

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Financial Statements
Year ended December 31, 2021

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Financial Statements
Year ended December 31, 2021

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Independent Auditor's Report

Board of Directors
Boys and Girls Club of Laguna Beach
Laguna Beach, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Boys and Girls Club of Laguna Beach, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Boys and Girls Club of Laguna Beach as of December 31, 2021 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Boys and Girls Club of Laguna Beach, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Boys and Girls Club of Laguna Beach's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Boys and Girls Club of Laguna Beach's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boys and Girls Club of Laguna Beach's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Boys and Girls Club of Laguna Beach's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
April 6, 2022

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Statement of Financial Position
December 31, 2021
(with comparative information for prior year)

	2021	2020
Assets:		
Cash and cash equivalents (note 2c)	\$ 1,141,025	203,091
Accounts receivable	99,827	20,314
Investments (note 3)	1,689,458	1,566,797
Pledges receivable, net (note 4)	52,395	76,534
Prepaid expenses	85,569	65,668
Property and equipment, net (note 5)	1,803,734	1,739,686
Total assets	\$ 4,872,008	3,672,090
Current Liabilities:		
Accounts payable	\$ 53,714	38,359
Accrued expenses	72,883	51,877
Deferred revenue	58,037	22,113
Loans payable, current (note 12)	68,733	216,990
Total current liabilities	253,367	329,339
Long-Term Liabilities:		
Loans payable, noncurrent (note 12)	768,312	140,093
Total liabilities	1,021,679	469,432
Net Assets:		
Without donor restrictions	2,398,509	1,898,808
With donor restrictions (note 10)	1,451,820	1,303,850
Total net assets	3,850,329	3,202,658
Total liabilities and net assets	\$ 4,872,008	3,672,090

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Statement of Activities
Year ended December 31, 2021
(with comparative information for prior year)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2021	2020
Support and Revenue:				
Contributions (note 8)	\$ 950,016	187,471	1,137,487	1,025,198
Government grants (note 8)	80,000	-	80,000	79,000
Donated materials and services (note 2k)	30,870	-	30,870	-
Memberships	77,485	-	77,485	46,758
Program activities	842,152	-	842,152	390,981
Miscellaneous revenue	1,095	-	1,095	1,105
Investment income, net (note 3)	37,056	121,004	158,060	204,869
Special events, net of direct expenses (note 14)	620,832	-	620,832	207,592
PPP loan forgiveness	300,000	-	300,000	-
Support provided by expiring restrictions	160,505	(160,505)	-	-
Total support and revenues	<u>3,100,011</u>	<u>147,970</u>	<u>3,247,981</u>	<u>1,955,503</u>
Expenses:				
Program Services:				
Art	53,644	-	53,644	48,798
Basketball	10,063	-	10,063	12,451
Main branch	1,059,361	-	1,059,361	841,451
Preschool	202,608	-	202,608	148,424
Snack bar	14,528	-	14,528	16,920
Teen center	55,337	-	55,337	76,868
Bluebird branch	361,858	-	361,858	285,674
The Port	52,395	-	52,395	4,564
Lake Forest	174,980	-	174,980	76,101
Oxford Saddleback Valley	111,692	-	111,692	20,587
Oxford South Orange County	81,111	-	81,111	30,655
Total program services expenses	<u>2,177,577</u>	<u>-</u>	<u>2,177,577</u>	<u>1,562,493</u>
Supporting services:				
General and administrative	175,742	-	175,742	254,057
Fundraising	246,991	-	246,991	397,548
Total supporting services expenses	<u>422,733</u>	<u>-</u>	<u>422,733</u>	<u>651,605</u>
Total expenses	<u>2,600,310</u>	<u>-</u>	<u>2,600,310</u>	<u>2,214,098</u>
Change in net assets	499,701	147,970	647,671	(258,595)
Net assets at beginning of year	<u>1,898,808</u>	<u>1,303,850</u>	<u>3,202,658</u>	<u>3,461,253</u>
Net assets at end of year	<u>\$ 2,398,509</u>	<u>1,451,820</u>	<u>3,850,329</u>	<u>3,202,658</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Statement of Functional Expenses
Year ended December 31, 2021
(with comparative information for prior year)

	Program Services								
	Art	Basketball	Main Branch	Preschool	Snack Bar	Teen Center	Bluebird Branch	The Port	Lake Forest
Salaries and wages	\$ 39,553	-	613,204	139,814	9,564	41,579	270,902	26,857	130,985
Employee benefits	2,785	-	21,193	12,718	-	2,627	8,999	-	494
Payroll taxes	3,274	-	50,879	10,897	970	3,679	23,224	2,367	11,754
Subtotal	45,612	-	685,276	163,429	10,534	47,885	303,125	29,224	143,233
Repairs and maintenance	-	-	59,479	701	280	56	1,167	854	1,553
Program supplies	2,276	8,520	65,648	16,892	-	1,366	5,914	3,918	5,152
Public relations	-	-	1,593	10	-	-	-	-	124
Office supplies	28	-	7,687	66	-	172	17	35	31
Merchandise expense	-	-	-	-	1,703	-	970	198	848
Training and staff development	-	-	25,091	224	-	-	337	109	105
Dues and subscriptions	336	-	5,050	1,204	78	353	2,234	215	1,213
Professional services	-	1,543	-	-	-	-	-	-	-
Telephone	464	-	8,749	1,661	107	487	5,089	2,743	2,541
Insurance	2,306	-	37,445	8,134	540	2,447	14,946	1,807	6,937
Advertising and printing	-	-	893	-	-	-	-	-	-
Donated facilities	-	-	-	-	-	-	14,270	11,700	-
Utilities and janitorial	2,134	-	28,976	7,645	493	2,240	2,276	505	76
Depreciation	488	-	109,751	986	131	331	4,252	359	8,291
Automobile	-	-	11,239	393	-	-	816	728	3,366
Miscellaneous expense	-	-	12,484	1,263	662	-	6,445	-	1,510
Total expenses	53,644	10,063	1,059,361	202,608	14,528	55,337	361,858	52,395	174,980
Direct benefit to donors at special events	-	-	-	-	-	-	-	-	-
	<u>\$ 53,644</u>	<u>10,063</u>	<u>1,059,361</u>	<u>202,608</u>	<u>14,528</u>	<u>55,337</u>	<u>361,858</u>	<u>52,395</u>	<u>174,980</u>

See accompanying notes to financial statements

	Program Services			Supporting Services			Totals	
	Oxford	Oxford	Subtotal	General and		Subtotal	2021	2020
	SV	SOC		Administrative	Fundraising			
Salaries and wages	91,361	67,816	1,431,635	90,273	165,307	255,580	1,687,215	1,424,792
Employee benefits	1,585	49	50,450	16,105	13,406	29,511	79,961	121,242
Payroll taxes	7,988	6,472	121,504	6,005	12,951	18,956	140,460	114,053
Subtotal	100,934	74,337	1,603,589	112,383	191,664	304,047	1,907,636	1,660,087
Repairs and maintenance	271	272	64,633	-	5,019	5,019	69,652	90,244
Program supplies	1,996	776	112,458	-	-	-	112,458	69,088
Public relations	-	-	1,727	1,779	192,303	194,082	195,809	28,341
Office supplies	36	-	8,072	-	1,227	1,227	9,299	7,909
Merchandise expense	411	-	4,130	-	-	-	4,130	2,944
Training and staff development	-	-	25,866	671	1,044	1,715	27,581	10,658
Dues and subscriptions	744	548	11,975	828	1,412	2,240	14,215	12,859
Professional services	-	-	1,543	29,530	-	29,530	31,073	32,020
Telephone	828	886	23,555	1,143	1,948	3,091	26,646	22,790
Insurance	4,944	3,579	83,085	6,006	10,759	16,765	99,850	62,342
Advertising and printing	-	-	893	-	-	-	893	268
Donated facilities	-	-	25,970	-	-	-	25,970	13,860
Utilities and janitorial	24	-	44,369	5,257	12,046	17,303	61,672	46,677
Depreciation	-	-	124,589	-	-	-	124,589	108,280
Automobile	216	27	16,785	3	363	366	17,151	9,067
Miscellaneous expense	1,288	686	24,338	18,142	4,851	22,993	47,331	53,629
Total expenses	111,692	81,111	2,177,577	175,742	422,636	598,378	2,775,955	2,231,063
Direct benefit to donors at special events	-	-	-	-	(175,645)	(175,645)	(175,645)	(16,965)
	<u>111,692</u>	<u>81,111</u>	<u>2,177,577</u>	<u>175,742</u>	<u>246,991</u>	<u>422,733</u>	<u>2,600,310</u>	<u>2,214,098</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH**Statement of Cash Flows****Year ended December 31, 2021****(with comparative information for prior year)**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 647,671	(258,595)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	124,589	108,280
Unrealized (gain) loss on investments	(103,365)	(162,503)
Forgiveness of PPP loan	(300,000)	-
(Increase) decrease in accounts receivable	(79,513)	28,739
(Increase) decrease in pledges receivable	24,139	(26,124)
(Increase) decrease in prepaid expenses	(19,901)	(25,090)
Increase (decrease) in accounts payable	15,355	(26,492)
Increase (decrease) in accrued expenses	21,006	(44,058)
Increase (decrease) in deferred revenue	<u>35,924</u>	<u>(18,943)</u>
Net cash provided (used) by operating activities	<u>365,905</u>	<u>(424,786)</u>
Cash flows from investing activities:		
Purchase of fixed assets	(188,637)	(10,668)
Purchase of investments	(435,148)	(666,843)
Proceeds from sale of investments	<u>415,852</u>	<u>823,849</u>
Net cash flows provided (used) by investing activities	<u>(207,933)</u>	<u>146,338</u>
Cash flows from financing activities:		
Loan proceeds	845,241	300,756
Payments on long term debt	<u>(65,279)</u>	<u>(13,673)</u>
Net cash flows provided (used) by financing activities	<u>779,962</u>	<u>287,083</u>
Net increase (decrease) in cash and cash equivalents	937,934	8,635
Cash and cash equivalents at beginning of year	<u>203,091</u>	<u>194,456</u>
Cash and cash equivalents at end of year	<u>\$ 1,141,025</u>	<u>203,091</u>
Noncash Investing and Financing Activities:		
Forgiveness of PPP loan	<u>\$ 300,000</u>	<u>-</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(1) Nature of Organization

The Boys and Girls Club of Laguna Beach ("Club") was incorporated in the State of California in the year 1954 as a nonprofit corporation organized under section 501(c)(3) of the Internal Revenue Code. The specific and primary purpose was to operate an educational and recreational club for boys and girls in the Laguna Beach area in order to promote their physical, mental, and moral wellbeing. The majority of the Club's revenues are received in the forms of contributions and fundraising events as well as membership and program activity fees.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Club have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Club's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Club's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

(c) Cash and Cash Equivalents

The Club considers cash, demand deposits and money market funds to be cash and cash equivalents. The following items on the Statement of Financial Position were considered cash and cash equivalents for purposes of the Statement of Cash Flows as of December 31, 2021:

Petty cash	\$	500
Money market funds		375,828
Demand deposits		<u>764,697</u>
	\$	<u>1,141,025</u>

These accounts may, at times, exceed federally insured limits. The Club's accounts exceeded the \$250,000 FDIC limit by \$893,479 at December 31, 2021. The Club has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalent.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(d) Investments

The Club's financial statements are presented in accordance with Accounting Standards Codification ASC 958-320, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under ASC 958-320, the Club is required to report certain information related to the fair value and type of investments held. Donated investments are recorded at the fair market value at the date of donation and thereafter carried in accordance with ASC 958-320. Net appreciation (depreciation) in the fair value of investments, which consists of the realized and unrealized gains or losses on those investments, is shown in the statement of activities. Investment income (loss) is allocated to investment accounts based on each account's respective average percentage of the total investment portfolio.

(e) Fair Value Measurements

The Club reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

When available, the Club measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Club is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

The primary uses of fair value measures in the Club's financial statements are:

- Initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- Recurring measurement of investments (note 3).

(f) Property and Equipment

Property and equipment are recorded at cost, or in the case of donated items, at estimated fair market value at the date of the gift. Maintenance and repairs are expensed when incurred and betterments are capitalized. Property and equipment are depreciated using the straight-line method over their estimated useful lives of three to forty-five years. It is the policy of the Club to capitalize all assets \$1,000 and greater.

(g) Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Club must continue to use the resources in accordance with the donor's instructions.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

The Club's unspent contributions are included in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

(h) Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

(i) Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

(j) Revenue from Contracts With Customers

Revenue from contracts with customers is recorded based on the accrual basis of accounting and is derived primarily from the Club's program revenue. All of the Club's revenue from contracts with customers is from performance obligations satisfied over time and is derived from contracts with an initial expected duration of one year or less. Prices are specific to distinct performance obligations and do not consist of multiple transactions. The following revenue categories fall under revenue from contracts with customers; program fees and membership dues.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(k) Donated Materials, Services and Facilities

Donated materials and other noncash contributions, if received, would be reflected in the accompanying statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value. For year ended December 31, 2021, the Club recognized \$30,870 in donated materials.

On July 1, 2013, the Club entered into a ten-year lease agreement with the City of Laguna Beach for the land under the Bluebird location at Bluebird Park for rent of \$1 a year. A contribution receivable is recorded for the difference between the fair value of the land at the date of the agreement and the amount paid. The fair value of the land was calculated at \$13 per sq. ft. based on appraisal information of the value of donated land for childcare purposes. The original contribution receivable of \$133,000, net of a present value discount, will be recognized as donated use of facilities over the term of the lease. For the year ended December 31, 2021, the Club recognized \$14,270 of expense related to the lease.

(l) Deferred Revenue

Membership dues are reported as income when earned. Amounts received or billed in advance, but not earned, are reported as deferred revenue. As of December 31, 2021, unearned membership dues were \$51,149.

Students are able to have funds load onto their Snack Bar accounts. Amounts deposited into the student's accounts are used as credit for purchasing items at the Snack Bar. The Club recognizes the revenue as earned when the students make a purchase at the Snack Bar. As of December 31, 2021, Snack Bar deposits were \$6,888.

(m) Income Taxes

The Boys and Girls Club of Laguna Beach is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State Revenue and Taxation Code, respectively. The Club's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they are filed. The Club's Forms 199, California Exempt Organization Annual Information Return, are subject to examination by the Franchise Tax Board, generally for four years after they are filed.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(n) Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants.

(o) Expense Recognition and Allocation

The cost of providing the Club's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by the CFO.
- Dues and subscriptions, depreciation and interest are allocated based on employee wages for each program and supporting activity.
- Telephone and internet services, insurance, utilities and janitorial, and miscellaneous expenses that cannot be directly identified are allocated based on employee wages for each program and supporting activity.

Each year during the budget process or when program areas are added, the bases on which costs are allocated are evaluated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Club.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Club generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising.

(p) Advertising Costs

Advertising costs are expensed as incurred by the Club. Total advertising costs for the year ended December 31, 2021 were \$893.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(q) Endowments

The Club's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. However, only donor-restricted funds are shown as "with donor restrictions".

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Club has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Club classifies the following as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted funds are classified as "with donor restrictions" until those amounts are appropriated for expenditure by the Club in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Club considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Club, and (7) the Club's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Club has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Donor endowed and quasi-endowment assets are invested in a manner

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

that is intended to provide sufficient liquidity to make an annual distribution of approximately 7%, while growing the funds if possible. Actual returns in any given year may vary from this amount.

Spending Policy

Funds available for distribution during each year are limited to 7% of its endowment fund's average fair value of the prior 3 years through the third quarter of the fiscal year in which the distribution is planned. In establishing this policy, the Club considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. Accordingly, over the long term, the Club expects the current spending policy to allow its endowment to grow at a minimum of 5% annually.

This is consistent with the Club's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

(r) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. Certain reclassifications have been made to prior year amounts to conform to the current year presentation. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Club's prior year financial statements, from which this selected financial data was derived.

(3) Investments

Fair values of investments measured on a recurring basis at December 31, 2021:

	Fair Value	Quoted Prices In Active for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bond funds	\$ 521,861	521,861	-	-
Equity funds	528,732	528,732	-	-
Exchange traded funds	638,865	638,865	-	-
Total	<u>\$ 1,689,458</u>	<u>1,689,458</u>	<u>-</u>	<u>-</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(3) Investments (Continued)

Investment income (loss) for the year ended December 31, 2021 consisted of the following:

Investment income (loss):	
Interest and dividend income	\$ 33,643
Unrealized gain (loss)	103,365
Realized gain (loss)	32,903
Investment fees	<u>(11,851)</u>
Total	<u>\$ 158,060</u>

(4) Pledges Receivable

Pledges receivable are expected to be collected as follows:

Less than one year	\$ 52,395
Total	<u>\$ 52,395</u>

Changes in pledges receivable for the year ended December 31, 2021 were as follows:

Pledges receivable at beginning of year	\$ 76,534
New pledges	30,115
Payments received	<u>(54,254)</u>
Pledges receivable at year end	<u>\$ 52,395</u>

(5) Property and Equipment

Property and equipment at December 31, 2021 are summarized as follows:

Land	\$ 112,710
Playfield and equipment	2,474
Furniture and equipment	213,953
Automotive equipment	166,785
Building and improvements	<u>3,579,098</u>
Total property and equipment	4,075,020
Less: Accumulated depreciation	<u>(2,271,286)</u>
Net property and equipment	<u>\$ 1,803,734</u>

Depreciation and amortization expense was \$124,589 for the year.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(6) Employee Benefit Plan

Employees of the Club are eligible to participate in a defined contribution plan administered under the umbrella of the Boys and Girls Club of America. Total contributions to the plan by the Club for the year ended December 31, 2021 were \$18,959. The Club does not hold or manage plan assets and is not responsible for the administration or payment of benefits of the plan and, accordingly, the present value of the related vested benefits is not reflected in these financial statements.

(7) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,141,025
Accounts receivable	99,827
Investments	1,689,458
Pledges receivable, net	<u>52,395</u>
Total financial assets	<u>2,982,705</u>
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted endowment	(1,242,069)
Play Yard	(157,356)
Less financial assets not available within one year:	
Pledges receivable, net	(52,395)
Less board designations:	
Board-designated endowment	(315,920)
Amounts set aside for building reserve	<u>(71,158)</u>
Amount available for general expenditures within one year	<u>\$ 1,143,807</u>

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Club's intention to invest those resources for the long-term support of the organization. Note 11 provides more information about those funds and about the spending policies for all endowment funds. The Board of Directors also designates a portion of any operating surplus to its building reserve which, as of December 31, 2021, was \$71,158. Reserves may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(7) Liquidity and Availability (Continued)

As part of the liquidity management plan, the Club invests cash in excess of daily requirements in short-term investments when funds are available.

(8) Contribution Revenue

Contribution revenue for the year ended December 31, 2021, consisted of the following:

Corporate contributions	\$ 33,242
Foundation contributions	550,901
Government grants	80,000
Individual contributions	<u>553,344</u>
	<u>\$ 1,217,487</u>

(9) Lease Commitments

On July 15, 2020, the Club entered into a lease agreement for their Lang Teen Center ("The Port") location to provide for additional building space to conduct teen programs. The lease was extended up to June 30, 2022. The Club is required to make minimum monthly lease payments of \$875.

At December 31, 2021, the Club also leased certain office equipment under an operating lease agreement expiring on October 23, 2023. Future minimum lease payments are as follows for the building and equipment lease for the year ended December 31, 2021:

	2022	\$ 21,090
	2023	<u>13,200</u>
Total future minimum		
lease payments		<u>\$ 34,290</u>

Rental expenses for operating leases were \$27,506 for the year ended December 31, 2021.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2021:

Time restrictions:	
Pledges receivables, which are unavailable for spending until due, some of which are also purpose restricted	\$ 52,395
Total time restricted net assets	<u>52,395</u>
Purpose restrictions:	
Play Yard	<u>157,356</u>
Total purpose restricted net assets	<u>157,356</u>
Endowment funds:	
Donor-restricted endowment	<u>1,242,069</u>
Total endowment funds	<u>1,242,069</u>
Total net assets with donor restrictions	<u>\$ 1,451,820</u>

(11) Endowments

The Club's endowments were established either by donors (referred to as *donor-restricted endowment funds*) or by resources set aside by the Board of Directors to function as endowments (referred to as *board-designated endowment funds*). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The net asset composition of the endowment as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	1,242,069	1,242,069
Board-designated endowment funds	<u>315,920</u>	<u>-</u>	<u>315,920</u>
Total	<u>\$ 315,920</u>	<u>1,242,069</u>	<u>1,557,989</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(11) Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 286,379	1,173,064	1,459,443
Investment income	29,541	121,004	150,545
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(51,999)</u>	<u>(51,999)</u>
Endowment net assets, end of year	<u>\$ 315,920</u>	<u>1,242,069</u>	<u>1,557,989</u>

(12) Long-Term Liabilities

On April 1, 2021, the Club received a loan in the amount of \$300,000 from the U.S. Small Business Administration (SBA) pursuant to the Paycheck Protection Program (PPP). Payments on the loan are scheduled to commence on May 1, 2022 with monthly payments continuing on the first day of each month until the loan matures on April 1, 2026, at which time all unpaid principal and accrued interest are to be paid. Equal monthly payments are to be made in the amount of \$6,442. The loan bears interest at an annual rate of 1%. The first payment was subsequently deferred. The Club has the opportunity to have the PPP loan forgiven if all proceeds are used for forgivable purposes. Management believes the loan will meet the criteria for forgiveness. The loan forgiveness application was submitted to the SBA for approval in October 2021.

On May 3, 2021, the Club purchased a 2017 Ford Goshen to be used as a shuttle for the Club's activities. The Club received an auto financing loan to purchase the shuttle in the amount of \$45,341. The loan bears interest at an annual rate of 5.95%. Payments on the loan are scheduled to commence on June 3, 2021, with monthly payments continuing on the first day of each month until the loan matures on May 3, 2024, at which time all unpaid principal and accrued interest are to be paid.

On January 6, 2021, the Club received an Economic Injury Disaster Loan (EIDL) in the amount of \$149,900 from the U.S. Small Business Administration (SBA). The loan is secured by the Club's personal property. On October 7, 2021 the Club received a modification letter from the SBA approving them for an additional \$350,000 for the EIDL with the same terms. Payments on the loan are scheduled to commence on January 1, 2022 with monthly payments continuing each month until the loan matures on January 6, 2051, at which time all unpaid principal and accrued

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2021

(Continued)

(12) Long-Term Liabilities (Continued)

interest are to be paid. Equal monthly payments are to be made in the amount of \$2,231. The loan bears interest at an annual rate of 2.75%.

Loan maturities as of December 31, 2021 are as follows based on the terms of the loan agreements:

Year ending December 31,	Principal	Interest	Total
2022	\$ 68,733	20,385	89,118
2023	104,132	16,480	120,612
2024	96,436	14,541	110,977
2025	90,782	13,294	104,076
2026	40,268	12,281	52,549
Thereafter	436,694	143,451	580,145
Total payments	<u>\$ 837,045</u>	<u>220,432</u>	<u>1,057,477</u>

(13) Related Party Transactions

The Club holds the annual Gala event at the Montage Laguna Beach each year. A member of the Board is an employee at the Montage Laguna Beach.

At December 31, 2021, the Club had outstanding employee loans of \$2,955 which are included in accounts receivable in the accompanying Statement of Financial Position. The employee loans will be reimbursed to the Club through payroll deductions in the next fiscal year.

(14) Special Events

	Gala	Golf Tournament	The Ranch	Lake Forest Gala	Total
Special event revenue	\$ 609,287	51,817	205,377	79,018	945,499
Less direct expenses	<u>(155,175)</u>	<u>(22,921)</u>	<u>(126,772)</u>	<u>(19,799)</u>	<u>(324,667)</u>
Net support from special events	<u>\$ 454,112</u>	<u>28,896</u>	<u>78,605</u>	<u>59,219</u>	<u>620,832</u>

(15) Subsequent Events

Subsequent events have been evaluated by management through April 6, 2022, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.