

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

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**Financial Statements and  
Independent Auditor's Report**

**June 30, 2014 and 2013**

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## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of Boys & Girls Club of Burbank and Greater East Valley, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 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 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.

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 & Girls Club of Burbank and Greater East Valley, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

JLK Rosenberger, LLP

Glendale, California  
October 24, 2014

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

## Statements of Financial Position As of June 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Current assets:		
Cash	\$ 186,760	\$ 99,574
Investments	59,964	111,307
Promises to give	111,437	50,069
Inventories	-	49,000
Prepaid expenses and other assets	15,479	9,864
Total current assets	<u>373,640</u>	<u>319,814</u>
Property and equipment, net	166,667	173,035
Beneficial interest in endowment fund	113,688	100,337
Total assets	<u><u>\$ 653,995</u></u>	<u><u>\$ 593,186</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 82,795	\$ 116,670
Compensated absences	8,792	12,635
Deferred support	22,845	22,676
Other accrued expenses	353	8,439
Total current liabilities	<u>114,785</u>	<u>160,420</u>
Net assets:		
Unrestricted	388,710	426,624
Temporarily restricted	150,500	6,142
Total net assets	<u>539,210</u>	<u>432,766</u>
Total liabilities and net assets	<u><u>\$ 653,995</u></u>	<u><u>\$ 593,186</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, 2014 and 2013

	2014	2013
	<u>                    </u>	<u>                    </u>
Changes in unrestricted net assets:		
Unrestricted support:		
Contributions	\$ 230,256	\$ 334,215
Program services	1,112,575	1,024,592
Special events revenue, net	190,374	178,821
Fundraising events	143,789	125,880
Donated materials, services and facilities	216,674	841,484
Net appreciation in beneficial interest in endowment fund	14,690	8,450
Investment return	17,485	4,799
Total unrestricted support	<u>1,925,843</u>	<u>2,518,241</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	442,243	202,361
Total unrestricted support and other support	<u>2,368,086</u>	<u>2,720,602</u>
Expenses:		
Program services	2,039,007	2,119,710
Support services:		
Management and general	189,291	225,417
Fundraising	177,702	280,873
Total unrestricted expenses	<u>2,406,000</u>	<u>2,626,000</u>
(Decrease) increase in unrestricted net assets	<u>(37,914)</u>	<u>94,602</u>
Changes in temporarily restricted net assets:		
Contributions	586,601	206,601
Net assets released from restrictions	<u>(442,243)</u>	<u>(202,361)</u>
Increase in temporarily restricted net assets	<u>144,358</u>	<u>4,240</u>
Increase in net assets	106,444	98,842
Net assets, beginning of year	<u>432,766</u>	<u>333,924</u>
Net assets, end of year	<u><u>\$ 539,210</u></u>	<u><u>\$ 432,766</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 Functional Expenses  
For the Years Ended June 30, 2014 and 2013

	2014			
	Program Services	Management	Fund Raising	Total
Personnel expenses:				
Salaries	\$ 1,207,282	\$ 127,181	\$ 56,594	\$ 1,391,057
Payroll taxes and employee benefits	214,972	22,646	10,077	247,695
Total personnel expenses	<u>1,422,254</u>	<u>149,827</u>	<u>66,671</u>	<u>1,638,752</u>
Operating expenses:				
Facilities rent	188,786	9,727	4,328	202,841
Facilities operating	34,066	3,589	1,597	39,252
Materials	196,596	-	60,070	256,666
Membership and dues	11,868	1,029	2,561	15,458
Insurance	21,337	2,248	1,000	24,585
Professional services	24,872	5,998	34,618	65,488
Vehicle expense	19,874	-	-	19,874
Postage and printing	1,663	1,663	-	3,326
Telephone	7,562	796	354	8,712
Office supplies	-	8,641	504	9,145
Workshops and training	11,541	1,216	541	13,298
Other	50,684	2,043	4,340	57,067
Depreciation	47,904	2,514	1,118	51,536
Total expenses	<u>\$ 2,039,007</u>	<u>\$ 189,291</u>	<u>\$ 177,702</u>	<u>\$ 2,406,000</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 (Continued)  
For the Years Ended June 30, 2014 and 2013

	2013			Total
	Program Services	Management	Fund Raising	
Personnel expenses:				
Salaries	\$ 1,071,654	\$ 127,602	\$ 82,372	\$ 1,281,628
Payroll taxes and employee benefits	175,661	20,916	13,502	210,079
Total personnel expenses	<u>1,247,315</u>	<u>148,518</u>	<u>95,874</u>	<u>1,491,707</u>
Operating expenses:				
Facilities rent	371,944	10,593	6,838	389,375
Facilities operating	33,331	3,969	2,562	39,862
Materials	279,634	-	152,844	432,478
Membership and dues	9,754	920	2,621	13,295
Insurance	48,102	5,336	3,445	56,883
Professional services	8,207	8,207	8,207	24,621
Vehicle expense	14,864	-	-	14,864
Postage and printing	1,507	1,507	-	3,014
Telephone	6,842	815	526	8,183
Office supplies	-	39,401	769	40,170
Workshops and training	16,229	1,932	1,247	19,408
Other	39,526	1,560	4,224	45,310
Depreciation	42,455	2,659	1,716	46,830
Total expenses	<u>\$ 2,119,710</u>	<u>\$ 225,417</u>	<u>\$ 280,873</u>	<u>\$ 2,626,000</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 106,444	\$ 98,842
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(16,255)	(4,163)
Depreciation	51,536	46,830
Donations - inventories	49,000	(49,000)
Donations - property and equipment	(21,835)	(21,000)
Donations - marketable securities	(13,370)	(10,526)
Changes in assets and liabilities:		
Promises to give	(61,368)	14,556
Prepaid expenses and other assets	(5,615)	8,829
Beneficial interest in endowment fund	(13,351)	(7,748)
Accounts payable	(33,875)	31,492
Compensated absences	(3,843)	(5,264)
Deferred support	169	2,665
Other accrued expenses	(8,086)	8,439
Net cash provided by operating activities	<u>29,551</u>	<u>113,952</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(23,333)	(27,663)
Purchase of investments	(70,805)	(75,235)
Purchase of beneficial interest in endowment fund	-	(702)
Proceeds from sale of investments	151,773	60,001
Net cash provided by (used in) investing activities	<u>57,635</u>	<u>(43,599)</u>
Net increase in cash	87,186	70,353
Cash at beginning of year	<u>99,574</u>	<u>29,221</u>
Cash at end of year	<u>\$ 186,760</u>	<u>\$ 99,574</u>
<b>Non-cash investing activities:</b>		
Donations received, property and equipment	\$ 21,835	\$ 21,000
Donations received, marketable securities	13,370	10,526
Total non-cash investing activities	<u>\$ 35,205</u>	<u>\$ 31,526</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, 2014 and 2013

### 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.

The Organization has a policy where no child is turned away for an inability to pay. Low income families can apply for financial aid and may qualify for a reduced tuition. For the years ended June 30, 2014 and 2013, the Organization offered approximately \$242,000 and \$211,000, respectively, in financial aid to families in need.

#### *Basis of Presentation*

These financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

#### *Use of Estimates*

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

#### *Net Assets*

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations. These assets are available to support the Organization’s activities and operations at the direction of the Board of Directors.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that will be met by actions of the donor, the Organization, and/or the passage of time.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that the corpus be maintained permanently by the Organization. The Organization had no permanently restricted net assets as of June 30, 2014 and 2013.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Donor-restricted contributions for which the restriction has been satisfied in the same reporting period as the contribution was received are recorded as unrestricted.

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

## Notes to Financial Statements (Continued) June 30, 2014 and 2013

### 1. Summary of Significant Accounting Policies (Continued)

#### *Cash*

The Organization maintains some of its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

#### *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.

#### *Inventory*

Inventory consists of donated goods (i.e. toys, dvds, etc.). Donated inventory is recorded as contributions with the offset to inventory in the period received at fair value. At least annually, physical inventory is taken and fair values substantiated and adjustment made, if any.

#### *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.

#### *Fair Value Measurements*

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 Organization can access.

*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.

*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.

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

## Notes to Financial Statements (Continued) June 30, 2014 and 2013

### 1. Summary of Significant Accounting Policies (Continued)

#### *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.

#### *Deferred Support*

The Organization recognizes support revenues with respect to fundraising 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, 2014, the Organization had no unrelated business income.

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

## Notes to Financial Statements (Continued) June 30, 2014 and 2013

### 1. Summary of Significant Accounting Policies (Continued)

#### *Income Tax Status (Continued)*

GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken uncertain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. Management reviewed the status of all tax positions annually to determine if any tax position should affect the Organization's financial statements and concluded that, as of June 30, 2014 and 2013, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or that would require disclosure in the financial statements.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

#### *Reclassifications*

Certain amounts from the prior year have been reclassified to conform to the current year presentation. Such reclassifications had no effect on previously reported net assets and changes in net assets.

### 2. Investments

Investments consist of the following as of June 30:

	2014	2013
Mutual funds	\$ 499	\$ 81,412
Equity securities	59,465	29,895
Total	<u>\$ 59,964</u>	<u>\$ 111,307</u>

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

	2014	2013
Interest and dividends	\$ 1,230	\$ 636
Unrealized gain	16,255	4,163
Total	<u>\$ 17,485</u>	<u>\$ 4,799</u>

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

## Notes to Financial Statements (Continued) June 30, 2014 and 2013

### 3. Fair Value Measurements

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

	Level 1	Level 2	Level 3	Total
2014				
Mutual funds	\$ 499	\$ -	\$ -	\$ 499
Equity securities	59,465	-	-	59,465
Total	\$ 59,964	\$ -	\$ -	\$ 59,964
	Level 1	Level 2	Level 3	Total
2013				
Mutual funds	\$ 81,412	\$ -	\$ -	\$ 81,412
Equity securities	29,895	-	-	29,895
Total	\$ 111,307	\$ -	\$ -	\$ 111,307

### 4. Promises to Give

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

	2014	2013
Unrestricted	\$ 51,437	\$ 25,069
Temporarily restricted	60,000	25,000
Total	\$ 111,437	\$ 50,069

### 5. Property and Equipment

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

	2014	2013
Leasehold improvements	\$ 319,766	\$ 294,611
Sports equipment	47,066	47,066
Computer equipment	111,172	111,172
Office equipment	70,626	50,712
Vehicles	96,144	96,045
Total property and equipment	644,774	599,606
Less accumulated depreciation and amortization	(478,107)	(426,571)
Property and equipment, net	\$ 166,667	\$ 173,035

Depreciation and amortization for the years ended June 30, 2014 and 2013 were \$51,536 and \$46,830, respectively.

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

## Notes to Financial Statements (Continued) June 30, 2014 and 2013

### 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 \$4,356 and \$8,021 available for use by the Organization at June 30, 2014 and 2013, respectively. Management elected not to draw available funds at June 30, 2014 and 2013, respectively.

The Fund activities for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Balance, beginning of year	\$ 100,337	\$ 91,887
Contributions to the Fund	-	702
Earnings:		
Interest and dividends	2,931	2,885
Realized gains	4,672	2,726
Unrealized gains	7,721	3,972
Expenses charged to the Fund:		
Administrative fees	(1,339)	(1,222)
Other	(634)	(613)
Net appreciation of the Fund	13,351	8,450
Balance, end of year	<u>\$ 113,688</u>	<u>\$ 100,337</u>

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

## Notes to Financial Statements (Continued) June 30, 2014 and 2013

### 7. Line of Credit

The Organization maintains a one year revolving line of credit with Bank of America that renews each year. The current line of credit for \$100,000 expires on May 28, 2015 and bears interest at the bank's prime rate (3.25% at June 30, 2014) plus 1%. The Organization did not draw upon its line of credit during the years ended June 30, 2014 and 2013.

### 8. Temporarily Restricted Net Assets

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

	2014	2013
Capital improvements	\$ 50,000	\$ -
Teen club programs	30,000	-
Middle school enrichment programs	8,000	-
Deaf and hard of hearing program	-	6,412
Core support	62,500	-
Total temporarily restricted assets	\$ 150,500	\$ 6,412

### 9. 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, 2014 and 2013 are as follows:

	2014	2013
Facility rental	\$ 113,064	\$ 389,375
Donated furniture and equipment and leasehold improvements	1,835	5,000
Materials and supplies	101,775	441,109
Services	-	6,000
Total donated materials, services and facilities	\$ 216,674	\$ 841,484

The Organization rents its facilities for \$1 a year on a month-to-month basis. For the year ended June 30, 2014, the Organization rented one facility, Our Lady of Holy Rosary, for the estimated value of \$6,672. For the year ended June 30, 2013, the Organization rented two facilities, Crescenta Valley Park Club and Our Lady of Holy Rosary, for the estimated values of \$99,792 and \$6,118, respectively. In addition, for year ended June 30, 2013, the Burbank Unified School District (BUSD) contributed in-kind rent of \$177,070 for ten of their school sites.

For the year ended June 30, 2014, the Organization received a donated Modular Building with an estimated value of \$20,000.

For the year ended June 30, 2013, the Organization received donated materials, including Baby Einstein toys and DVDs, from the Walt Disney Company with an estimated value of \$262,074. In addition, the entity received donated materials from Weber Shandwick and City Dental for an estimated value of \$37,388.



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

## Notes to Financial Statements (Continued) June 30, 2014 and 2013

### 10. Defined Contribution Plans

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 in the fiscal year end 2012. During the fiscal year end 2012, the Organization's contribution to the plan was 7% of the eligible employees' compensation. The Organization discontinued the availability of the 401(a) plan at December 31, 2012.

During the fiscal year end 2013, the Organization elected to 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. As such 3% safe harbor contribution of the eligible employees' compensation commenced on July 1, 2012. Management and the Board of Directors 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. 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) ran together at a combined 14% commitment of approximately \$26,000 from July to December 2012.

As of January 30, 2013, the Organization is solely offering and contributing to the 401(k). The defined contribution plan expense for the years ended June 30, 2014 and 2013 were \$29,814 and \$37,732, respectively.

### 11. Commitments and Contingencies

An annual lease with the Burbank Unified School District is paid monthly. Rent expense paid for the year ended June 30, 2014 and 2013 was \$89,783 and \$0, respectively. Subsequent to year end, the Burbank Unified School District lease was renewed for the 2015 fiscal year totaling approximately \$72,000.

### 12. Subsequent Events

Management has evaluated subsequent events through October 24, 2014, which is the date the financial statements were available to be issued. Except as discussed in Note 11, no other events have occurred subsequent to June 30, 2014 requiring recording or disclosure in these financial statements.