

**BOYS & GIRLS CLUB OF CARSON
FINANCIAL STATEMENTS**

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Boys & Girls Club of Carson

Report on the Financial Statements

We have audited the accompanying financial statements of the Boys & Girls Club of Carson (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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.

Auditors' 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 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.

INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibility (Continued)

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 the Organization as of September 13, 2019, 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.



Guzman & Gray CPAs
Long Beach, CA
September 13, 2019

**BOYS & GIRLS CLUB OF CARSON
STATEMENT OF FINANCIAL POSITION**

JUNE 30, 2019

ASSETS

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 10,173	\$ 50,663	\$ 60,836
Accounts receivable	566,322		566,322
Grant receivable	61,386		61,386
Prepaid expenses	24,003		24,003
	<u>661,884</u>	<u>50,663</u>	<u>712,547</u>
 FURNITURE AND EQUIPMENT, net	 <u>113,642</u>		 <u>113,642</u>
 OTHER ASSETS			
Funds held for long-term purposes	<u>169,476</u>		<u>169,476</u>
 TOTAL ASSETS	 <u><u>\$ 945,002</u></u>	 <u><u>\$ 50,663</u></u>	 <u><u>\$ 995,665</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$ 8,927		\$ 8,927
Accrued vacation and payroll taxes	76,040		76,040
Accrued liability	410,196		410,196
Unearned revenue	27,972		27,972
TOTAL CURRENT LIABILITIES	<u>523,135</u>		<u>523,135</u>
 NET ASSETS			
Without donor restriction			
Undesignated	360,148		360,148
Board designated	61,719		61,719
Total unrestricted	<u>421,867</u>		<u>421,867</u>
With donor restriction		\$ 50,663	50,663
TOTAL NET ASSETS	<u>421,867</u>	<u>50,663</u>	<u>472,530</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 945,002</u></u>	 <u><u>\$ 50,663</u></u>	 <u><u>\$ 995,665</u></u>

See Independent Auditors' Report and Notes to the Financial Statements

BOYS & GIRLS CLUB OF CARSON
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE			
Government grants	\$ 1,186,004		\$ 1,186,004
Fiscal agent fees	45,634		45,634
Foundation grants	431,420	\$ 211,000	642,420
Individual and corporate contributions	186,929		186,929
In-kind income	229,758		229,758
Other	1,692		1,692
Program revenue	116,901		116,901
Special events, net direct expenses of \$102,880	369,968		369,968
United way contributions	30,000		30,000
NET ASSETS RELEASED FROM RESTRICTION			
	312,208	(312,208)	
TOTAL SUPPORT AND REVENUE	2,910,514	(101,208)	2,809,306
EXPENSES			
Program services	2,322,303		2,322,303
Management and general	276,785		276,785
Fundraising	199,110		199,110
TOTAL EXPENSES	2,798,198		2,798,198
INCREASE(DECREASE) IN NET ASSETS	112,316	(101,208)	11,108
NET ASSETS, AT BEGINNING OF YEAR	309,551	151,871	461,422
NET ASSETS, AT END OF YEAR	\$ 421,867	\$ 50,663	\$ 472,530

See Independent Auditors' Report and Notes to the Financial Statements

**BOYS & GIRLS CLUB OF CARSON
STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total
Auto expenses	\$ 21,696	\$ 2,636		\$ 24,332
Bank service charge	3,905	714		4,619
Computer	2,397	959		3,356
Conferences and meetings	6,002	4,616	\$ 183	10,801
Depreciation and amortization	55,211	3,492		58,703
Dues and subscriptions	14,238	13,385	1,815	29,438
Employee benefits	181,586	9,899	26,077	217,562
Insurance	13,119	11,982		25,101
In-kind	12,787	12,213		25,000
License and fees	786	120		906
Marketing	850	812	2,184	3,846
Office supplies	5,096	4,866	221	10,183
Payroll taxes	120,744	11,008	12,109	143,861
Postage	554	519	1,779	2,852
Printing	10,765	770	1,224	12,759
Professional fees	97,455	44,479		141,934
Program	389,291	1,642	6,761	397,694
Rent	43,096	1,190		44,286
Repairs and maintenance	8,656	1,933		10,589
Salaries and wages	1,308,362	141,105	146,739	1,596,206
Security	1,162	365		1,527
Special event expense			102,880	102,880
Telephone	8,563	4,350		12,913
Training	6,625	301	18	6,944
Utilities	9,357	3,429		12,786
Subtotal	<u>2,322,303</u>	<u>276,785</u>	<u>301,990</u>	<u>2,901,078</u>
Less:				
Direct donor benefit expense			<u>(102,880)</u>	<u>(102,880)</u>
Total	<u>\$ 2,322,303</u>	<u>\$ 276,785</u>	<u>\$ 199,110</u>	<u>\$ 2,798,198</u>

See Independent Auditors' Report and Notes to the Financial Statements

BOYS & GIRLS CLUB OF CARSON
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 11,108
Adjustments to reconcile change in net assets to net cash provided by operating activities"	
Depreciation expense	58,703
(Increase) decrease in:	
Accounts Receivable	(46,427)
Grants Receivable	(7,673)
Prepaid Expenses	(17,755)
Increase (decrease) in:	
Accounts Payable	(21,979)
Accrued Vacation and Payroll Taxes	17,344
Accrued Liability	(15,191)
Unearned Revenue	(69,028)
NET CASH USED BY OPERATING ACTIVITIES	<u>(90,898)</u>
NET DECREASE IN CASH	(90,898)
CASH AT BEGINNING OF THE YEAR	<u>151,734</u>
CASH AT END OF YEAR	<u><u>\$ 60,836</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest expense	<u>NONE</u>
Income tax expense	<u><u>NONE</u></u>

See Independent Auditors' Report and Notes to the Financial Statements

BOYS & GIRLS CLUB OF CARSON
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Boys & Girls Club of Carson (the “Organization”) was formed to provide health, social, educational and vocational programs for the youth of the community.

The Organization was incorporated as a nonprofit organization under the laws of the State of California in August 1990. Operations and activities prior to that date have been accounted for as if such operations and activities were those of the incorporated organization. In August 1990, the Organization became affiliated with the Boys’ Club of America. The cost of this affiliation is an annual fee based on the total operating expenditures for the fiscal year minus deductions.

Basis of Accounting

The Organization uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The accompanying financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles accepted in the United States of America. Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets are classified and reported as:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

With Donor Restrictions – Those resources subject to donor imposed restrictions that will be satisfied by action of the Organization or by the passage of time.

The Organization has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

BOYS & GIRLS CLUB OF CARSON
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

Generally accepted accounting principles (GAAP) define fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Grant Receivables and Revenues

Grant revenues earned, but not received, are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as refundable advances. Grant expenditures are recorded when the liability is incurred.

Allowance for Doubtful Accounts

The Organization has not established an allowance for doubtful accounts because management considers its receivables to be fully collectible.

Furniture and Equipment

Furniture and equipment are carried at cost or if donated, at the fair market value at date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of three to five years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repairs and maintenance are expensed as incurred.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or the nature of any donor restrictions. Restrictions met in the same reporting period are reported as unrestricted support.

Donated Services

A substantial number of businesses and unpaid volunteers have made significant contributions of time to the Organization's fundraising, and operations. Contributed services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

BOYS & GIRLS CLUB OF CARSON
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials

Donated materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations or fundraising expenses as appropriate.

Functional Allocation of Expenses

The costs of providing the Organization's program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Income Tax Status

The Organization has qualified for tax-exempt status under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701(d). The Organization has also been classified by the Internal Revenue Service as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(c)(2). Income for certain activities not directly related the Organization's tax-exempt purpose is subject to taxation as unrelated business income. No provision for income taxes has been made in the accompanying financial statements, however, since there is no unrelated business activity.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through September 13, 2019, which represents the date the financial statements were available to be issued.

NOTE 2 – FAIR VALUE MEASUREMENTS

GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and defines fair value as the price 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. As a basis for considering market participant assumptions in fair market value measurements, GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices in active market for identical assets or liabilities that we have the ability to access. Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

BOYS & GIRLS CLUB OF CARSON
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 2 – FAIR VALUE MEASUREMENTS (Continued)

Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability, such as interest rates, that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based upon inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair values measured on a recurring basis

Fair values of assets measured on a recurring basis at June 30, 2019, are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Funds held for long-term purposes	\$ <u>169,476</u>	\$ <u>169,476</u>

Fair values for funds held for long-term purposes are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 3 – FURNITURE AND EQUIPMENT, net

Furniture and equipment consist of the following at June 30, 2019:

Leasehold improvements	\$ 192,402
Vehicles	146,872
Machinery and equipment	308,020
Software	<u>3,002</u>
	650,296
Less: accumulated depreciation & amortization	(<u>536,654</u>)
 Furniture and equipment, net of accumulated depreciation & amortization	 \$ <u>113,642</u>

Depreciation expense for the year ended June 30, 2019, was \$58,703.

**BOYS & GIRLS CLUB OF CARSON
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2019

NOTE 4 – ACCRUED VACATION

The Organization accrues a liability for all employee vacation time and compensated time off which has been earned but not paid. As of June 30, 2019, accrued vacation balance totaled \$46,421.

NOTE 5 – NET ASSETS

Board designated unrestricted net assets

The Organization’s board of directors has designated \$61,719 for a future building. This amount is held in a savings account and is commingled with temporarily restricted funds also earmarked for the building.

Temporarily restricted net assets

Temporarily restricted net assets are either time restricted or purpose restricted for programs and other. Temporarily restricted net asset at June 30, 2019, are for the following programs:

STEM Programs	\$ <u>50,663</u>
	\$ <u>50,663</u>

NOTE 6 – IN-KIND DONATIONS

The Organization received in-kind donations to support program activities for the year ended June 30, 2019, and are reflected in the financial statements as follows:

In-kind lunches and snacks	\$ 204,758
In-kind rent	<u>25,000</u>
	<u>\$ 229,758</u>

NOTE 7 – SPECIAL EVENTS

The Organization conducts special events and a campaign in order to assist in the program operations. All events are conducted in accordance with applicable federal, state, and local laws and ordinances. All revenues received from such events in excess of expenses are used for the program operations.

Special events and camping revenue and expenses are as follows for the year ended June 30, 2019:

	<u>Gross Revenue</u>	<u>Direct Expenses</u>	<u>Net</u>
Kids’ Fest Auction	<u>\$ 472,848</u>	<u>(\$ 102,880)</u>	<u>\$ 369,968</u>

**BOYS & GIRLS CLUB OF CARSON
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2019

NOTE 8 – PENSION PLAN

The Organization participates in the voluntary tax deferred annuity plan through the Boys' Club of America. Under the plan, the Boys & Girls Club of Carson may contribute up to 10% of compensation for eligible full-time employees. Contributions to the plan by the Organization were \$95,353 for the year ended June 30, 2019.

NOTE 9 – LEASE COMMITMENTS

The Organization is leasing its Main Street Clubhouse facility in Carson under the terms of an operating lease. Lease payments for the year were approximately \$3,400 for the first six months of the fiscal year and \$3,550 per month through June 30, 2019.

In October 2017, the Club entered into two lease agreements for administrative facilities in Long Beach under the terms of operating leases. The lease terms commenced October 1, 2017 and expired September 30, 2019. Lease payments are approximately \$10 and \$1 per month, respectively, until the expiration of the lease terms. The monthly rental value of the facility in Long Beach has been estimated by the lessor at approximately \$2,083 per month. The club recorded the \$25,000 to in-kind income and rent expense during the year ended June 30, 2019. The amount of rental expense not in-kind totaled \$11 per month for the fiscal period covered. Total rental expense for the year ending June 30, 2019, was \$41,982.

The Organization is obligated under an operating lease for the rent of office equipment. The lease term is for a period of 60 months beginning October 2017.

The future lease minimum payments for fiscal years ended June 30 are as follows:

<u>Fiscal Year Ended</u>	<u>Equipment</u>	<u>Facilities</u>
2020	3,810	10,650
2021	3,810	
2022	3,810	
2023	953	
	<u>\$ 12,383</u>	<u>\$ 10,650</u>

BOYS & GIRLS CLUB OF CARSON
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 10 – CONTINGENCY AND CONCENTRATION

Grants and contracts

The Organization receives grants that have various compliance requirements which management believes have been adhered to in all material requests. The Organization is located in Carson, California, and its operations are largely dependent upon the local economy.

FDIC

The Organization maintains its cash and cash equivalents in financial institutions, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash equivalents. Cash deposited in financial institutions differs from cash presented in the statement of financial position due to timing differences.

NOTE 11 – LIQUIDITY AND AVAILABILITY

The Organization maintains and manages adequate operating funds per policies set by the board of directors.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$230,312
Less Cash Held With Restriction	<u>(50,663)</u>
Total	<u><u>\$179,649</u></u>