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

Financial Statements and Independent Auditor's Report

June 30, 2017 and 2016

JLK Rosenberger
Certified Public Accountants

Table of Contents

JLK Rosenberger
Certified Public Accountants

801 North Brand Boulevard, Suite 550
Glendale, California 91203
Tel: 818-334-8623
jlkrosenberger.com

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, 2017 and 2016, 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, 2017 and 2016, 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
November 6, 2017

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

Statements of Financial Position
As of June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash	$ 369,968	$ 176,777
Investments	2,440	1,918
Promises to give	84,329	71,741
Prepaid expenses and other assets	39,536	16,481
Total current assets	496,273	266,917
Property and equipment, net	252,171	260,490
Beneficial interest in endowment fund	212,712	169,353
Total assets	$ 961,156	$ 696,760
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 120,947	$ 97,269
Compensated absences	18,005	6,240
Deferred support	35,947	26,614
Total current liabilities	174,899	130,123
Net assets:		
Unrestricted	786,257	499,699
Temporarily restricted	-	66,938
Total net assets	786,257	566,637
Total liabilities and net assets	$ 961,156	$ 696,760

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, 2017 and 2016

	2017	2016
Changes in unrestricted net assets:		
Unrestricted support:		
Contributions	$ 448,940	$ 225,669
Program services	1,563,951	1,385,735
Special events revenue, net	166,398	179,854
Fundraising events	247,733	186,016
Donated materials, services and facilities	298,008	261,115
Net appreciation (depreciation) in beneficial interest in endowment f	18,359	(2,751)
Investment gain (loss)	325	(2,834)
Total unrestricted support	2,743,714	2,232,804
Net assets released from restrictions:		
Satisfaction of program restrictions	346,428	376,426
Total unrestricted support and other support	3,090,142	2,609,230
Expenses:		
Program services	2,351,363	2,217,688
Support services:		
Management and general	238,433	188,379
Fundraising	213,788	189,687
Total unrestricted expenses	2,803,584	2,595,754
Increase in unrestricted net assets	286,558	13,476
Changes in temporarily restricted net assets:		
Contributions	279,490	413,782
Net assets released from restrictions	(346,428)	(376,426)
(Decrease) increase in temporarily restricted net assets	(66,938)	37,356
Increase in net assets	219,620	50,832
Net assets, beginning of year	566,637	515,805
Net assets, end of year	$ 786,257	$ 566,637

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, 2017 and 2016

	2017			
	Program Services	Management	Fund Raising	Total
Personnel expenses:				
Salaries	$ 1,434,878	$ 160,335	$ 97,500	$ 1,692,713
Payroll taxes and employee benefits	248,829	27,804	16,908	293,541
Total personnel expenses	1,683,707	188,139	114,408	1,986,254
Operating expenses:				
Facilities rent	180,995	10,130	6,160	197,285
Facilities operating	63,219	7,064	4,296	74,579
Materials	194,051	-	66,300	260,351
Membership and dues	14,607	1,219	4,443	20,269
Insurance	20,887	2,334	1,419	24,640
Professional services	5,276	5,276	5,676	16,228
Vehicle expense	18,297	-	-	18,297
Postage and printing	2,762	309	188	3,259
Telephone	7,753	866	527	9,146
Office supplies	-	10,011	1,048	11,059
Workshops and training	33,926	3,791	2,305	40,022
Other	89,127	6,379	5,245	100,751
Depreciation	36,756	2,915	1,773	41,444
Total expenses	$ 2,351,363	$ 238,433	$ 213,788	$ 2,803,584

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, 2017 and 2016

	2016			
	Program Services	Management	Fund Raising	Total
Personnel expenses:				
Salaries	$ 1,326,568	$ 122,700	$ 85,600	$ 1,534,868
Payroll taxes and employee benefits	299,457	27,698	19,323	346,478
Total personnel expenses	1,626,025	150,398	104,923	1,881,346
Operating expenses:				
Facilities rent	177,002	9,229	5,965	192,196
Facilities operating	50,777	5,107	3,301	59,185
Materials	151,126	-	48,552	199,678
Membership and dues	15,190	1,097	4,991	21,278
Insurance	21,094	2,122	1,371	24,587
Professional services	5,132	5,132	5,132	15,396
Vehicle expense	29,833	-	-	29,833
Postage and printing	2,914	293	189	3,396
Telephone	10,076	1,014	655	11,745
Office supplies	-	7,648	1,020	8,668
Workshops and training	20,102	2,022	1,307	23,431
Other	71,085	2,350	11,010	84,445
Depreciation	37,332	1,967	1,271	40,570
Total expenses	$ 2,217,688	$ 188,379	$ 189,687	$ 2,595,754

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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	$ 219,620	$ 50,832
Adjustments to reconcile changes in net assets		
to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(12,986)	2,834
Realized loss on marketable securities	203	-
Depreciation	41,444	40,570
Donations - property and equipment	-	(20,000)
Donations - marketable securities	(10,284)	-
Changes in assets and liabilities:		
Promises to give	(12,588)	21,523
Prepaid expenses and other assets	(23,055)	21,609
Beneficial interest in endowment fund	(5,895)	4,830
Accounts payable and accrued expenses	23,678	6,474
Compensated absences	11,765	(539)
Deferred support	9,333	13,699
Net cash provided by operating activities	241,235	141,832
Cash flows from investing activities:		
Purchase of property and equipment	(33,125)	(63,346)
Purchase of investments	-	(237)
Purchase of beneficial interest in endowment fund	(25,000)	(61,000)
Proceeds from sale of marketable securities	10,081	62,500
Net cash used in investing activities	(48,044)	(62,083)
Net increase in cash	193,191	79,749
Cash at beginning of year	176,777	97,028
Cash at end of year	$ 369,968	$ 176,777
Non-cash investing activities:		
Donations received, property and equipment	$ -	$ 20,000
Donations received, marketable securities	10,284	-

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

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, California, 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, 2017 and 2016, the Organization offered approximately $328,000 and $296,000, respectively, of financial aid in the form of reduced tuition 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, 2017 and 2016.

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.

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.

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.

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.

Program Services

The Organization collects registration and other fees from its members to help offset the costs associated with the registration process and certain elective programs. Such fees are recorded as unrestricted support and reported as program services in the statement of activities. Payments received in advance are deferred until earned.

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.

1. Summary of Significant Accounting Policies (Continued)

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, 2017, the Organization had no unrelated business income.

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, 2017 and 2016, 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 2014, 2015, and 2016 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:

	2017	2016
Equity securities	$ 2,440	$ 1,918
Total	$ 2,440	$ 1,918

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

	2017	2016
Interest and dividends	$ 113	$ 127
Realized losses	(203)	-
Unrealized gains (losses)	415	(2,961)
Total	$ 325	$ (2,834)

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
2017				
Equity securities	$ 2,440	$ -	$ -	$ 2,440
Beneficial interest in endowment fund	-	-	212,712	212,712
Total	$ 2,440	$ -	$ 212,712	$ 215,152

	Level 1	Level 2	Level 3	Total
2016				
Equity securities	$ 1,918	$ -	$ -	$ 1,918
Beneficial interest in endowment fund	-	-	169,353	169,353
Total	$ 1,918	$ -	$ 169,353	$ 171,271

4. Promises to Give

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

	2017	2016
Unrestricted	$ 84,329	$ 47,160
Temporarily restricted	-	24,581
Total	$ 84,329	$ 71,741

5. Property and Equipment

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

	2017	2016
Leasehold improvements	$ 522,994	$ 489,869
Sports equipment	53,066	53,066
Computer equipment	114,380	114,380
Office equipment	73,726	73,726
Vehicles	96,144	96,144
Total property and equipment	860,310	827,185
Less accumulated depreciation and amortization	(608,139)	(566,695)
Property and equipment, net	$ 252,171	$ 260,490

5. Property and Equipment (Continued)

Depreciation and amortization for the years ended June 30, 2017 and 2016 were $41,444 and $40,570, respectively.

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 $6,342 and $5,324 available for use by the Organization at June 30, 2017 and 2016, respectively. Management elected to reinvest available funds at June 30, 2017.

6. Beneficial Interest in Fund Endowment (Continued)

The Fund activities for the years ended June 30 are as follows:

	2017	2016
Balance, beginning of year	$ 169,353	$ 113,183
Contributions to the Fund	25,000	61,000
Earnings:		
Interest and dividends	3,950	3,976
Realized gains (losses)	5,256	(1,551)
Unrealized gains (losses)	12,464	(4,258)
Expenses charged to the Fund:		
Administrative fees	(2,326)	(2,079)
Other	(985)	(918)
Net appreciation of the Fund	43,359	56,170
Balance, end of year	212,712	$ 169,353

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, 2018 and bears interest at the bank’s prime rate (4.25% at June 30, 2017) plus 1%. The Organization did not draw upon its line of credit during the years ended June 30, 2017 and 2016.

8. Temporarily Restricted Net Assets

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

	2017	2016
Deaf and hard of hearing program	$ -	$ 5,396
Capital improvements	-	38,000
Teen club programs	-	23,542
Total temporarily restricted assets	$ -	$ 66,938

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 are as follows:

	2017	2016
Facility rental	$ 132,128	$ 119,736
Materials and supplies	165,880	141,379
Total donated materials, services and facilities	$ 298,008	$ 261,115

The Organization rents its facilities for $1 a year on a month-to-month basis. For the year ended June 30, 2017, the Organization rented three facilities, Club Facilities, Our Lady of Holy Rosary, and St. Patrick Catholic Church, for estimated values of $117,404, $7,362, and $7,362, respectively. For the year ended June 30, 2016, the Organization rented three facilities, Club Facilities, Our Lady of Holy Rosary, and St. Patrick Catholic Church, for estimated values of $106,392, $6,672, and $6,672, respectively.

For the year ended June 30, 2016, the Organization received a donated Modular Building with an estimated value of $20,000.

10. Defined Contribution Plan

The Organization has elected to be part of the BGCA’s 401(k) Safe Harbor Master Plan (“the Plan”) whereby employees and employer can make contributions to the Plan up to the maximum allowed by law. The Organization makes a 3% safe harbor contribution for the eligible employees’ compensations annually. The defined contribution plan expense for the years ended June 30, 2017 and 2016 were $54,355 and $120,706, respectively.

For the year ended June 30, 2016, the Organization determined certain employees who were eligible to participate in the Plan were not enrolled into the Plan by the Organization. Therefore, the Board of Directors elected to approve a lump sum employer contribution for all eligible employees previously not enrolled, including lost earnings and interest calculated based on the Voluntary Fiduciary Correction Program provided by the United States Department of Labor Employee Benefits Security Administration, of approximately $90,695.

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, 2017 and 2016 was $65,160 and $72,460, respectively. Subsequent to year end, the Burbank Unified School District lease was renewed for the 2018 fiscal year totaling approximately $58,825.

12. Subsequent Events

Management has evaluated subsequent events through November 6, 2017, 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, 2017 requiring recording or disclosure in these financial statements.