

**BOYS & GIRLS CLUB OF BURBANK AND
GREATER EAST VALLEY, INC.**

Financial Statements
June 30, 2012 and 2011

With Independent Auditors' Report Thereon

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Independent Auditors' Report

To the Board of Directors of
Boys & Girls Club of Burbank and Greater East Valley, Inc.
Burbank, California

We have audited the accompanying statements of financial position of Boys & Girls Club of Burbank and Greater East Valley, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Club of Burbank and Greater East Valley, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Larson & Rosenberger LLP
Glendale, California
November 2, 2012

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Financial Position As of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash	\$ 29,221	\$ 90,972
Investments	81,384	15,361
Promises to give	64,625	27,665
Prepaid expenses and other assets	18,693	33,032
Total current assets	<u>193,923</u>	<u>167,030</u>
Property and equipment, net	171,202	156,195
Beneficial interest in endowment fund	91,887	-
Total assets	<u><u>\$ 457,012</u></u>	<u><u>\$ 323,225</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 85,178	\$ 138,757
Compensated absences	17,899	24,927
Deferred support	20,011	25,335
Total current liabilities	<u>123,088</u>	<u>189,019</u>
Net assets:		
Temporarily restricted	1,902	33,387
Unrestricted	332,022	100,819
Total net assets	<u>333,924</u>	<u>134,206</u>
Total liabilities and net assets	<u><u>\$ 457,012</u></u>	<u><u>\$ 323,225</u></u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Activities
For the Years Ended June 30, 2012 and 2011

	2012	2011
	<u> </u>	<u> </u>
Changes in unrestricted net assets:		
Unrestricted support:		
Contributions	\$ 387,202	\$ 136,133
Program services	877,029	863,085
Special event revenue, net	182,165	127,340
Fundraising events	133,566	157,042
Donated materials, services and facilities	264,613	250,515
Net appreciation in beneficial interest in endowment fund	6,361	-
Investment return	1,924	840
Total unrestricted support	<u>1,852,860</u>	<u>1,534,955</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	139,296	214,694
Total unrestricted support and other support	<u>1,992,156</u>	<u>1,749,649</u>
Expenses:		
Program services	1,460,776	1,346,143
Support services:		
Management and general	180,937	173,699
Fundraising	119,240	106,788
Total unrestricted expenses	<u>1,760,953</u>	<u>1,626,630</u>
Increase in unrestricted net assets	<u>231,203</u>	<u>123,019</u>
Changes in temporarily restricted net assets:		
Contributions	107,811	223,081
Net assets released from restrictions	<u>(139,296)</u>	<u>(214,694)</u>
(Decrease) increase in temporarily restricted net assets	<u>(31,485)</u>	<u>8,387</u>
Increase in net assets	199,718	131,406
Net assets, beginning of year	<u>134,206</u>	<u>2,800</u>
Net assets, end of year	<u>\$ 333,924</u>	<u>\$ 134,206</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase in net assets	\$ 199,718	\$ 131,406
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(1,924)	(820)
Change in beneficial interest in endowment fund	(6,361)	-
Depreciation and amortization	37,994	22,811
Donations received, property and equipment	(5,000)	(52,540)
Donations received, marketable securities	(6,500)	(9,873)
Change in assets - (increase) decrease:		
Promises to give	(36,960)	47,229
Prepaid expenses and other assets	2,339	(5,936)
Changes in liabilities - increase (decrease):		
Accounts payable	(53,579)	(21,896)
Compensated absences	(7,028)	(3,600)
Deferred support	6,676	(1,406)
Net cash provided by operating activities	<u>129,375</u>	<u>105,375</u>
Cash flows from investing activities:		
Purchase of property and equipment	(48,001)	(19,336)
Purchase of investments	(57,599)	-
Purchase of beneficial interest in endowmnet fund	(85,526)	-
Net cash used in investing activities	<u>(191,126)</u>	<u>(19,336)</u>
Net (decrease) increase in cash	(61,751)	86,039
Cash at beginning of year	<u>90,972</u>	<u>4,933</u>
Cash at end of year	<u>\$ 29,221</u>	<u>\$ 90,972</u>
Non-cash investing activities:		
Donations received, property and equipment	\$ 5,000	\$ 52,540
Donations received, marketable securities	6,500	9,873
Total non-cash investing activities	<u>\$ 11,500</u>	<u>\$ 62,413</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Functional Expenses
For the Years Ended June 30, 2012 and 2011

	2012			
	Program Services	Management	Fund Raising	Total
Personnel expenses:				
Salaries	\$ 855,970	\$ 116,667	\$ 89,673	\$ 1,062,310
Payroll taxes and employee benefits	146,014	19,901	15,297	181,212
Total personnel expenses	1,001,984	136,568	104,970	1,243,522
Operating expenses:				
Facilities rent	61,136	7,573	4,990	73,699
Facilities operating	28,518	3,532	2,328	34,378
Materials	250,670	-	-	250,670
Insurance	24,883	5,462	-	30,345
Professional services	-	9,205	-	9,205
Vehicle expense	11,755	-	-	11,755
Maintenance and repairs	2,939	-	-	2,939
Postage and printing	-	893	2,083	2,976
Telephone	-	6,879	-	6,879
Office supplies	-	3,437	-	3,437
Workshops and training	10,236	1,268	836	12,340
Other	33,857	4,194	2,764	40,815
Depreciation	34,798	1,926	1,269	37,993
Total expenses	\$ 1,460,776	\$ 180,937	\$ 119,240	\$ 1,760,953

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Statements of Functional Expenses (Continued)
For the Years Ended June 30, 2012 and 2011

	2011			
	Program Services	Management	Fund Raising	Total
Personnel expenses:				
Salaries	\$ 821,566	\$ 108,426	\$ 78,268	\$ 1,008,260
Payroll taxes and employee benefits	127,286	16,799	12,126	156,211
Total personnel expenses	948,852	125,225	90,394	1,164,471
Operating expenses:				
Facilities rent	64,279	8,294	5,099	77,672
Facilities operating	38,967	5,028	3,091	47,086
Materials	186,484	-	-	186,484
Insurance	30,588	6,714	-	37,302
Professional services	-	12,510	-	12,510
Vehicle expense	7,556	-	-	7,556
Maintenance and repairs	2,073	-	-	2,073
Postage and printing	-	1,473	3,436	4,909
Telephone	-	4,160	-	4,160
Office supplies	-	2,541	-	2,541
Workshops and training	9,225	1,190	732	11,147
Other	37,991	4,903	3,015	45,909
Depreciation	20,128	1,661	1,021	22,810
Total expenses	<u>\$ 1,346,143</u>	<u>\$ 173,699</u>	<u>\$ 106,788</u>	<u>\$ 1,626,630</u>

The accompanying notes are an integral part of these financial statements.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements June 30, 2012 and 2011

1. Summary of Significant Accounting Policies

Nature of Activities

The Boys & Girls Club of Burbank and Greater East Valley, Inc. (the "Organization"), headquartered in Burbank, CA, is a member of Boys & Girls Clubs of America ("BGCA"). The primary mission of BGCA is to assure and enhance the quality of life for youth as participating members of a richly diverse urban society. With special concern for the disadvantaged, Boys & Girls Clubs help youths realize their potential for growth and development. The Organization has concentrated on Burbank, California and surrounding communities. The Organization provides services, based on principles and behavioral guidance, which will achieve the health, social, educational, vocational, character and leadership development of their membership. The Organization is supported primarily through program services, donor contributions, and fundraising events.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets as of June 30, 2012.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization uses the allowance method to determine uncollectible unconditional promises receivable.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Realized gains or losses are recognized based on the difference between the investment's fair value and the sales proceeds less the unrealized gain or loss previously recognized.

Property and Equipment

Property and equipment are carried at cost, if purchased, and estimated fair market value if contributed, less accumulated depreciation and amortization. Property and equipment are depreciated on a straight-line basis over their estimated service lives, which range from three to seven years.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued)
June 30, 2012 and 2011

1. Summary of Significant Accounting Policies (Continued)

Deferred Support

The Organization recognizes support revenues with respect to fund raising events in the period the event occurs. Accordingly, payments received in advance are deferred until the time of the event.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Assets and Services

Donations of non-cash assets are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Expense Allocation

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

Income Tax Status

The Organization is a public charity that has obtained an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for federal or state income taxes. The Organization is subject, however, to Federal and California income taxes on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. For the fiscal year ended June 30, 2012, the Organization had no unrelated business income.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2012 and 2011

2. Investments

Investments consist of the following as of June 30:

	2012	2011
Mutual funds	\$ 66,105	\$ 2,237
Equity securities	15,279	13,124
Total	<u>\$ 81,384</u>	<u>\$ 15,361</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	2012	2011
Interest and dividends	\$ 164	\$ 1,845
Unrealized gain (loss)	1,760	(1,005)
Total	<u>\$ 1,924</u>	<u>\$ 840</u>

3. Fair Value Measurements

FASB Accounting Standard Codification (ASC) 820 Fair Value Measurements and Disclosures (formerly Financial Accounting Standards Board No. 157, Fair Value Measurements) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Accordingly, when market observable data is not readily available, the Organization's own assumptions are set to reflect those that market participants would be presumed to use in pricing the asset or liability at the measurement date. Financial assets and financial liabilities recorded in the balance sheets at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

Level 1 - Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets that the Company can access. Examples include prices derived from NYSE, NASDAQ, Chicago Board of Trade, and Pink Sheets.

Level 2 - Financial assets and financial liabilities whose values are based on (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in non-active markets, or (c) valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability. Examples include matrix pricing, market corroborated pricing, and inputs such as yield curves and indices.

Level 3 - Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the Organization's estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities. Examples include investment manager pricing for private placements, private equities, hedge funds, etc.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2012 and 2011

3. Fair Value Measurements (Continued)

The following table sets forth by level within fair value hierarchy the Organization's invested assets as of June 30:

2012	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 66,105	\$ -	\$ -	\$ 66,105
Equity securities	15,279	-	-	15,279
Total	<u>\$ 81,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,384</u>
2011	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,237	\$ -	\$ -	\$ 2,237
Equity securities	13,124	-	-	13,124
Total	<u>\$ 15,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,361</u>

4. Promises to Give

Unconditional promises to give are due in one year and consist of the following as of June 30:

	2012	2011
Unrestricted	\$ 59,375	\$ 8,765
Temporarily restricted	5,250	18,900
Total	<u>\$ 64,625</u>	<u>\$ 27,665</u>

5. Property and Equipment

Property and equipment consist of the following as of June 30:

	2012	2011
Leasehold improvements	\$ 294,611	\$ 256,190
Sports equipment	32,066	32,066
Computer equipment	111,172	108,509
Office equipment	42,212	34,500
Vehicles	70,882	66,677
Total property and equipment	<u>550,943</u>	<u>497,942</u>
Less accumulated depreciation and amortization	<u>(379,741)</u>	<u>(341,747)</u>
Property and equipment, net	<u>\$ 171,202</u>	<u>\$ 156,195</u>

Depreciation and amortization for the years ended June 30, 2012 and 2011 were \$37,993 and \$22,810, respectively.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2012 and 2011

6. Beneficial Interest in Fund Endowment

On September 19, 2011, the Organization received an unrestricted contribution from a member of the local community. The board of the Organization sought to preserve the assets of the contribution and irrevocably gifted \$85,526 to the Community Foundation of the Verdugos (the "Foundation") which created the Boys & Girls Club of Burbank and Greater East Valley Endowment (the "Fund"). The purpose of the Fund is "to provide financial support to the Boys & Girls Club of Burbank and Greater East Valley or for its specific programs or projects."

Variance power has been granted to the Foundation protecting the Fund from obsolescence. If, in the sole judgment of the Board of Directors of the Foundation, the purpose for which the Fund was created ever becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by the Foundation, the Foundation's Board of Directors shall modify any restriction or condition on the use or distribution of the income and principal of the Fund.

Of the Fund's annual balance, 4.5% may be distributed to the Organization, subject to the Foundation's discretion. The Fund is invested by the Foundation in a pool with similar funds. The Organization is credited its share of earnings from the pool and charged fees for administration of the fund. Net earnings of the Fund are included in investment return in the accompanying statement of activities.

The Foundation has employed a total return investment policy with an objective of preserving the endowment capital, protecting the purchasing power of the funds, and providing cash flows to assist in the funding of the Foundation's grants and expenses. The Foundation invests funds in a diversified portfolio of cash, bonds, common stocks, preferred stocks, mutual funds, exchange traded funds, and where appropriate, alternative investments. The investments are further diversified within asset classes such as by economic sectors, industry, quality, and capitalization.

The Fund had \$3,877 available for request by the Organization at June 30, 2012. Management elected to reinvest all available funds at June 30, 2012.

The Fund activities for the year ended June 30, 2012 are as follows:

Balance, beginning of year	\$	-
Contributions to the Fund		85,526
Earnings:		
Interest and dividends		2,442
Realized gains		1,222
Unrealized gains		4,021
Expenses charged to the Fund:		
Administrative fees		(851)
Other		(473)
Net appreciation of the Fund		<u>6,361</u>
Balance, end of year	\$	<u>91,887</u>

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued) June 30, 2012 and 2011

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2012</u>	<u>2011</u>
Capital improvements	\$ -	\$ 9,824
Technology and learning center programs	-	5,563
Middle school enrichment programs	-	18,000
Arts and crafts	1,902	-
Total temporarily restricted assets	<u>\$ 1,902</u>	<u>\$ 33,387</u>

8. Donated Materials, Services and Facilities

The value of donated materials, services, and facilities included as contributions in the statements of activities and the corresponding expenses for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Facility rental	\$ 73,699	\$ 77,672
Donated furniture and equipment and leasehold improvements	5,000	52,540
Materials and supplies	179,914	114,303
Services	6,000	6,000
Total donated materials, services and facilities	<u>\$ 264,613</u>	<u>\$ 250,515</u>

The Organization rents its facilities for \$1 a year on a month-to-month basis. Market value was estimated at \$73,699 and \$77,672 for the years ended June 30, 2012 and 2011, respectively.

9. Defined Contribution Plans

The BGCA offers to the clubs different retirement plan options. The Organization elected to be part of the BGCA 401(a) money purchase pension plan (the "401(a)") covering all employees who meet the eligibility requirements of the plan. The Organization's contributions to the plan are 7% of the eligible employees' compensation. The defined contribution plan expense for the years ended June 30, 2012 and 2011 were \$29,689 and \$21,026, respectively.

Subsequent to fiscal year end 2012, the Organization elected to also be part of the BGCA's 401(k) safe harbor master plan (the "401(k)") whereby employees and employer can make contributions to the plan up to the maximum allowed by law. A 3% safe harbor contribution of the eligible employees' compensation shall commence on July 1, 2012. Management and the Board of Directors have agreed to an additional 4% contribution for the period from July to December 2012.

Management had announced to the employees that the 401(k) was to have been implemented at January 1, 2012. Since it did not start at that time, management and the Board of Directors elected to continue a 7% contribution to the 401(a) through the remainder of the 2012 calendar year. The 401(a) and 401(k) running together at a combined 14% is a commitment of approximately \$26,000 from July to December 2012.

BOYS & GIRLS CLUB OF BURBANK AND GREATER EAST VALLEY, INC.

Notes to Financial Statements (Continued)

June 30, 2012 and 2011

10. Subsequent Events

Management has evaluated subsequent events through November 2, 2012, which is the date the financial statements were available to be issued. In October 2012, the Organization obtained a grant of \$100,000 from a local foundation to be used for “core support” defined as “1) maintain core youth development programs and services, 2) sustain key personnel and infrastructure, and 3) boost volunteer management capacity.”

Except as disclosed above, no events have occurred subsequent to June 30, 2012 requiring recording or disclosure in these financial statements.