

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Financial Statements
Year ended December 31, 2020

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Financial Statements
Year ended December 31, 2020

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	7
Notes to the Financial Statements	8

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Boys and Girls Club of Laguna Beach, which comprise of the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 Laguna Beach as of December 31, 2020 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.

Report on Summarized Comparative Information

We have previously audited the Boys and Girls Club of Laguna Beach's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Davis Fan UP". The signature is written in a cursive, flowing style.

Irvine, California
March 22, 2021

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Statement of Financial Position
December 31, 2020
(with comparative information for prior year)

	2020	2019
Assets:		
Cash and cash equivalents (note 2c)	\$ 203,091	194,456
Accounts receivable	20,314	49,053
Investments (note 3)	1,566,797	1,561,300
Pledges receivable, net (note 4)	76,534	50,410
Prepaid expenses	65,668	40,578
Land, buildings and equipment, net (note 5)	1,739,686	1,837,298
Total assets	\$ 3,672,090	3,733,095
Current Liabilities:		
Accounts payable	\$ 38,359	64,851
Accrued expenses	51,877	95,935
Deferred revenue	22,113	41,056
Loans payable, current (note 12)	216,990	70,000
Total current liabilities	329,339	271,842
Long-Term Liabilities:		
Loans payable, noncurrent (note 12)	140,093	-
Total liabilities	469,432	271,842
Net assets:		
Without donor restrictions	1,898,808	2,278,093
With donor restrictions (note 10)	1,303,850	1,183,160
Total net assets	3,202,658	3,461,253
Total liabilities and net assets	\$ 3,672,090	3,733,095

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Statement of Activities
Year ended December 31, 2020
(with comparative information for prior year)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
Support and Revenue:				
Contributions (note 8)	\$ 930,962	94,236	1,025,198	597,177
Government grants (note 8)	79,000	-	79,000	95,000
Donated services	-	-	-	50,576
Memberships	46,758	-	46,758	93,470
Program activities	390,981	-	390,981	774,044
Miscellaneous revenue	1,105	-	1,105	1,010
Investment income, net (note 3)	32,556	172,313	204,869	251,636
Special events, net of direct expenses (note 14)	207,592	-	207,592	524,195
Support provided by expiring restrictions	<u>145,859</u>	<u>(145,859)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>1,834,813</u>	<u>120,690</u>	<u>1,955,503</u>	<u>2,387,108</u>
Expenses:				
Program Services:				
Art	48,798	-	48,798	81,865
Basketball	12,451	-	12,451	25,139
Main branch	841,451	-	841,451	963,658
Preschool	148,424	-	148,424	170,294
Snack bar	16,920	-	16,920	34,762
Teen center	76,868	-	76,868	102,309
Bluebird branch	285,674	-	285,674	309,654
Lang teen center	4,564	-	4,564	126,604
Lake Forest	76,101	-	76,101	-
Oxford Saddleback Valley	20,587	-	20,587	-
Oxford South Orange County	<u>30,655</u>	<u>-</u>	<u>30,655</u>	<u>85,385</u>
Total program services expenses	1,562,493	-	1,562,493	1,899,670
Supporting services:				
General and administrative	254,057	-	254,057	282,933
Fundraising	<u>397,548</u>	<u>-</u>	<u>397,548</u>	<u>322,608</u>
Total supporting services expenses	<u>651,605</u>	<u>-</u>	<u>651,605</u>	<u>605,541</u>
Total expenses	<u>2,214,098</u>	<u>-</u>	<u>2,214,098</u>	<u>2,505,211</u>
Change in net assets	(379,285)	120,690	(258,595)	(118,103)
Net assets at beginning of year	<u>2,278,093</u>	<u>1,183,160</u>	<u>3,461,253</u>	<u>3,579,356</u>
Net assets at end of year	<u>\$ 1,898,808</u>	<u>1,303,850</u>	<u>3,202,658</u>	<u>3,461,253</u>

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH
Statement of Functional Expenses
Year ended December 31, 2020
(with comparative information for prior year)

	Program Services							
	Art	Basketball	Main Branch	Preschool	Snack Bar	Teen Center	Bluebird Branch	Lang Teen Center
Salaries and wages	\$ 33,008	-	501,634	96,699	10,525	53,095	207,358	-
Employee benefits	3,815	-	34,036	12,428	607	3,958	12,122	-
Payroll taxes	2,669	-	40,715	7,625	987	4,712	17,382	-
Subtotal	39,492	-	576,385	116,752	12,119	61,765	236,862	-
Repairs and maintenance	-	-	80,930	634	240	1,296	1,146	-
Program supplies	2,564	6,784	35,228	10,164	-	2,558	5,721	-
Public relations	-	-	2,145	-	-	-	-	-
Office supplies	-	52	7,291	-	-	-	8	-
Merchandise expense	-	-	44	-	1,827	651	422	-
Training and Staff Development	-	-	10,565	65	-	-	-	-
Dues and subscriptions	294	-	4,285	1,228	90	459	1,761	-
Professional services	-	5,443	-	-	-	-	-	-
Donated services	-	-	-	-	-	-	-	-
Telephone	458	-	6,402	1,355	141	717	3,825	1,064
Insurance	1,388	-	21,812	4,275	429	2,224	8,879	-
Advertising and printing	-	-	268	-	-	-	-	-
Donated facilities	-	-	-	-	-	-	13,860	-
Utilities and janitorial	1,344	-	28,245	3,973	412	2,102	2,016	-
Depreciation	3,258	-	42,357	9,633	1,000	5,096	5,201	-
Automobile	-	-	8,311	31	-	-	473	-
Miscellaneous expense	-	172	17,183	314	662	-	5,500	3,500
Total expenses	48,798	12,451	841,451	148,424	16,920	76,868	285,674	4,564
Direct benefit to donors at special events	-	-	-	-	-	-	-	-
	<u>\$ 48,798</u>	<u>12,451</u>	<u>841,451</u>	<u>148,424</u>	<u>16,920</u>	<u>76,868</u>	<u>285,674</u>	<u>4,564</u>

See accompanying notes to financial statements

Lake Forest				Supporting Services			Totals	
	Oxford SV	Oxford SOC	Subtotal	General and Administrative	Fundraising	Subtotal	2020	2019
	62,510	14,332	22,946	1,002,107	136,687	285,998	422,685	1,424,792
183	787	859	68,795	27,186	25,261	52,447	121,242	113,589
5,736	1,415	2,146	83,387	9,451	21,215	30,666	114,053	121,859
68,429	16,534	25,951	1,154,289	173,324	332,474	505,798	1,660,087	1,666,861
-	1,208	1,208	86,662	-	3,582	3,582	90,244	68,297
1,450	1,599	1,736	67,804	1,284	-	1,284	69,088	190,025
-	-	-	2,145	1,045	8,186	9,231	11,376	19,145
10	-	-	7,361	-	548	548	7,909	12,003
-	-	-	2,944	-	-	-	2,944	18,101
-	-	-	10,630	-	28	28	10,658	22,205
666	122	193	9,098	1,289	2,472	3,761	12,859	13,809
-	-	-	5,443	26,577	-	26,577	32,020	33,914
-	-	-	-	-	-	-	-	50,576
2,034	324	307	16,627	2,112	4,051	6,163	22,790	21,221
2,679	642	1,014	43,342	6,354	12,646	19,000	62,342	58,509
-	-	-	268	-	-	-	268	1,082
-	-	-	13,860	-	-	-	13,860	66,727
-	-	-	38,092	2,942	5,643	8,585	46,677	73,798
-	-	-	66,545	14,302	27,433	41,735	108,280	110,294
239	-	13	9,067	-	-	-	9,067	14,114
594	158	233	28,316	24,828	485	25,313	53,629	64,530
76,101	20,587	30,655	1,562,493	254,057	397,548	651,605	2,214,098	2,505,211
-	-	-	-	-	16,965	16,965	16,965	334,259
76,101	20,587	30,655	1,562,493	254,057	414,513	668,570	2,231,063	2,839,470

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH**Statement of Cash Flows****Year ended December 31, 2020****(with comparative information for prior year)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (258,595)	(118,103)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	108,280	110,294
Loss on disposition of fixed assets	-	2,642
Unrealized (gain) loss on investments	(162,503)	(220,276)
(Increase) decrease in accounts receivable	28,739	42,640
(Increase) decrease in pledges receivable	(26,124)	65,527
(Increase) decrease in prepaid expenses	(25,090)	(12,488)
Increase (decrease) in accounts payable	(26,492)	(1,734)
Increase (decrease) in accrued expenses	(44,058)	25,207
Increase (decrease) in deferred revenue	<u>(18,943)</u>	<u>1,954</u>
Net cash provided (used) by operating activities	<u>(424,786)</u>	<u>(104,337)</u>
Cash flows from investing activities:		
Purchase of fixed assets	(10,668)	(11,320)
Purchase of investments	(666,843)	(48,294)
Proceeds from sale of investments	<u>823,849</u>	<u>98,446</u>
Net cash flows provided (used) by investing activities	<u>146,338</u>	<u>38,832</u>
Cash flows from financing activities:		
Loan proceeds	300,756	70,000
Payments on long term debt	<u>(13,673)</u>	<u>-</u>
Net cash flows provided (used) by financing activities	<u>287,083</u>	<u>70,000</u>
Net increase (decrease) in cash and cash equivalents	8,635	4,495
Cash and cash equivalents at beginning of year	<u>194,456</u>	<u>189,961</u>
Cash and cash equivalents at end of year	<u>\$ 203,091</u>	<u>194,456</u>

There were no noncash investing and financing activities for the years ended December 31, 2020 and 2019.

See accompanying notes to financial statements

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(Continued)

(11) Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 247,217	1,087,750	1,334,967
Investment income	39,162	172,313	211,475
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(86,999)</u>	<u>(86,999)</u>
 Endowment net assets, end of year	 <u>\$ 286,379</u>	 <u>1,173,064</u>	 <u>1,459,443</u>

(12) Long-Term Liabilities

On April 15, 2020, the Club's line of credit was converted to a business term loan. The loan is secured by the Club's personal property. The loan expires on February 15, 2024 and has an interest rate of 11.15%. The outstanding balance as of December 31, 2020 is \$57,083.

On May 6, 2020, the Club received a loan in the amount of \$300,000 from the U.S. Small Business Administration (SBA) pursuant to the Paycheck Protection Program (PPP). Payments on the loan are scheduled to commence on December 6, 2020 with monthly payments continuing on the sixth day of each month until the loan matures on May 6, 2022, at which time all unpaid principal and accrued interest are to be paid. Equal monthly payments are to be made in the amount of \$16,883. The loan bears interest at an annual rate of 1%. The first payment was subsequently deferred. The Club has the opportunity to have the PPP loan forgiven if all proceeds are used for forgivable purposes. Management believes the loan will meet the criteria for forgiveness. The loan forgiveness application was submitted to the SBA for approval on December 4, 2020.

Loan maturities as of December 31, 2020 are as follows based on the terms of the loan agreement:

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 216,990	7,611	224,601
2022	117,875	3,883	121,758
2023	20,559	1,448	22,007
2024	<u>1,658</u>	<u>15</u>	<u>1,673</u>
Total payments	<u>\$ 357,083</u>	<u>12,957</u>	<u>370,040</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(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, 2020:

Petty cash	\$	500
Money market funds		41,276
Demand deposits		<u>161,315</u>
	\$	<u>203,091</u>

These accounts may, at times, exceed federally insured limits. 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 equivalents.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(d) Investments

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

(e) Fair Value Measurements

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

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

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

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

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

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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

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

(f) Property and Equipment

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

(g) Net Assets

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

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

(h) Classification of Transactions

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

(i) Accounting for Contributions

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

(j) Revenue from Contracts With Customers

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

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(Continued)

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

(k) Donated Services and Facilities

Donated materials and other noncash contributions, if received, would be reflected in the accompanying statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value. There were no donated services recorded during the year ended December 31, 2020.

On July 1, 2013, the Club entered into a ten-year lease agreement with the City of Laguna Beach for the land under the Bluebird location at Bluebird Park for rent of \$1 a year. A contribution receivable is recorded for the difference between the fair value of the land at the date of the agreement and the amount paid. The fair value of the land was calculated at \$13 per sq. ft. based on appraisal information of the value of donated land for childcare purposes. The original contribution receivable of \$133,000, net of a present value discount, will be recognized as donated use of facilities over the term of the lease. For the year ended December 31, 2020, the Club recognized \$13,860 of expense related to the lease.

(l) Membership Dues

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, 2020, unearned membership dues were \$14,865.

(m) Income Taxes

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

(n) Grant Revenue

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

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

(o) Expense Recognition and Allocation

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

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

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

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

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

(p) Advertising Costs

Advertising costs are expensed as incurred by the Club. Total advertising costs for the year ended December 31, 2020 were \$268.

(q) Endowments

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

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(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, 2020

(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.

(r) Prior Year Data

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

(3) Investments

Fair values of investments measured on a recurring basis at December 31, 2020:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bond funds	\$ 622,153	622,153	-	-
Equity funds	434,940	434,940	-	-
Exchange traded funds	509,704	509,704	-	-
Total	<u>\$ 1,566,797</u>	<u>1,566,797</u>	<u>-</u>	<u>-</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(Continued)

(3) Investments (Continued)

Investment income (loss) for the year ended December 31, 2020 consisted of the following:

Investment income (loss):	
Interest and dividend income	\$ 36,532
Unrealized gain (loss)	162,503
Realized gain (loss)	16,566
Investment fees	<u>(10,732)</u>
Total	<u>\$ 204,869</u>

(4) Pledges Receivable

Pledges receivable are expected to be collected as follows:

Less than one year	\$ 54,254
One to five years	<u>22,280</u>
Total	<u>\$ 76,534</u>

Changes in pledges receivable for the year ended December 31, 2020 were as follows:

Pledges receivable at beginning of year	\$ 50,410
New pledges	39,984
Payments received	<u>(13,860)</u>
Pledges receivable at year end	<u>\$ 76,534</u>

(5) Property and Equipment

Property and equipment at December 31, 2020 are summarized as follows:

Land	\$ 112,710
Playfield and equipment	2,474
Furniture and equipment	197,693
Automotive equipment	101,956
Building and improvements	<u>3,471,550</u>
Total property and equipment	3,886,383
Less: Accumulated depreciation	<u>(2,146,697)</u>
Net property and equipment	<u>\$ 1,739,686</u>

Depreciation and amortization expense was \$108,280 for the year.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(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, 2020 were \$50,643. 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, 2020 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 203,091
Accounts receivable	20,314
Investments	1,566,797
Pledges receivable, net	<u>76,534</u>
Total financial assets	1,866,736
Less financial assets held to meet donor-imposed restrictions:	
Donor-restricted endowment	(1,173,064)
Scholarship fund	(4,252)
Roof repair	(50,000)
Less financial assets not available within one year:	
Pledges receivable	(22,280)
Less board designations:	
Board-designated endowment	(286,379)
Amounts set aside for building reserve	<u>(58,336)</u>
Amount available for general expenditures within one year	<u>\$ 272,425</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, 2020, was \$58,336. Reserves may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(Continued)

(7) Liquidity and Availability (Continued)

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

(8) Contribution Revenue

Contribution revenue for the year ended December 31, 2020, consisted of the following:

Corporate contributions	\$ 46,089
Foundation contributions	626,980
Government grants	79,000
Individual contributions	<u>352,129</u>
	<u>\$ 1,104,198</u>

(9) Lease Commitments

On July 15, 2020, the Club entered into a lease agreement for their Lang Teen Center location to provide for additional building space to conduct teen programs. The lease expires on June 15, 2021. The Club is required to make minimum monthly lease payments of \$875.

At December 31, 2020, the Club also leased certain office equipment under an operating lease agreement expiring on October 23, 2023. Future minimum lease payments are as follows for the building and equipment lease for the year ended December 31, 2020:

	2021	\$ 21,090
	2022	15,840
	2023	<u>13,200</u>
Total future minimum lease payments		<u>\$ 50,130</u>

Rental expenses for operating leases were \$21,582 for the year ended December 31, 2020.

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(Continued)

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2020:

Time restrictions:	
Pledges receivables, which are unavailable for spending until due, some of which are also purpose restricted	\$ 76,534
Total time restricted net assets	<u>76,534</u>
Purpose restrictions:	
Scholarship fund	4,252
Roof Repair	<u>50,000</u>
Total purpose restricted net assets	<u>54,252</u>
Endowment funds:	
Donor-restricted endowment	<u>1,173,064</u>
Total endowment funds	<u>1,173,064</u>
Total net assets with donor restrictions	<u>\$ 1,303,850</u>

(11) Endowments

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

The net asset composition of the endowment as of December 31, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	\$ -	1,173,064	1,173,064
Board-designated endowment funds	<u>286,379</u>	<u>-</u>	<u>286,379</u>
Total	<u>\$ 286,379</u>	<u>1,173,064</u>	<u>1,459,443</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(Continued)

(11) Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 247,217	1,087,750	1,334,967
Investment income	39,162	172,313	211,475
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(86,999)</u>	<u>(86,999)</u>
 Endowment net assets, end of year	 <u>\$ 286,379</u>	 <u>1,173,064</u>	 <u>1,459,443</u>

(12) Long-Term Liabilities

On April 15, 2020, the Club's line of credit was converted to a business term loan. The loan is secured by the Club's personal property. The loan expires on February 15, 2024 and has an interest rate of 11.15%. The outstanding balance as of December 31, 2020 is \$57,083.

On May 6, 2020, the Club received a loan in the amount of \$300,000 from the U.S. Small Business Administration (SBA) pursuant to the Paycheck Protection Program (PPP). Payments on the loan are scheduled to commence on December 6, 2020 with monthly payments continuing on the sixth day of each month until the loan matures on May 6, 2022, at which time all unpaid principal and accrued interest are to be paid. Equal monthly payments are to be made in the amount of \$16,883. The loan bears interest at an annual rate of 1%. The first payment was subsequently deferred. The Club has the opportunity to have the PPP loan forgiven if all proceeds are used for forgivable purposes. Management believes the loan will meet the criteria for forgiveness. The loan forgiveness application was submitted to the SBA for approval on December 4, 2020.

Loan maturities as of December 31, 2020 are as follows based on the terms of the loan agreement:

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 216,990	7,611	224,601
2022	117,875	3,883	121,758
2023	20,559	1,448	22,007
2024	<u>1,658</u>	<u>15</u>	<u>1,673</u>
Total payments	<u>\$ 357,083</u>	<u>12,957</u>	<u>370,040</u>

BOYS AND GIRLS CLUB OF LAGUNA BEACH

Notes to the Financial Statements

Year ended December 31, 2020

(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.

The Club's phone service provider is Cox Communications. A member of the Board is an employee at Cox Communications.

At December 31, 2020, the Club had outstanding employee loans of \$2,355 which are included in accounts receivable in the accompanying Statement of Financial Position. The employee loans will be reimbursed to the Club through payroll deductions in the next fiscal year.

(14) Special Events

	Gala	Golf Tournament	The Ranch	Champagne Brunch	Other Events	Total
Special event revenue	\$ 130,023	39,712	7,003	33,536	24,118	234,392
Less direct expenses	(4,400)	(11,987)	(274)	(9,932)	(207)	(26,800)
Net support from special events	<u>\$ 125,623</u>	<u>27,725</u>	<u>6,729</u>	<u>23,604</u>	<u>23,911</u>	<u>207,592</u>

(15) Uncertainties

As a result of the spread of the COVID-19 pandemic, economic uncertainties have arisen which negatively impacted the Club. Management has not been able to determine the potential outcome or impairment to the Club as of the date of the issuance of the financial statements. The Club has not included any contingencies in the financial statements specific to the COVID-19 pandemic.

(16) Subsequent Events

Subsequent events have been evaluated by management through March 22, 2021, 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.

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. Payments on the loan are scheduled to commence on January 6, 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 \$641. The loan bears interest at an annual rate of 2.75%.