

Audited Financial Statements



**BOYS & GIRLS CLUB
OF HOLLYWOOD**

December 31, 2016

Quigley & Miron

**Boys and Girls Club of Hollywood
Audited Financial Statements
Table of Contents
December 31, 2016**

Page
Number

Independent Auditor's Report..... 1

Audited Financial Statements

Statement of Financial Position..... 3

Statement of Activities 4

Statement of Functional Expenses..... 5

Statement of Cash Flows..... 6

Notes to Financial Statements..... 7

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

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

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, 2016, 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.

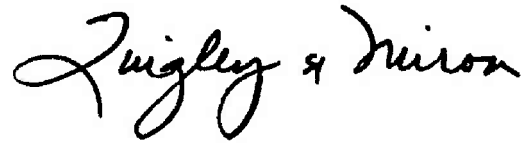
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016, 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, 2015, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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
March 23, 2017

**Boys and Girls Club of Hollywood
Statement of Financial Position
December 31, 2016
(with comparative totals for 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 374,319	\$ 294,707	\$ 669,026	\$ 1,311,790
Investments—Note 2	193,173		193,173	188,608
Grants receivable—Note 4		10,000	10,000	10,000
Contracts receivable—Note 4	27,407		27,407	60,932
Other current assets	869		869	6,757
Total Current Assets	595,768	304,707	900,475	1,578,087
Property and Equipment, Net—Note 5	7,425,107		7,425,107	7,171,102
Total Assets	<u>\$ 8,020,875</u>	<u>\$ 304,707</u>	<u>\$ 8,325,582</u>	<u>\$ 8,749,189</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 6,158	\$	\$ 6,158	\$ 340,872
Employee benefits payable	83,594		83,594	82,586
Deposits	5,500		5,500	5,500
Total Current Liabilities	95,252		95,252	428,958
Net Assets	7,925,623	304,707	8,230,330	8,320,231
Total Liabilities and Net Assets	<u>\$ 8,020,875</u>	<u>\$ 304,707</u>	<u>\$ 8,325,582</u>	<u>\$ 8,749,189</u>

See notes to financial statements.

**Boys and Girls Club of Hollywood
Statement of Activities
Year Ended December 31, 2016
(with comparative totals for 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Public Support				
Contributions and grants	\$ 527,738	\$	\$ 527,738	\$ 1,246,054
Government grants	191,009		191,009	739,589
Fundraising events, net—Note 6	88,574		88,574	131,567
Total Public Support	807,321		807,321	2,117,210
Revenue				
Rental income—Note 7	148,796		148,796	152,145
Membership income	83,439		83,439	75,372
Investment gains (losses), net —Note 2	4,369		4,369	(2,544)
Interest and dividends	3,152		3,152	3,754
Other income	733		733	1,611
Total Revenue	240,489		240,489	230,338
Net Assets Released from Restrictions	624,535	(624,535)		
Total Public Support and Revenue Reclassifications	1,672,345	(624,535)	1,047,810	2,347,548
Expenses				
Program services	938,659		938,659	960,584
Supporting services				
Management and administration	133,463		133,463	142,325
Fund development	65,589		65,589	72,571
Total Expenses	1,137,711		1,137,711	1,175,480
Change in Net Assets	534,634	(624,535)	(89,901)	1,172,068
Net Assets at Beginning of Year	7,390,989	929,242	8,320,231	7,148,163
Net Assets at End of Year	\$ 7,925,623	\$ 304,707	\$ 8,230,330	\$ 8,320,231

See notes to financial statements.

**Boys and Girls Club of Hollywood
Statement of Functional Expenses
Year Ended December 31, 2016
(with comparative totals for 2015)**

	<u>Supporting Services</u>			<u>2016 Total</u>	<u>2015 Total</u>
	<u>Program Services</u>	<u>Management and Admin- istration</u>	<u>Fund Development</u>		
Salaries	\$ 585,846	\$ 67,484	\$ 35,982	\$ 689,312	\$ 718,160
Employee benefits	65,850	7,585	4,044	77,479	79,483
Payroll taxes	41,744	4,808	2,564	49,116	52,598
Total Personnel Expenses	693,440	79,877	42,590	815,907	850,241
Depreciation and amortization	71,406	484	298	72,188	39,817
Professional and consulting fees	5,480	27,978	20,185	53,643	61,629
Repairs and maintenance	36,571	248	153	36,972	51,176
Utilities	33,199	225	138	33,562	35,209
Insurance	27,524	2,289	115	29,928	29,350
Program expense	22,411			22,411	35,341
Property taxes		14,836		14,836	16,631
Staff development	12,114	1,395	744	14,253	11,539
Telephone	8,773	1,011	539	10,323	9,016
Equipment rental	9,798	66	41	9,905	11,848
Supplies	5,666	653	348	6,667	8,449
Conferences and meetings	5,114	589	314	6,017	6,972
Marketing	5,119			5,119	1,738
Bank charges		3,278		3,278	3,484
Payroll processing	2,020	233	124	2,377	2,415
Miscellaneous	24	301		325	240
Contributions					385
Total Expenses	\$ 938,659	\$ 133,463	\$ 65,589	\$ 1,137,711	\$ 1,175,480

See notes to financial statements.

Boys and Girls Club of Hollywood
Statement of Cash Flows
Year Ended December 31, 2016
(with comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (89,901)	\$ 1,172,068
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	72,188	39,817
Investment (gains) losses	(5,973)	890
Changes in operating assets and liabilities:		
Receivables	33,525	1,764,541
Other current assets	5,888	(5,946)
Accounts payable and accrued expenses	(334,714)	85,027
Employee benefits payable	1,008	3,626
Net Cash Provided by (Used in) Operating Activities	(317,979)	3,060,023
Cash Flows from Investing Activities		
Purchase of property and equipment	(326,193)	(2,867,645)
Purchase of investments	(38,369)	(18,058)
Proceeds from sales of investments	39,777	118,338
Net Cash Used in Investing Activities	(324,785)	(2,767,365)
Net Increase (Decrease) in Cash and Cash Equivalents	(642,764)	292,658
Cash and Cash Equivalents at Beginning of Year	1,311,790	1,019,132
Cash and Cash Equivalents at End of Year	<u>\$ 669,026</u>	<u>\$ 1,311,790</u>
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

**Boys and Girls Club of Hollywood
Notes to Financial Statements
December 31, 2016
(with comparative totals for 2015)**

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, 2016 and 2015, the Club received \$120,000 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 2016, The Boys and Girls Club of Hollywood served over 1,600 students. The following positive outcomes were achieved:

- 1,117 students received daily academic assistance
- 605 students gained technology skills, including robotics
- 1,005 students participated in sports, health and fitness programs
- 320 students participated in leadership development and community service projects
- 41,663 free snacks/meals were served to 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, 2016 and 2015 consisted principally of amounts restricted to the 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. Generally, the investment income generated from these funds is available for general support of the Club's programs and operations or other specific purposes. At December 31, 2016 and 2015, 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, 2016 and 2015. Generally, the Club's information returns remain open for examination for a period of 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, 2016 and 2015 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, 2016 and 2015 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 2015—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, 2015, from which the summarized information was derived.

Reclassifications—Certain amounts in 2015 have been reclassified to conform with the 2016 financial statement presentation.

Note 2—Investments

Investments consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Corporate bonds	\$ 105,044	\$ 105,263
Common stocks	80,422	75,700
California tax-exempt mutual fund	7,707	7,645
Totals	<u>\$ 193,173</u>	<u>\$ 188,608</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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Investment gains (losses)	\$ 5,973	\$ (890)
Investment expenses	<u>(1,604)</u>	<u>(1,654)</u>
Investment Gains (Losses), Net	4,369	(2,544)
Interest and dividends	<u>3,152</u>	<u>3,754</u>
Total Investment Return	<u><u>\$ 7,521</u></u>	<u><u>\$ 1,210</u></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, 2016 and 2015 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2016:				
Investments	\$ 193,173	\$ 80,422	\$ 112,751	\$
2015:				
Investments	\$ 188,608	\$ 75,700	\$ 112,908	\$

Note 4—Receivables

Grants receivable at December 31, 2016 and 2015 consist of amounts pledged by charitable organizations toward Club programs.

Contracts receivable at December 31, 2016 and 2015 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 7,117,293	\$ 1,467,420
Furniture and other equipment	145,758	145,758
Computer equipment	122,271	122,271
Computer software	16,265	16,265
	<u>7,401,587</u>	<u>1,751,714</u>
Less accumulated depreciation and amortization	(955,480)	(883,292)
	<u>6,446,107</u>	<u>868,422</u>
	Net Depreciable Property and Equipment	868,422
Construction in progress		5,323,680
Land	979,000	979,000
	<u>979,000</u>	<u>979,000</u>
	<u>\$ 7,425,107</u>	<u>\$ 7,171,102</u>
	Net Property and Equipment	\$ 7,171,102

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

Note 5—Property and Equipment, Net—Continued

The accumulated costs of the renovation and enhancement project of the Club’s facilities (Project) were capitalized in a construction in progress account, pending completion. The Project was completed in October 2016; depreciation of the Project costs begun at that time. The remaining temporarily restricted donations for the Project will be used for future maintenance and repairs as well as other renovations and enhancements. The Project was partially funded by a \$2,500,000 State of California grant (Grant) which placed 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.

Note 6—Fundraising Events, Net

Net fundraising events income for the years ended December 31, 2016 and 2015 consists of the following:

	<u>Golf Tournament</u>	<u>Other Events</u>	<u>Total</u>
2016:			
Income	\$ 82,421	\$ 27,818	\$ 110,239
Expenses	<u>(16,219)</u>	<u>(5,446)</u>	<u>(21,665)</u>
Net	<u>\$ 66,202</u>	<u>\$ 22,372</u>	<u>\$ 88,574</u>
2015:			
Income	\$ 111,395	\$ 50,846	\$ 162,241
Expenses	<u>(26,268)</u>	<u>(4,406)</u>	<u>(30,674)</u>
Net	<u>\$ 85,127</u>	<u>\$ 46,440</u>	<u>\$ 131,567</u>

Total fundraising expenses for the years ended December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Fundraising expenses per statement of functional expenses	\$ 65,589	\$ 72,571
Fundraising event expenses	<u>21,665</u>	<u>30,674</u>
Totals	<u>\$ 87,254</u>	<u>\$ 103,245</u>

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

Note 7—Rental Income

In December 2016, the Club signed a two-year agreement with an existing tenant for storage space, requiring monthly payments of \$4,000 through December 2018. Subsequent to year-end, in February 2017, the Club signed a two-year agreement with another existing tenant for storage space, requiring monthly payments of \$9,000, plus applicable property taxes and insurance, through December 2018. Rental income associated with these leases amounted to \$148,796 and \$152,145 for the years ended December 31, 2016 and 2015, respectively. Total future rental income to be received is as follows:

<u>Year Ending December 31,</u>		
2017		\$ 156,475
2018		156,475
	Total	<u>\$ 312,950</u>

Note 8—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, 2016 and 2015. Plan contribution expense for the years ended December 31, 2016 and 2015 amounted to \$19,593 and \$20,820, respectively.

Note 9—Leases

The Club leases a variety of office equipment under non-cancellable operating leases. As of December 31, 2016, 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>		
2017		\$ 5,130
2018		2,993
	Total	<u>\$ 8,123</u>

Rental expense related to all operating leases for the years ended December 31, 2016 and 2015 amounted to \$7,135 and \$8,454, respectively.

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

Note 10—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.

Note 11—Subsequent Events

In March 2017, the Club was notified of a \$3,000,000 gift to a community foundation for the benefit of the Club. The gift agreement provides for annual distributions to the Club of \$100,000, adjusted for inflation, until the funds are depleted. The annual distribution is restricted to the funding of programing, scholarships, and facility maintenance expenses at the Club.

Management has evaluated subsequent events through March 23, 2017, which is the date the financial statements were available to be issued. Other than the information disclosed in Note 7 and above, there are no other material subsequent events that would require adjustment to the financial statements or disclosures in the notes to the financial statements.