

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**  
**Financial Statements**  
**Year ended December 31, 2023**

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**  
**Financial Statements**  
**Year ended December 31, 2023**

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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, 2023, 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, 2023, 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Irvine, California  
March 19, 2024

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**  
**Statement of Financial Position**  
**December 31, 2023**  
**(with comparative information for prior year)**

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents (note 2c)	\$ 1,398,253	1,355,297
Accounts receivable	96,970	135,616
Investments (note 3)	1,711,145	1,479,768
Contributions receivable, net (note 4)	228,900	81,088
Prepaid expenses	48,848	87,455
Operating lease right of use asset (note 9)	12,674	27,878
Property and equipment, net (note 5)	<u>1,732,984</u>	<u>1,811,517</u>
Total assets	<u>\$ 5,229,774</u>	<u>4,978,619</u>
Current Liabilities:		
Accounts payable	\$ 79,857	112,792
Accrued expenses	126,295	108,188
Deferred revenue	50,231	35,260
Operating lease liability, current (note 9)	13,020	15,201
Loans payable, current (note 12)	<u>13,405</u>	<u>15,623</u>
Total current liabilities	282,808	287,064
Long-Term Liabilities:		
Operating lease liability (note 9)	-	13,020
Loans payable, noncurrent (note 12)	<u>493,285</u>	<u>506,695</u>
Total liabilities	<u>776,093</u>	<u>806,779</u>
Net Assets:		
Without donor restrictions	3,085,173	2,876,066
With donor restrictions (note 10)	<u>1,368,508</u>	<u>1,295,774</u>
Total net assets	<u>4,453,681</u>	<u>4,171,840</u>
Total liabilities and net assets	<u>\$ 5,229,774</u>	<u>4,978,619</u>

See accompanying notes to financial statements

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**  
**Statement of Activities**  
**Year ended December 31, 2023**  
**(with comparative information for prior year)**

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2023	2022
Support and Revenue:				
Contributions (note 8)	\$ 762,028	99,875	861,903	951,990
Government grants (note 8)	308,398	-	308,398	493,753
In-kind contributions	-	243,000	243,000	27,000
Memberships	99,553	-	99,553	92,682
Program activities	1,734,714	-	1,734,714	1,357,887
Miscellaneous revenue	938	-	938	1,399
Investment income (loss), net (note 3)	83,821	134,303	218,124	(301,961)
Special events, net of direct expenses (note 14)	582,668	-	582,668	615,923
PPP loan forgiveness	-	-	-	300,000
Support provided by expiring restrictions	404,444	(404,444)	-	-
Total support and revenues	3,976,564	72,734	4,049,298	3,538,673
Expenses:				
Program Services:				
Art	52,162	-	52,162	53,711
Basketball	34,257	-	34,257	11,987
Main branch	1,411,545	-	1,411,545	1,327,715
Preschool	293,551	-	293,551	243,711
Snack bar	20,902	-	20,902	9,473
Teen center	91,386	-	91,386	52,851
Bluebird branch	506,613	-	506,613	438,527
The Port	113,758	-	113,758	119,428
Saddleback	234,949	-	234,949	237,394
Oxford Saddleback Valley	190,459	-	190,459	126,676
Oxford South Orange County	213,307	-	213,307	185,647
Total program services expenses	3,162,889	-	3,162,889	2,807,120
Supporting services:				
General and administrative	306,559	-	306,559	270,658
Fundraising	298,009	-	298,009	293,524
Total supporting services expenses	604,568	-	604,568	564,182
Total expenses	3,767,457	-	3,767,457	3,371,302
Change in net assets	209,107	72,734	281,841	167,371
Net assets at beginning of year	2,876,066	1,295,774	4,171,840	4,004,469
Net assets at end of year	\$ 3,085,173	1,368,508	4,453,681	4,171,840

See accompanying notes to financial statements

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**  
**Statement of Functional Expenses**  
**Year ended December 31, 2023**  
**(with comparative information for prior year)**

	Program Services								
	Art	Basketball	Main Branch	Preschool	Snack Bar	Teen Center	Bluebird Branch	The Port	Saddleback
Salaries and wages	\$40,355	-	772,193	199,554	2,846	63,374	371,965	41,142	189,627
Employee benefits	2,004	-	29,279	12,381	-	6,093	12,595	-	812
Payroll taxes	2,887	-	61,973	16,367	218	4,915	30,730	3,160	16,185
Subtotal	45,246	-	863,445	228,302	3,064	74,382	415,290	44,302	206,624
Repairs and maintenance	225	-	95,284	1,459	3,251	-	1,425	252	-
Program supplies	3,435	22,013	84,196	25,157	-	1,297	11,425	1,217	8,728
Public relations	-	32	13,156	263	-	-	192	-	-
Office supplies	-	-	6,738	18	-	97	454	66	493
Merchandise expense	-	-	-	-	13,632	-	2,426	25	510
Training and staff development	-	-	23,548	1,380	-	-	366	-	-
Dues and subscriptions	272	-	5,199	1,372	18	447	2,496	258	1,242
Professional services	236	12,212	7,060	1,191	16	388	2,166	224	1,077
Telephone	605	-	11,566	3,053	41	995	6,013	3,005	2,064
Insurance	2,143	-	41,023	11,065	142	3,446	19,667	2,065	9,864
Advertising and printing	-	-	2,295	-	-	-	-	-	-
Donated facilities	-	-	-	-	-	-	21,670	61,160	1,790
Utilities and janitorial	-	-	66,870	5,800	76	1,833	3,872	-	34
Depreciation and amortization	-	-	146,412	11,918	-	8,501	6,135	714	199
Automobile	-	-	24,935	489	-	-	1,757	470	714
Miscellaneous expense	-	-	19,818	2,084	662	-	11,259	-	1,610
Total expenses	52,162	34,257	1,411,545	293,551	20,902	91,386	506,613	113,758	234,949
Direct benefit to donors at special events	-	-	-	-	-	-	-	-	-
	<u>\$ 52,162</u>	<u>34,257</u>	<u>1,411,545</u>	<u>293,551</u>	<u>20,902</u>	<u>91,386</u>	<u>506,613</u>	<u>113,758</u>	<u>234,949</u>

See accompanying notes to financial statements

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**  
**Statement of Functional Expenses**  
**Year ended December 31, 2023**  
**(with comparative information for prior year)**

	Program Services			Supporting Services			Totals	
	Oxford SV	Oxford SOC	Subtotal	General and Administrative	Fundraising	Subtotal	2023	2022
Salaries and wages	154,680	178,077	2,013,813	158,063	176,682	334,745	2,348,558	2,103,791
Employee benefits	5,019	1,187	69,370	21,831	11,594	33,425	102,795	98,831
Payroll taxes	<u>12,641</u>	<u>15,579</u>	<u>164,655</u>	<u>12,085</u>	<u>14,312</u>	<u>26,397</u>	<u>191,052</u>	<u>170,451</u>
Subtotal	172,340	194,843	2,247,838	191,979	202,588	394,567	2,642,405	2,373,073
Repairs and maintenance	-	-	101,896	89	4,623	4,712	106,608	86,921
Program supplies	5,069	4,125	166,662	2,698	-	2,698	169,360	134,210
Public relations	-	-	13,643	7,954	16,060	24,014	37,657	203,405
Office supplies	43	-	7,909	4,979	861	5,840	13,749	11,234
Merchandise expense	27	-	16,620	-	-	-	16,620	10,160
Training and staff development	149	-	25,443	11,763	-	11,763	37,206	41,638
Dues and subscriptions	1,036	1,171	13,511	1,155	1,218	2,373	15,884	12,652
Professional services	899	1,016	26,485	18,505	65,159	83,664	110,149	45,505
Telephone	597	441	28,380	2,568	2,709	5,277	33,657	30,980
Insurance	8,099	9,332	106,846	8,524	9,552	18,076	124,922	109,509
Advertising and printing	-	-	2,295	-	-	-	2,295	2,554
Donated facilities	-	-	84,620	-	-	-	84,620	109,105
Utilities and janitorial	32	14	78,531	4,732	4,994	9,726	88,257	77,541
Depreciation and amortization	-	-	173,879	-	-	-	173,879	160,809
Automobile	108	134	28,607	718	-	718	29,325	29,893
Miscellaneous expense	<u>2,060</u>	<u>2,231</u>	<u>39,724</u>	<u>50,895</u>	<u>2,303</u>	<u>53,198</u>	<u>92,922</u>	<u>87,402</u>
Total expenses	190,459	213,307	3,162,889	306,559	310,067	616,626	3,779,515	3,526,591
Direct benefit to donors at special events	-	-	-	-	(12,058)	(12,058)	(12,058)	(155,289)
	<u>190,459</u>	<u>213,307</u>	<u>3,162,889</u>	<u>306,559</u>	<u>298,009</u>	<u>604,568</u>	<u>3,767,457</u>	<u>3,371,302</u>

See accompanying notes to financial statements



**BOYS AND GIRLS CLUB OF LAGUNA BEACH****Statement of Cash Flows****Year ended December 31, 2023****(with comparative information for prior year)**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 281,841	167,371
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	158,675	145,604
Unrealized (gain) loss on investments	(159,631)	331,846
Forgiveness of PPP loan	-	(300,000)
Reduction in the carrying amount of right-of-use assets - operating leases	15,204	15,204
(Increase) decrease in accounts receivable	38,646	(35,789)
(Increase) decrease in contributions receivable	(147,812)	125,447
(Increase) decrease in prepaid expenses	38,607	(1,886)
Increase (decrease) in accounts payable	(32,935)	59,078
Increase (decrease) in accrued expenses	18,107	35,305
Increase (decrease) in deferred revenue	14,971	(22,777)
Increase (decrease) in lease liability	(15,201)	(14,861)
Net cash provided (used) by operating activities	<u>210,472</u>	<u>504,542</u>
Cash flows from investing activities:		
Purchase of fixed assets	(80,142)	(153,387)
Purchase of investments	(255,059)	(344,751)
Proceeds from sale of investments	<u>183,313</u>	<u>222,595</u>
Net cash flows provided (used) by investing activities	<u>(151,888)</u>	<u>(275,543)</u>
Cash flows from financing activities:		
Payments on long term debt	<u>(15,628)</u>	<u>(14,727)</u>
Net cash flows provided (used) by financing activities	<u>(15,628)</u>	<u>(14,727)</u>
Net increase (decrease) in cash and cash equivalents	42,956	214,272
Cash and cash equivalents at beginning of year	<u>1,355,297</u>	<u>1,141,025</u>
Cash and cash equivalents at end of year	<u>\$ 1,398,253</u>	<u>1,355,297</u>
Noncash Investing and Financing Activities:		
Forgiveness of PPP loan	<u>\$ -</u>	<u>300,000</u>

See accompanying notes to financial statements

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**

**Notes to the Financial Statements**

**Year ended December 31, 2023**

**(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, 2023:

Petty cash	\$	235
Money market funds		414,474
Demand deposits		983,544
		<u>\$ 1,398,253</u>

These accounts may, at times, exceed federally insured limits. The Club's accounts exceeded the \$250,000 FDIC limit by \$1,097,110 at December 31, 2023. 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, 2023

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

#### (d) Receivables

Accounts receivable consist primarily of noninterest-bearing amounts due for program services. We determine the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2023, there was no allowance for uncollectible accounts receivable.

#### (e) Contributions Receivable

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2023, there was no allowance for uncollectible contributions receivable.

#### (f) Investments

The Club records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

#### (g) Fair Value Measurements

The Club reports fair value measures of certain 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.

# BOYS AND GIRLS CLUB OF LAGUNA BEACH

## Notes to the Financial Statements

Year ended December 31, 2023

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

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).

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).

#### (h) Property and Equipment

Property and equipment are recorded at cost, or in the case of donated items, at estimated fair 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.

#### (i) Leases

The Club determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Club does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**

**Notes to the Financial Statements**

**Year ended December 31, 2023**

**(Continued)**

**(2) Summary of Significant Accounting Policies (Continued)**

(j) 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.

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.

(k) 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.

# BOYS AND GIRLS CLUB OF LAGUNA BEACH

## Notes to the Financial Statements

Year ended December 31, 2023

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

#### (l) Accounting for Contributions

In June 2018, FASB issued ASU No. 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (ASC Topic 958). This standard applies to all entities that receive or make contributions and was issued to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in the standard should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, Not for Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

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.

#### (m) 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.

#### (n) In-Kind Contributions

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.

# BOYS AND GIRLS CLUB OF LAGUNA BEACH

## Notes to the Financial Statements

Year ended December 31, 2023

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

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.

On July 1, 2023, 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 \$243,000, 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, 2023, the Club recognized \$21,670 of expenses related to the lease.

#### (o) 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, 2023, unearned membership dues were \$40,957.

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, 2023, Snack Bar deposits were \$9,274.

#### (p) 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.

#### (q) 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.

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**

**Notes to the Financial Statements**

**Year ended December 31, 2023**

**(Continued)**

**(2) Summary of Significant Accounting Policies (Continued)**

(r) 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.

(s) Advertising Costs

Advertising costs are expensed as incurred by the Club. Total advertising costs for the year ended December 31, 2023 were \$2,295.

(t) 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".



**BOYS AND GIRLS CLUB OF LAGUNA BEACH**

**Notes to the Financial Statements**

**Year ended December 31, 2023**

**(Continued)**

**(2) Summary of Significant Accounting Policies (Continued)**

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 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.

# BOYS AND GIRLS CLUB OF LAGUNA BEACH

## Notes to the Financial Statements

Year ended December 31, 2023

(Continued)

### (2) Summary of Significant Accounting Policies (Continued)

#### 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.

#### (u) 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 accounting principles generally accepted in the United States of America (GAAP). 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, 2023:

	Fair Value	Quoted Prices In Active for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bond funds	\$ 545,676	545,676	-	-
Equity funds	419,411	419,411	-	-
Exchange traded funds	746,058	746,058	-	-
Total	<u>\$ 1,711,145</u>	<u>1,711,145</u>	<u>-</u>	<u>-</u>

# BOYS AND GIRLS CLUB OF LAGUNA BEACH

## Notes to the Financial Statements

Year ended December 31, 2023

(Continued)

### (3) Investments (Continued)

Investment income (loss) for the year ended December 31, 2023 consisted of the following:

Interest and dividend income	\$ 62,981
Unrealized gain (loss)	159,631
Realized gain (loss)	7,569
Investment fees	<u>(12,057)</u>
Total	<u>\$ 218,124</u>

### (4) Contributions Receivable

Contributions receivable are expected to be collected as follows:

Less than one year	\$ 20,260
One to five years	89,510
Greater than five years	<u>119,130</u>
Total	<u>\$ 228,900</u>

Changes in contributions receivable for the year ended December 31, 2023 were as follows:

Contributions receivable at beginning of year	\$ 81,088
New contributions	243,000
Contributions received	(81,088)
Change in present value	<u>(14,100)</u>
Contributions receivable at year end	<u>\$ 228,900</u>

### (5) Property and Equipment

Property and equipment at December 31, 2023 are summarized as follows:

Land	\$ 112,710
Playfield and equipment	49,818
Furniture and equipment	206,795
Automotive equipment	169,667
Building and improvements	<u>3,314,285</u>
Total property and equipment	3,853,275
Less: Accumulated depreciation	<u>(2,120,291)</u>
Net property and equipment	<u>\$ 1,732,984</u>

Depreciation expense was \$158,675 for the year.

# BOYS AND GIRLS CLUB OF LAGUNA BEACH

## Notes to the Financial Statements

Year ended December 31, 2023

(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, 2023 were \$24,115. 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, 2023 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,398,253
Accounts receivable	96,970
Investments	1,711,145
Contributions receivable	<u>228,900</u>
Total financial assets	3,435,268
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted endowment	(1,039,733)
Bluebird	(99,875)
Less board designations:	
Board-designated endowment	(466,213)
Amounts set aside for building reserve	<u>(368,765)</u>
Amount available for general expenditures within one year	<u>\$ 1,460,682</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, 2023, was \$368,765. 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.

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

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**

**Notes to the Financial Statements**

**Year ended December 31, 2023**

**(Continued)**

**(8) Contribution Revenue**

Contribution revenue for the year ended December 31, 2023, consisted of the following:

Corporate contributions	\$	18,655
Foundation contributions		415,746
Government grants		551,398
Individual contributions		<u>184,502</u>
	\$	<u>1,170,301</u>

**(9) Leases**

The Club leases certain office equipment at various terms under long-term non-cancelable operating lease agreements which expires on October 23, 2024. The Club includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Club elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

The future minimum lease payments under noncancellable operating leases with terms greater than one year are listed below as of December 31, 2023:

	<u>December 31,</u>	
	2024	\$ <u>13,200</u>
Total lease payments		13,200
Less interest		<u>(180)</u>
Present value of lease liabilities		\$ <u>13,020</u>

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**

**Notes to the Financial Statements**

**Year ended December 31, 2023**

**(Continued)**

**(10) Net Assets With Donor Restrictions**

Net assets with donor restrictions consisted of the following as of December 31, 2023:

Time restrictions:

Contributions receivable, which are unavailable for spending until due, some of which are also purpose restricted	\$ 228,900
Total time restricted net assets	<u>228,900</u>

Purpose restrictions:

Bluebird	<u>99,875</u>
Total purpose restricted net assets	<u>99,875</u>

Endowment funds:

Donor-restricted endowment	<u>1,039,733</u>
Total endowment funds	<u>1,039,733</u>

Total net assets with donor restrictions	<u>\$ 1,368,508</u>
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**(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, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	\$ -	1,039,733	1,039,733
Board-designated endowment funds	<u>466,213</u>	<u>-</u>	<u>466,213</u>
Total	<u>\$ 466,213</u>	<u>1,039,733</u>	<u>1,505,946</u>

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**

**Notes to the Financial Statements**

**Year ended December 31, 2023**

**(Continued)**

**(11) Endowments (Continued)**

Changes in endowment net assets for the year ended December 31, 2023 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 409,078	961,587	1,370,665
Contributions	-	-	-
Investment income (loss)	57,135	134,303	191,438
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(56,157)</u>	<u>(56,157)</u>
Endowment net assets, end of year	<u>\$ 466,213</u>	<u>1,039,733</u>	<u>1,505,946</u>

**(12) Long-Term Liabilities**

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 began 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 began 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 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, 2023 are as follows based on the terms of the loan agreements:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 13,405	13,811	27,215
2025	13,374	13,398	26,773
2026	13,747	13,025	26,772
2027	14,130	12,642	26,772
2028	14,523	12,249	26,772
Thereafter	<u>437,511</u>	<u>144,119</u>	<u>581,630</u>
Total payments	<u>\$ 506,690</u>	<u>209,244</u>	<u>715,934</u>

**BOYS AND GIRLS CLUB OF LAGUNA BEACH**

**Notes to the Financial Statements**

**Year ended December 31, 2023**

**(Continued)**

**(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, 2023, the Club had outstanding employee loans of \$3,779 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**

	<u>Gala</u>	<u>Golf Tournament</u>	<u>The Ranch</u>	<u>Lake Forest Gala</u>	<u>Total</u>
Special event revenue	\$ 610,217	67,038	222,490	48,603	948,348
Less direct expenses	<u>(221,560)</u>	<u>(31,686)</u>	<u>(98,449)</u>	<u>(13,985)</u>	<u>(365,680)</u>
Net support from special events	<u>\$ 388,657</u>	<u>35,352</u>	<u>124,041</u>	<u>34,618</u>	<u>582,668</u>

**(15) Subsequent Events**

Subsequent events have been evaluated by management through March 19, 2024, 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.