\$ 103,078</u>	<u>\$ 1,178,528</u>	<u>\$ 1,663,593</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF FULLERTON

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

(With comparative totals for year ended December 31, 2019)

Increase (decrease) in cash and cash equivalents

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 797,201	\$ 457,368
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	31,179	55,225
Loss on write-down of assets	30,000	90,596
Changes in operating assets and liabilities:		
Accounts receivable	14,652	4,975
Grants receivable	106,145	(600,401)
Prepaid expenses and other assets	26,657	31,104
Accounts payable and accrued liabilities	<u>1,388</u>	<u>8,340</u>
Total adjustments	<u>210,022</u>	<u>(410,161)</u>
Net cash provided by operating activities	1,007,222.98	47,207
Cash flows from investing activities:		
Purchase of property and equipment, net	<u>(13,916)</u>	<u>(64,079)</u>
Net cash used in investing activities	<u>(13,916)</u>	<u>(64,079)</u>
Cash flows from financing activities:		
PPP loan	<u>154,182</u>	<u>-</u>
Net cash provided by financing activities	<u>154,182</u>	
Net increase (decrease) in cash	1,147,489	(16,872)
Cash at beginning of year	<u>576,444</u>	<u>593,316</u>
Cash at end of year	<u>\$ 1,723,933</u>	<u>\$ 576,444</u>
Supplemental cash flow information:		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 1 - Nature of Organization and Significant Accounting Policies:

Nature of Organization

Boys and Girls Club of Fullerton (Club), was incorporated on November 17, 1952 to acquire, own and operate a building and other facilities to be used primarily for the recreation, education and guidance of boys and girls eight to eighteen years of age. The Club operations are within the City of Fullerton. The Club's activities are mainly in leased and donated facilities. This is a private, non-profit organization.

A summary of the Organization's significant accounting policies follows:

Basis of Accounting

The financial statements and notes are representations of the Club's management, which is responsible for their integrity and objectivity. The accompanying financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues and assets are recognized when they become measurable and available and expenditures and liabilities are recorded at the time they are incurred. The Club recognizes revenue in accordance with ASU 2018-08 under which revenue is reported in the accompanying financial statements as a grant or program service revenue dependent on the nature of the funds received and the Club's obligations, if any, relative to the receipt of such funds.

The net assets are classified as with donor restrictions and without donor restrictions as applicable.

Net Assets with Donor Restrictions

Certain funds received, which have been restricted by donors for certain specified uses, have been designated as with donor restrictions until such time as the requirements have been met and the funds have been expended.

Property and Equipment

Property and equipment are accounted for at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include highly liquid investments with an original maturity of three months or less.

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

(Continued)

Note 1 - Nature of Organization and Significant Accounting Policies (continued):

Income Taxes

The Club is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1986 and Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Club's tax exemption purpose is subject to taxation as unrelated business income. The Club had no such activities in 2020. In addition, the Club qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Club and recognize a tax liability (or asset) if the Club has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Club, and has concluded that as of December 31, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Club is subject to routine audits by taxing jurisdiction; however, there are currently no audits for any tax periods in progress. The Club believes it is no longer subject to income tax examinations for years prior to 2017.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Club's financial statements for the year ended December 31, 2019, from which the summarized information was derived. Certain reclassifications have been made to those financial statements to conform with current year classifications

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

(Continued)

Note 1 - Nature of Organization and Significant Accounting Policies (continued):

Functional Allocation of Expenses

The costs of providing the Club's various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

Note 2 - Accounts Receivable

Accounts receivable includes pledges of contributions, receivable as of December 31, 2020, and is stated net of an allowance for uncollectable accounts of \$5,000.

Note 3 - Prepaid expenses and other assets

Prepaid expenses and other assets consisted mainly of prepaid rent to the City of Fullerton in the amount of \$137,555. See Note 7 for more explanation.

Note 4 - Grant Receivable

The grant receivable consists of a reimbursement based grant from the State of California where the Club is reimbursed for certain costs reimbursable under the grant.

Note 5 - Property and Equipment:

Property and equipment at December 31, 2020 consisted of the following:

Building and Improvements	\$ 282,656
Furniture and Equipment	317,440
Automobiles	<u>171,492</u>
	771,588
Less: accumulated depreciation	(<u>711,634</u>)
	<u>\$ 59,954</u>

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

(Continued)

Note 5 - Property and Equipment (continued)

Depreciation on furniture and equipment is computed on the straight-line basis over five to ten years; on building and improvements over 10 to 40 years; and automobiles over five years.

Note 6 – PPP Loan Payable

The PPP loan payable is a loan from the US Small Business Administration under the government's Paycheck Protection Program which was assistance provided during the COVID-19 pandemic. The loan is forgivable under certain conditions. See Note 14 – Subsequent Events.

Note 7 - Commitments and Contingencies:

The Club has executed a lease with the City of Fullerton (City) for its main facility. The lease commenced on September 28, 2012, and has a term of 25 years, with an option to renew for another 25 years. The lease calls for rental payments increasing by three percent (3%) every two years beginning on the 3rd anniversary date of the lease. Monthly rent includes the City's costs to provide maintenance, custodial, capital replacement (flooring, roof, HVAC, exterior and interior painting, automatic doors, security systems and windows) utilities, (including Wi-Fi service, water, electricity and gas) property taxes and property insurance.

In addition, the Club is required to pay the City \$700,000 for the Club's contribution to the cost of constructing the Fullerton Community Center, which includes the Club's premises relating to the lease. The contribution may be made in one lump sum or in quarterly installments of \$7,000, beginning on July 1, 2013, and continuing thereafter on the 1st day of each quarter over 25 years.

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

(Continued)

Note 7 - Commitments and Contingencies (continued):

Lease commitments under the lease are as follows.

<u>Year</u>	<u>Amount</u>
2021	98,500
2022	99,028
2023	100,612
2024	101,155
2025	102,796
Thereafter	<u>1,285,438</u>
Total	<u>\$1,787,529</u>

Rent expense for the year was \$75,159, including four quarterly installments totaling \$28,000.

The agreement calls for the Club to pay to the City all amounts received by the Club for naming rights to certain rooms in the building. The Club did not receive any amounts for this purpose during the year ended December 31, 2020. A total of \$347,555 was paid to the City as of December 31, 2020. These amounts may be applied against the Club's obligation to pay the City \$700,000 as discussed in the preceding paragraph. Accordingly, as of December 31, 2020, \$210,000 has been applied against this amount and \$137,555 is reflected as prepaid rent in the accompanying financial statements.

The Club leases premises from the Kiwanis Club of Fullerton on a sub-lease which is under a lease agreement the Kiwanis Club has negotiated with the City of Fullerton. Under the sublease which expires on August 6, 2030, the Club is to pay rent of One Dollar per month, plus maintenance and repairs, insurance, applicable property taxes and share of utilities. The Club may make capital improvements to the space, but such improvements shall belong to the Kiwanis.

The value of these leased facilities is not reflected in these statements since it has not been subjected to objective measurement or valuation.

Periodic audits may be performed by the various governmental granting agencies and certain costs may be questioned as not being reimbursable expenditures under the terms of the contract. Such audits could lead to reimbursement to those agencies. Management believes disallowance, if any, will be immaterial as of December 31, 2020.

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

(Continued)

Note 7 - Commitments and Contingencies (continued):

The Club may be subject to litigation and claims from time to time resulting from its operations. Management believes that the Club has sufficient insurance coverage to protect the Club from such losses, if any.

Note 8 - Donated Services:

No amounts have been reflected in the accompanying financial statements for donated services, inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the organization's program services and in its fund-raising activities.

Note 9 - Pension Plan:

The Boys and Girls Club of Fullerton, Inc. has a retirement plan under Section 401(k) of the Internal Revenue Code which permits employee salary deferrals and employer contributions. Pension expense for the year ended December 31, 2020, was \$16,805.

Note 10 - Off Balance Sheet Risk and Concentrations of Credit Risk:

Off balance Sheet Risk

As of December 31, 2020, the Club did not have any financial instruments with off balance sheet risk.

Concentrations of Credit Risk

Financial instruments which potentially expose the Club to concentrations of credit risk consist primarily of pledges of contributions receivable. Most of the Club's fund-raising activities are within the city of Fullerton. The Club evaluates such receivables and provides for an allowance for doubtful accounts.

The Club maintains its cash in bank checking accounts, which, at times, may exceed federally insured limits. The Club invests with financial institution of sound reputation and evaluates credit risk on an ongoing basis. The Club has not experienced any losses in such accounts.

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

(Continued)

Note 11 - Availability of Financial Assets:

The following reflects the Club's financial assets as of the balance sheet date, December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts available for general expenditure within one year of the balance sheet date that could be drawn upon if the governing board approves that action have not been subtracted as unavailable.

The Club's financial assets available within one year of the balance sheet date for general expenditure are as follows.

Financial Assets at December 31, 2020	\$ 2,229,642
Less: Amounts subject to appropriation and satisfaction of donor restrictions	<u>655,224</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,574,418</u>

The Club is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Club must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Club's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Club's financial assets available within one year of the balance sheet date for general expenditure are as follows.

Cash	\$ 1,723,933
Accounts Receivable, net	11,456
Grant Receivable	<u>494,256</u>
	<u>\$ 2,229,642</u>

Note 12 - Net Assets with Donor Restrictions:

Net assets with donor restrictions as of December 31, 2020, consisted of the following.

Educational Programs	\$ 194,996
Operating Expenses	284,964
Other Activities and Events	<u>21,082</u>
Net Assets with Donor Restrictions	<u>\$ 501,042</u>

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

(Continued)

Note 13 - Affiliated Organizations

The Club is affiliated with two organizations consisting of the Los Hombres Buenos (LHB) and the Boys and Girls Club Endowment Fund (Endowment). The mission of these two organizations is the support of the Club. LHB raises funds for the Endowment, which in turn contributes 5% of its assets as of September 30 of each year to the Club. During the year ended December 31, 2020, the Club received a contribution of \$82,000 from the Endowment.

In connection with one of the Club's fundraising events, the Club has an understanding that amounts raised in excess of an agreed upon amount will be donated to the Endowment Fund.

Note 14 - Subsequent Events

During 2020, the entire world was affected by a global pandemic which had an impact on the Club's operations. In keeping with guidelines, the Club ceased operations at the sites for several weeks during 2020. As the pandemic continues in 2021, the Club's fee revenue will decrease, and may also have an impact on some of the expenses. The total impact on the Club as a result of the continuing COVID-19 pandemic is unknown at the date which the financial statements were available to be issued.

The Club received a Federal loan of \$154,182 during the year ended December 31, 2020, under the Paycheck Protection Program as part of the government's COVID-19 relief. The Club met the requirements for loan forgiveness and the loan was forgiven by the US Small Business Administration in 2021. This amount will be reflected in income for the year ending December 31, 2021.

The Club also applied for and received a second Federal loan of \$137,987 in 2021. The Club met the requirements for loan forgiveness for this loan as well and the loan was forgiven by the US Small Business Administration in 2021. This amount will also be reflected in income for the year ending December 31, 2021.

The Organization has evaluated subsequent events through October 15, 2021, the date which the financial statements were available to be issued. There were no other subsequent events noted that would require adjustment to or disclosure in these financial statements.