

Audited Financial Statements



**BOYS & GIRLS CLUB
OF HOLLYWOOD**

December 31, 2014

Quigley & Miron

Boys and Girls Club of Hollywood
Audited Financial Statements
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December 31, 2014

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Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 317
528 Arizona Avenue
Santa Monica, California 90401

Telephone: (310) 394-6687
Facsimile: (310) 394-6027

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors
Boys and Girls Club of Hollywood
Hollywood, California

We have audited the accompanying financial statements of the Boys and Girls Club of Hollywood, a nonprofit organization, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, 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 fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boys and Girls Club of Hollywood as of December 31, 2014, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of the Boys and Girls Club of Hollywood as of December 31, 2013, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Zwigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
April 30, 2015

**Boys and Girls Club of Hollywood
Statement of Financial Position
December 31, 2014
(with comparative totals for 2013)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 256,425	\$ 762,707	\$ 1,019,132	\$ 334,906
Investments—Note 2	289,778		289,778	367,659
Grants receivable—Note 4		1,610,000	1,610,000	4,500
Contracts receivable—Note 4	225,473		225,473	46,491
Other current assets	811		811	1,385
Total Current Assets	772,487	2,372,707	3,145,194	754,941
Property and Equipment, Net—Note 5	4,343,274		4,343,274	3,840,004
Total Assets	<u>\$ 5,115,761</u>	<u>\$ 2,372,707</u>	<u>\$ 7,488,468</u>	<u>\$ 4,594,945</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 255,845	\$	\$ 255,845	\$ 18,815
Employee benefits payable	78,960		78,960	63,526
Deposits	5,500		5,500	5,500
Total Current Liabilities	340,305		340,305	87,841
Net Assets	4,775,456	2,372,707	7,148,163	4,507,104
Total Liabilities and Net Assets	<u>\$ 5,115,761</u>	<u>\$ 2,372,707</u>	<u>\$ 7,488,468</u>	<u>\$ 4,594,945</u>

See notes to financial statements.

**Boys and Girls Club of Hollywood
Statement of Activities
Year Ended December 31, 2014
(with comparative totals for 2013)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Public Support				
Contributions and grants	\$ 500,716	\$	\$ 500,716	\$ 762,021
Government grants	333,912		333,912	181,798
Foundation grants	337,293	2,262,707	2,600,000	
Fundraising events, net—Note 7	109,877		109,877	96,742
Total Public Support	1,281,798	2,262,707	3,544,505	1,040,561
Revenue				
Rental income—Note 8	118,815		118,815	117,446
Membership income	99,971		99,971	83,378
Investment gains, net—Note 2	8,271		8,271	36,725
Interest and dividends	5,916		5,916	8,216
Other income	1,447		1,447	451
Total Revenue	234,420		234,420	246,216
Total Public Support and Revenue	1,516,218	2,262,707	3,778,925	1,286,777
Expenses				
Program services	945,636		945,636	969,241
Supporting services				
Management and administration	119,306		119,306	119,266
Fund development	72,924		72,924	111,556
Total Expenses	1,137,866		1,137,866	1,200,063
Change in Net Assets	378,352	2,262,707	2,641,059	86,714
Net Assets at Beginning of Year	4,397,104	110,000	4,507,104	4,420,390
Net Assets at End of Year	<u>\$ 4,775,456</u>	<u>\$ 2,372,707</u>	<u>\$ 7,148,163</u>	<u>\$ 4,507,104</u>

See notes to financial statements.

**Boys and Girls Club of Hollywood
Statement of Functional Expenses
Year Ended December 31, 2014
(with comparative totals for 2013)**

	<u>Supporting Services</u>			<u>2014 Total</u>	<u>2013 Total</u>
	<u>Program Services</u>	<u>Management and Admin- istration</u>	<u>Fund Development</u>		
Salaries	\$ 619,194	\$ 60,267	\$ 32,912	\$ 712,373	\$ 697,134
Employee benefits	62,962	6,128	3,347	72,437	93,145
Payroll taxes	46,020	4,479	2,446	52,945	53,519
Total Personnel Expenses	728,176	70,874	38,705	837,755	843,798
Professional and consulting fees	7,237	25,944	32,263	65,444	137,155
Program expense	42,496			42,496	42,066
Depreciation and amortization	38,362	259	160	38,781	44,371
Repairs and maintenance	35,110	238	146	35,494	11,156
Utilities	29,871	202	125	30,198	24,173
Insurance	24,892	2,169	104	27,165	28,594
Property taxes		12,964		12,964	13,551
Equipment rental	12,749	86	53	12,888	13,739
Telephone	7,671	747	408	8,826	6,647
Staff development	7,509	731	398	8,638	9,669
Supplies	5,001	487	266	5,754	5,828
Payroll processing	4,366	425	232	5,023	4,988
Bank charges		3,228		3,228	5,016
Conferences and meetings	1,201	117	64	1,382	6,425
Contributions	920			920	770
Miscellaneous		428		428	228
Interest		407		407	554
Marketing	75			75	1,335
Total Expenses	\$ 945,636	\$ 119,306	\$ 72,924	\$ 1,137,866	\$ 1,200,063

See notes to financial statements.

Boys and Girls Club of Hollywood
Statement of Cash Flows
Year Ended December 31, 2014
(with comparative totals for 2013)

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 2,641,059	\$ 86,714
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	38,782	44,371
Investment gains	(10,605)	(39,579)
Changes in operating assets and liabilities:		
Receivables	(1,784,482)	(11,905)
Other current assets	574	3,145
Accounts payable and accrued expenses	237,030	10,467
Employee benefits payable	15,434	(1,998)
Net Cash Provided by Operating Activities	1,137,792	91,215
Cash Flows from Investing Activities		
Purchase of property and equipment	(542,052)	(62,019)
Purchase of investments	(55,581)	(89,755)
Proceeds from sales of investments	144,067	186,827
Net Cash Provided by (Used in) Investing Activities	(453,566)	35,053
Cash Flows from Financing Activities		
Proceeds from line of credit—Note 6		5,260
Repayments on line of credit—Note 6		(136,354)
Net Cash Provided by (Used in) Financing Activities		(131,094)
Net Increase (Decrease) in Cash and Cash Equivalents	684,226	(4,826)
Cash and Cash Equivalents at Beginning of Year	334,906	339,732
Cash and Cash Equivalents at End of Year	<u>\$ 1,019,132</u>	<u>\$ 334,906</u>
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$ 2,089</u>	<u>\$ 5,554</u>

See notes to financial statements.

**Boys and Girls Club of Hollywood
Notes to Financial Statements
December 31, 2014
(with comparative totals for 2013)**

Note 1—Organization and Summary of Significant Accounting Policies

Organization—The Boys and Girls Club of Hollywood (Club) is a California not-for-profit public benefit corporation and a member of the Boys and Girls Club of America, Inc. The Club offers academic and youth development services to boys and girls at a facility located in Hollywood, California. The Club's principal funding sources are contributions, grants, government contracts, rentals and investment earnings.

The Club is affiliated with the Boys and Girls Club of Hollywood Foundation (Foundation), however, the Club does not have an economic interest in or control of the Foundation, and therefore the financial statements are not consolidated or combined. During the years ended December 31, 2014 and 2013, the Club received \$125,500 and \$120,000, respectively, in donations from the Foundation.

Program Service Accomplishments—The Boys and Girls Club of Hollywood contributes to the future of the community by building the leaders of tomorrow and preparing students for the workforce. Academic success is the cornerstone of the Club's programs and services. The Club provides its students a safe place to enjoy learning opportunities, promoting excellence in the areas of technology, math, science, fine arts and leadership. The Club ensures that its students advance to the next grade level on time, are prepared to graduate high school and have a plan for their future.

In 2014, The Boys and Girls Club of Hollywood served over 1457 students. The following positive outcomes were achieved:

- 943 students received daily academic assistance
- 528 students gained technology skills
- 985 students participated in sports, health, and fitness programs
- 397 students gained knowledge in good nutrition and healthy lifestyles
- 33,360 free snacks were served to the Club's students

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Club recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Club and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Club.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Club and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support. Temporarily restricted net assets at December 31, 2014 and 2013 consisted principally of amounts restricted to the ongoing renovation and enhancement project of the Club's facilities.

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Permanently restricted net assets—Net assets that are restricted by the donors for investment in perpetuity. The investment income generated from these funds is available for general support of the Club's programs and operations. At December 31, 2014 and 2013, the Club had no permanently restricted net assets.

Income Taxes—The Club is a nonprofit entity, exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes in the financial statements. In addition, the Club has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2014 and 2013. Generally, the Club's information returns remain open for examination three (federal) or four (state of California) years from the date of filing.

Cash Equivalents—The Club considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments—Investments are recorded at fair market value.

Property and Equipment—Property and equipment are stated at cost when purchased, or estimated fair market value at the date of gift or bequest. Depreciation is provided on the straight-line method over the following estimated useful lives:

Building and improvements	39 years
Furniture and equipment	5 years
Computer equipment and software	3 years

Individual property items valued at less than \$1,000 are expensed when purchased or donated.

Concentration of Credit Risk—Financial instruments which potentially subject the Club to concentrations of credit risk consist of cash and cash equivalents, receivables, and investments. The Club places its cash and cash equivalent balances with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. In the normal course of operations, such cash balances may exceed the FDIC insurance limits. Receivables are due from well-known charitable organizations with substantial assets, government entities and other entities well-known to the Club. The Club's management has assessed the credit risk associated with the cash and cash equivalents balances and receivables outstanding at December 31, 2014 and 2013 and has determined that an allowance for potential uncollectible amounts is not necessary. The Club's investments are principally managed by a large broker-dealer. The Club's management has assessed the credit risk associated with the investments held at December 31, 2014 and 2013 and has determined that an allowance for potential losses due to credit risk is not necessary.

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Donated Services—A substantial number of volunteers have donated significant amounts of time to the Club and its programs. These donated services are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under current accounting standards.

Allocation of Functional Expenses—The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefitted based on actual labor hours incurred with respect to the various programs and supporting services benefitted.

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

Comparative Totals for 2013—The accompanying financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Club's audited financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Reclassifications—Certain amounts in 2013 have been reclassified to conform with the 2014 financial statement presentation.

Note 2—Investments

Investments consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Corporate bonds	\$ 161,075	\$ 201,638
Common stocks	113,999	153,011
California tax-exempt mutual fund	14,204	12,510
Other	500	500
Totals	<u>\$ 289,778</u>	<u>\$ 367,659</u>

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 2—Investments—Continued

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Investment gains	\$ 10,605	\$ 39,579
Investment expenses	<u>(2,334)</u>	<u>(2,854)</u>
Investment Gains, Net	8,271	36,725
Interest and dividends	<u>5,916</u>	<u>8,216</u>
Total Investment Return	<u>\$ 14,187</u>	<u>\$ 44,941</u>

Note 3—Fair Value Measurements

Fair value is defined 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. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Quoted market prices in active markets for identical assets or liabilities. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs that can be corroborated by observable market data.

Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination for which category within the fair value hierarchy is appropriate is based on the lowest level input that is significant to the fair value measurement in its entirety.

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 3—Fair Value Measurements—Continued

Fair values of assets and liabilities measured on a recurring basis at December 31, 2014 and 2013 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2014:				
Investments	\$ 289,778	\$ 114,499	\$ 175,279	\$
2013:				
Investments	\$ 367,659	\$ 153,511	\$ 214,148	\$

Note 4—Receivables

Grants receivable at December 31, 2014 and 2013 consist of amounts pledged by charitable organizations toward Club programs.

Contracts receivable at December 31, 2014 and 2013 consist of amounts due from various government agencies under contract agreements for services provided by the Club, as well as for partial funding of the renovation of Club facilities.

Note 5—Property and Equipment, Net

Net property and equipment consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Building and improvements	\$ 1,467,420	\$ 1,467,420
Furniture and other equipment	140,747	140,747
Computer equipment	113,151	113,151
Computer software	15,815	15,815
	<u>1,737,133</u>	<u>1,737,133</u>
Less accumulated depreciation and amortization	<u>(843,477)</u>	<u>(804,695)</u>
Net Depreciable Property and Equipment	893,656	932,438
Construction in progress	2,470,618	1,928,566
Land	979,000	979,000
	<u>4,343,274</u>	<u>3,840,004</u>
Net Property and Equipment	\$ 4,343,274	\$ 3,840,004

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 5—Property and Equipment, Net—Continued

Construction in progress houses the accumulated costs of the on-going renovation and enhancement project of the Club's facilities (Project). The Project is partially funded through a \$2,500,000 State of California grant (Grant), \$1,740,573 of which has been received through December 31, 2014 and \$204,759 has been billed but not received as of that date. The most recent amendment of the Grant includes, as a condition of funding, a deed restriction on the Club property requiring that it be used for youth activities through June 30, 2031. Should this Grant covenant be violated through change of service or sale of the property, the entire Grant becomes due and payable. The Project is scheduled to be completed by September 2015.

Note 6—Line of Credit

The line of credit consists of a loan made to the Club from the Foundation to provide interim financing of Project expenditures. The line of credit is a mirror transaction of a borrowing by the Foundation from a bank, secured by the Foundation's investment portfolio. The line of credit bears interest at LIBOR plus 3.67% (3.794% at December 31, 2013), payable monthly, with principal due on demand. The line of credit was fully repaid on December 31, 2013 from Grant funds.

Note 7—Fundraising Events, Net

Net fundraising events income for the years ended December 31, 2014 and 2013 consists of the following:

	<u>Golf Tournament</u>	<u>Other Events</u>	<u>Total</u>
2014:			
Income	\$ 120,605	\$ 36,490	\$ 157,095
Expenses	(41,955)	(5,263)	(47,218)
Net	<u>\$ 78,650</u>	<u>\$ 31,227</u>	<u>\$ 109,877</u>
	<u>Golf Tournament</u>	<u>Other Events</u>	<u>Total</u>
2013:			
Income	\$ 120,180	\$ 19,765	\$ 139,945
Expenses	(39,307)	(3,896)	(43,203)
Net	<u>\$ 80,873</u>	<u>\$ 15,869</u>	<u>\$ 96,742</u>

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 8—Rental Income

In May 2014, the Club signed a 21-month lease as lessor to a tenant for storage space. The terms of this lease call for a monthly payment of \$3,000 plus property taxes and insurance. The Club also leases to an additional tenant on a month-to-month basis. Rental income associated with these leases amounted to \$118,815 and \$117,446 for the years ended December 31, 2014 and 2013, respectively.

Note 9—Pension Plan

A defined contribution pension plan of the Boys and Girls Clubs of America (Plan) provides pension coverage to participating Boys and Girls Clubs in the United States of America. The Plan covers qualified full-time and part-time employees with more than one year of service. Contributions are made to the Plan based upon a board-approved contribution rate applied to each employee's qualified salaries and wages. The contribution rate was 3% for each of the years ended December 31, 2014 and 2013. Plan contribution expense for the years ended December 31, 2014 and 2013 amounted to \$15,116 and \$18,673, respectively.

Note 10—Leases

The Club leases a variety of office equipment under noncancellable operating leases. As of December 31, 2014, future minimum annual rental payments payable under the lease agreements with remaining terms in excess of one year are as follows:

<u>Year Ending December 31,</u>	
2015	\$ 5,130
2016	5,130
2017	5,130
2018	2,993
	<hr/>
Total	<u><u>\$ 18,383</u></u>

Rental expense related to all operating leases for the years ended December 31, 2014 and 2013 amounted to \$8,342 and \$9,002, respectively.

Note 11—Commitments and Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although it is considered a possibility, the Board deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of the grantor under the provisions of the gift.

Boys and Girls Club of Hollywood
Notes to Financial Statements—Continued

Note 12—Subsequent Events

Subsequent events were evaluated through April 30, 2015, which is the date the financial statements were available to be issued, and it was concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.