
BOYS AND GIRLS CLUB OF FULLERTON

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2017

BOYS AND GIRLS CLUB OF FULLERTON
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2017

INDEX

Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

D. Manuel Fernando, CPA, Inc.

A Professional Accountancy Corporation
Cerritos, California
August 8, 2018

BOYS AND GIRLS CLUB OF FULLERTON

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

(With comparative totals for December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 467,477	\$ 370,334
Accounts receivable, net (Note 2)	62,223	48,659
Prepaid expenses and other assets (Note 3)	237,843	266,356
Property and equipment, net (Note 4)	<u>247,679</u>	<u>275,102</u>
 Total assets	 <u>\$ 1,015,222</u>	 <u>\$ 960,451</u>
LIABILITIES AND NET ASSETS		
 Accounts payable and accrued liabilities	 <u>\$ 41,169</u>	 <u>\$ 29,158</u>
 Total liabilities	 41,169	 29,158
 Commitments and contingencies (Note 6)		
 Net assets:		
Unrestricted	635,146	609,055
Temporarily restricted	<u>338,906</u>	<u>322,238</u>
 Total net assets	 <u>974,052</u>	 <u>931,293</u>
 Total liabilities and net assets	 <u>\$ 1,015,222</u>	 <u>\$ 960,451</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF FULLERTON

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

(With comparative totals for year ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Support and revenues:				
Contributions:				
Public donations	\$ 216,115	\$ 42,495	\$ 258,610	\$ 257,815
Government grants	195,546	23,911	219,457	184,241
Special fund raising events	289,165		289,165	224,652
In-kind donations			-	32,355
Program service fees	575,602		575,602	579,167
Membership dues	2,400		2,400	3,900
Interest income	1,211		1,211	1,187
Other income	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>67,501</u>
Total support and revenues	1,355,039	66,406	1,421,445	1,350,818
Released from restriction	49,738	(49,738)	-	
Expenditures:				
Program services	1,066,220		1,066,220	1,046,420
Support services				
Administration	191,140		191,140	192,362
Fund raising	<u>121,325</u>	<u>-</u>	<u>121,325</u>	<u>93,851</u>
Total expenditures	<u>1,378,686</u>	<u>-</u>	<u>1,378,686</u>	<u>1,332,633</u>
Change in net assets	26,091	16,668	42,759	18,185
Net assets, beginning of year	<u>609,055</u>	<u>322,238</u>	<u>931,293</u>	<u>913,108</u>
Net assets, end of year	<u>\$ 635,146</u>	<u>\$ 338,906</u>	<u>\$ 974,052</u>	<u>\$ 931,293</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF FULLERTON

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

(With comparative totals for year ended December 31, 2016)

	<u>Program</u> <u>Services</u>	<u>Support Services</u> <u>Administration</u>	<u>Fundraising</u>	<u>Total</u> <u>2017</u>	<u>Total</u> <u>2016</u>
Salaries and Wages	\$ 575,512	\$ 94,097	\$ 16,000	\$ 685,609	\$ 684,337
Payroll Taxes	54,833	8,965	1,524	65,323	63,521
Bad debt expense			6,000	6,000	3,950
Depreciation Expense	43,810	7,309	-	51,119	52,042
Dues & Subscriptions	9,690	4,213	-	13,903	9,750
Employee Benefits	42,558	6,958	1,183	50,699	60,330
Insurance	55,193	9,024	1,534	65,752	55,522
Interest					1,118
Janitorial	1,742	285	48	2,075	2,433
Meeting & Conference	639	639	639	1,917	1,291
Postage	869	869	-	1,738	2,141
Printing	-	2,145	2,145	4,290	3,818
Professional fees	-	10,025	-	10,025	9,450
Program Costs	147,224	-	-	147,224	124,193
Rent	70,437	33,230	-	103,667	103,063
Repair & Maintenance	6,642	-	-	6,642	8,232
Supplies and office expense	1,246	320	-	1,566	1,683
Telephone	29,550	9,046	-	38,596	37,031
Utilities	11,552	171	-	11,723	11,913
Other	14,723	3,844	3,984	22,551	23,930
Direct Costs Fundraising	-	-	88,267	88,267	72,885
	<u>\$ 1,066,220</u>	<u>\$ 191,140</u>	<u>\$ 121,325</u>	<u>\$ 1,378,686</u>	<u>\$ 1,332,633</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF FULLERTON

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

(With comparative totals for year ended December 31, 2016)

Increase (decrease) in cash and cash equivalents

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 42,759	\$ 18,184
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	51,119	52,042
In-kind contributions	-	(32,355)
Changes in operating assets and liabilities:		
Accounts receivable	(13,564)	29,292
Prepaid expenses and other assets	28,513	31,133
Accounts payable and accrued liabilities	<u>12,011</u>	<u>(24,104)</u>
Total adjustments	<u>78,080</u>	<u>56,008</u>
Net cash provided by operating activities	120,839	74,192
Cash flows from investing activities:		
Purchase of property and equipment, net	<u>(23,696)</u>	<u>(26,331)</u>
Net cash used in investing activities	(23,696)	(26,331)
Cash flows from financing activities		
Repayments	<u>-</u>	<u>(30,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(30,000)</u>
Net increase in cash	97,143	17,861
Cash at beginning of year	<u>370,334</u>	<u>352,473</u>
Cash at end of year	<u>\$ 467,477</u>	<u>\$ 370,334</u>
Supplemental cash flow information:		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ 1,118
Non-cash transactions		
In-kind donations	\$ -	\$ 32,355

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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 net assets are classified as unrestricted, temporarily restricted or permanently restricted in accordance with donor restrictions, if any.

Restricted Funds

Certain funds received, which have been restricted to certain specified uses, have been designated as temporarily restricted until such time as the requirements have been met and the funds have been expended. The Club had no funds at December 31, 2017, which were permanently restricted.

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, 2017

(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 2017. 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, 2017, 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 2014.

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, 2016, from which the summarized information was derived.

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(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, 2017, 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 \$221,555. See Note 6 for more explanation.

Note 4 - Property and Equipment:

Property and equipment at December 31, 2017 consisted of the following:

Building and Improvements	\$ 397,169
Furniture and Equipment	290,576
Automobiles	<u>214,904</u>
	902,649
Less: accumulated depreciation	<u>(654,970)</u>
	<u>\$ 247,679</u>

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.

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Continued)

Note 5 - Line of credit:

As of December 31, 2017, the Club had a \$75,000 line of credit available from a bank. As of December 31, 2017, the Club had no amounts outstanding under this facility. The line of credit is collateralized by all of the Club's business assets, and had an interest rate of 6.0% per annum. The line of credit expires on September 1, 2018.

Note 6 - Commitments and Contingencies:

The Club has executed a lease with the City of Fullerton (City) for its main facility. The lease has a term of 25 years, with an option to renew for another 25 years. The lease calls for rental payments of \$3,000 per month for the first 12 months of the lease, increasing to \$4,000 per month on the 1st anniversary date, and \$5,377 per month on the second anniversary date, and 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.

Lease commitments under the lease are as follows.

<u>Year</u>	<u>Amount</u>
2018	\$ 94,954
2019	96,449
2020	96,961
2021	98,501
2022	99,029
Thereafter	<u>1,589,973</u>
Total	<u>\$2,075,867</u>

Rent expense for the year was \$103,667, including four quarterly installments totaling \$28,000.

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Continued)

Note 6 - Commitments and Contingencies (continued):

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, 2017. A total of \$347,555 was paid to the City as of December 31, 2017. 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, 2017, \$126,000 has been applied against this amount and \$221,555 is reflected as prepaid rent in the accompanying financial statements.

The Club leases premises from the Fullerton Kiwanis Club on a lease that expired on April 14, 2007. The Kiwanis Club has negotiated a 30-year lease with the City of Fullerton, and the sublease between the Kiwanis Club and the Boys and Girls Club of Fullerton is on a month-to month basis with an informal agreement to continue.

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, 2017.

Note 7 - 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 8 - 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, 2017, was \$15,450.

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Continued)

Note 9 - Off Balance Sheet Risk and Concentrations of Credit Risk:

Off balance Sheet Risk

As of December 31, 2017, 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.

Note 10 – 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, 2017, the Club received a contribution of \$70,000 from the Endowment, which is classified in other income in the accompanying financial statements. An additional amount of \$5,000 was received from the Endowment for scholarships.

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.

BOYS AND GIRLS CLUB OF FULLERTON

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Continued)

Note 11 – Subsequent Events

The Organization has evaluated subsequent events through August 8, 2018, the date which the financial statements were available to be issued. There were no subsequent events noted that would require adjustment to or disclosure in these financial statements.