

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2017

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY

December 31, 2017

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Boys & Girls Clubs of Santa Barbara County
Santa Barbara, California

Report on the Financial Statements

We have audited the accompanying financial statements of United Boys & Girls Clubs of Santa Barbara County (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, 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 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 from 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 United Boys & Girls Clubs of Santa Barbara County as of December 31, 2017, and the changes in its net assets and its 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 United Boys and Girls Clubs of Santa Barbara County's financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowan Guntermann

Santa Barbara, California
August 8, 2018

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY

STATEMENT OF FINANCIAL POSITION

December 31, 2017

(With Comparative Totals for December 31, 2016)

ASSETS

	2017	(Memo) 2016
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$ 409,133	\$ 338,362
Accounts receivable	233,709	96,036
Pledges and grants receivable, current portion	50,000	175,000
Pledges receivable land lease, current portion	264,342	340,369
Prepaid expenses	34,511	28,299
Deposits	<u>60,939</u>	<u>67,919</u>
Total Current Assets	<u>1,052,634</u>	<u>1,045,985</u>
 INVESTMENTS	 <u>128,593</u>	 <u>187,398</u>
 PROPERTY AND EQUIPMENT		
Buildings and improvements	243,459	198,268
Leasehold improvements	4,901,422	4,901,422
Equipment and furniture	453,481	454,650
Automobiles	<u>427,525</u>	<u>432,525</u>
	6,025,887	5,986,865
Less: Accumulated depreciation	<u>(3,692,262)</u>	<u>(3,477,529)</u>
Net Property and Equipment	<u>2,333,625</u>	<u>2,509,336</u>
 OTHER ASSETS		
Pledges and grants receivable, net of current portion	150,000	550,000
Pledges receivable land lease, net of current portion	1,815,909	2,080,251
Other investments	<u>4,750</u>	<u>4,750</u>
Total Other Assets	<u>1,970,659</u>	<u>2,635,001</u>
 TOTAL ASSETS	 <u>\$ 5,485,511</u>	 <u>\$ 6,377,720</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 173,791	\$ 224,526
Deferred revenue	26,500	41,675
Line of credit	<u>77,000</u>	<u>80,000</u>
Total Current Liabilities	<u>277,291</u>	<u>346,201</u>
 NET ASSETS		
Unrestricted	2,585,182	2,680,899
Temporarily restricted	2,523,038	3,250,620
Permanently restricted	<u>100,000</u>	<u>100,000</u>
Total Net Assets	<u>5,208,220</u>	<u>6,031,519</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,485,511</u>	 <u>\$ 6,377,720</u>

The accompanying notes are an integral part of these financial statements.

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	(Memo) 2016 Total
REVENUE, GAINS, AND OTHER SUPPORT					
General public support	\$ 459,791	\$ -	\$ -	\$ 459,791	\$ 765,047
General public support - in kind	-	345,741	-	345,741	615,921
Foundations and trusts	544,878	-	-	544,878	793,126
Government grants	310,045	-	-	310,045	391,129
Special events (net of expenses of \$292,753 and \$375,867)	272,138	-	-	272,138	332,497
Program service income	648,556	-	-	648,556	1,056,842
Membership dues	56,155	-	-	56,155	57,893
Rental income	77,485	-	-	77,485	147,918
Other income	465,369	-	-	465,369	5,923
Gain on sale of investments	8,294	-	-	8,294	-
Investment income	700	-	-	700	5,826
Unrealized gain on investments	2,534	-	-	2,534	13,163
Net assets released from restrictions	<u>1,073,323</u>	<u>(1,073,323)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains, and Other Support	<u>3,919,268</u>	<u>(727,582)</u>	<u>-</u>	<u>3,191,686</u>	<u>4,185,285</u>
EXPENSES					
Program services	3,081,802	-	-	3,081,802	3,295,884
Management and general	736,211	-	-	736,211	675,091
Fundraising	196,972	-	-	196,972	350,547
Total Expenses	<u>4,014,985</u>	<u>-</u>	<u>-</u>	<u>4,014,985</u>	<u>4,321,522</u>
CHANGE IN NET ASSETS	(95,717)	(727,582)	-	(823,299)	(136,237)
NET ASSETS, JANUARY 1	<u>2,680,899</u>	<u>3,250,620</u>	<u>100,000</u>	<u>6,031,519</u>	<u>6,167,756</u>
NET ASSETS, DECEMBER 31	<u>\$ 2,585,182</u>	<u>\$ 2,523,038</u>	<u>\$ 100,000</u>	<u>\$ 5,208,220</u>	<u>\$ 6,031,519</u>

The accompanying notes are an integral part of these financial statements.

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	Program Services	Support Services			2017 Total	(Memo)
		Management and General	Fundraising	Total		2016 Total
EXPENSES						
Salaries and wages	\$ 1,405,153	\$ 263,655	\$ 43,749	\$ 307,404	\$ 1,712,557	\$ 1,897,683
Employee benefits and payroll taxes	209,775	52,995	9,187	62,182	271,957	333,405
Professional fees	190,550	171,598	450	172,048	362,598	357,472
Program expenses	186,831	24,662	7,980	32,642	219,473	300,720
Office expense	15,002	35,440	20,058	55,498	70,500	85,615
Occupancy - rent and utilities	181,570	66,048	-	66,048	247,618	254,218
Occupancy - in kind rent	527,135	270	900	1,170	528,305	507,036
Repairs and maintenance	58,110	222	604	826	58,936	136,557
Fundraising costs	1,375	43	100,842	100,885	102,260	62,436
Travel and auto	42,265	2,747	200	2,947	45,212	100,624
Conferences and meetings	423	2,549	990	3,539	3,962	7,792
Insurance	35,534	20,372	-	20,372	55,906	58,294
National dues and other subscriptions	-	8,770	2,924	11,694	11,694	11,204
Interest	-	3,007	-	3,007	3,007	3,303
Taxes and fees	18,973	(697)	9,088	8,391	27,364	9,740
Uncollectible pledges	-	75,000	-	75,000	75,000	-
Depreciation	209,106	9,530	-	9,530	218,636	195,423
TOTAL EXPENSES 2017	<u>\$ 3,081,802</u>	<u>\$ 736,211</u>	<u>\$ 196,972</u>	<u>\$ 933,183</u>	<u>\$ 4,014,985</u>	<u>\$ 4,321,522</u>
TOTAL EXPENSES 2016 (Memo)	<u>\$ 3,295,884</u>	<u>\$ 675,091</u>	<u>\$ 350,547</u>	<u>\$ 1,025,638</u>		<u>\$ 4,321,522</u>

The accompanying notes are an integral part of these financial statements.

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>(Memo)</u> <u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (823,299)	\$ (136,237)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated property and equipment	-	(98,998)
Depreciation	218,636	195,423
Unrealized gain on value of securities	(2,534)	(13,163)
Realized gain on sale of securities	(8,294)	-
Decrease (increase) in accounts receivable	(137,673)	17
Decrease (increase) in pledges and grants receivable	525,000	(197,000)
Decrease in pledges receivable land lease	340,369	337,221
Decrease in deposits	6,980	-
Increase in prepaid expenses and deposits	(6,212)	(5,850)
Increase (decrease) in accounts payable and accrued liabilities	(50,735)	40,126
Decrease in deferred revenue	<u>(15,175)</u>	<u>(20,656)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>47,063</u>	<u>100,883</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(42,925)	(149,407)
Proceeds from sale of securities	256,344	-
Purchase of securities	<u>(186,711)</u>	<u>(4,418)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>26,708</u>	<u>(153,825)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	-	(46,474)
Net payments on line of credit	<u>(3,000)</u>	<u>(24,645)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(3,000)</u>	<u>(71,119)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	70,771	(124,061)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>338,362</u>	<u>462,423</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 409,133</u>	<u>\$ 338,362</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 3,007	\$ 3,304
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES		
Non-cash acquisition of property and equipment through donation	\$ -	\$ 98,998

The accompanying notes are an integral part of these financial statements.

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1 – ORGANIZATION

United Boys & Girls Clubs of Santa Barbara County (the Club), a non-profit organization, was incorporated in 1981. The Club provides a safe environment for children to develop self-esteem, values and skills. They provide a place, professional staff and programs for athletics, games, learning computer skills, after school day care, and various other activities that benefit children in the cities of Goleta, Santa Barbara, Lompoc and Carpinteria, California. The Club also runs Camp Whittier, which is a campground that is available for use by the various clubs.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Club have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, amounts in checking, savings, money market accounts, and certificates of deposit with maturities of 90 days or less.

Investments

Investments in marketable securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Donated securities are recorded at their estimated value at date of receipt.

Donated Services

The value of donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time in the Club's fund-raising campaigns and programs. The extent that contributions of materials and services are made under the control of the Club are objectively measurable and represent program or support expenditures which would otherwise be incurred by the Club's personnel, they are reflected in both public support and program expense in the accompanying financial statements. For 2017 there are no donated services that were specialized.

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value at the time of the donation. It is management's policy to capitalize certain purchases and donations with a useful life greater than one year and a value greater than \$500.

Depreciation is computed using the straight-line method over estimated useful lives as follows:

Building and improvements	30 - 40 Years
Leasehold improvements	4 - 40 Years
Furniture and equipment	3 - 10 Years
Vehicles	3 - 7 Years

Depreciation expense for the year ended December 31, 2017 was \$218,636.

Deferred Revenue

Deferred revenue represents an advance of rent and camp fees to be earned after December 31, 2017.

Financial Statement Presentation

In accordance with generally accepted accounting principles, the Club is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets consist of funds free of any donor-imposed restrictions and which the governing board has discretionary control for use in carrying out the general operations of the Club.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions and other inflows of funds temporarily subject to donor-imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of the Club that fulfill donor stipulations. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “net assets released from restrictions”.

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Club. The income from the permanently restricted net assets can be used to support the Club's general activities and are reported with unrestricted amounts on the statement of activities.

Contributions and Grants

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Club reports the support as unrestricted.

Functional Expenses

The Club allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Tax Exempt Status

The Club is a California nonprofit corporation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Club is not considered to be a private foundation.

The Club evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2017, the Club had no uncertain tax positions requiring accrual.

The Club files tax returns in California and U.S. federal jurisdictions. The Foundation is no longer subject to U.S. federal, state and local tax examinations by tax authorities for years before 2014 and 2013, respectively.

Subsequent Events

The Club has evaluated subsequent events through August 8, 2018, the date which the financial statements were available to be issued.

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 3 – PLEDGES, GRANTS, AND RECEIVABLES

The Club has entered into long-term non-cancelable leases of the Carpinteria, Goleta, Westside and Lompoc properties at a cost below the lease's fair market value. The difference between fair value and the cost to the Club represents an in-kind donation of rented buildings and land. The present value of donated space to be used in future periods is recorded as a pledge receivable as of December 31, 2017, of \$2,080,251. The current portion to be received within one year is \$264,342. As the lease is non-cancelable and the amount of the lease charges is fixed, no provision has been made for uncollectible pledges receivable.

Recognition of all pledges receivable for the next five years ending December 31 and after is expected to be as follows:

2018	\$ 314,342
2019	269,254
2020	279,615
2021	167,050
2022	80,395
Thereafter	<u>1,169,594</u>
Total	<u>\$ 2,280,250</u>

The fair market value of the in-kind rent expense for the year ended December 31, 2017, is:

City of Goleta	\$ 135,000
City of Santa Barbara	133,440
County of Santa Barbara	12,852
Carpinteria Boys and Girls Club Foundation	162,000
Bureau of Reclamation	<u>50,892</u>
Total	<u>\$ 494,184</u>

Accounts receivable includes \$160,000 received subsequent to year end as insurance proceeds for damage caused by a fire that went through Camp Whittier in July, 2017. Proceeds from insurance received as of December 31, 2017, was \$759,234 with corresponding expenses of \$294,727. The net amount of \$464,507 is included in other income as of December 31, 2017.

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 4 – INVESTMENTS

As of December 31, 2017, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Equities	\$ 128,550	\$ 128,593	\$ 43
Total	<u>\$ 128,550</u>	<u>\$ 128,593</u>	<u>\$ 43</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Balance at end of the year	\$ 128,550	\$ 128,593	\$ 43
Balance at beginning of the year	<u>189,889</u>	<u>187,398</u>	<u>(2,491)</u>
Net change in unrealized gain			<u>\$ 2,534</u>

The following summarizes the investment return included in the statement of activities for the year ended December 31, 2017.

Interest and dividend income	\$ 700
Realized gain on sale of securities	8,294
Unrealized gain on value of securities	<u>2,534</u>
Total Investment Return	<u>\$ 11,528</u>

Note 5 – LEASES

The Club leases various facility spaces located on land from the Goleta School District, the City of Santa Barbara, County of Santa Barbara and the Carpinteria Boys and Girls Club Foundation for the sole consideration of annual rent of \$1 per year for all leases. The leases expire in December 2033, May 2028, August 2050 and March 2021, respectively. The sole consideration for the use of the land is the operation of the Club. The club leased facility space located on land from the City of Lompoc on a month to month basis as of December 31, 2017.

The Club leases land for Camp Whittier from the Bureau of Reclamation, expiring January 2037. Certain conditions exist on the lease and therefore not recorded as a long-term pledge receivable. Contribution revenue is recorded for the current year only.

The Club pays monthly rent for the administrative office location in the amount of \$3,911 as of December 31, 2017. There are no future scheduled increases. The lease expires April 30, 2021.

The Club paid monthly rent for the child care location to UC Regents in the amount of \$3,098 through June 15, 2017. The lease expired June 15, 2017.

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 5 – LEASES (continued)

The Club also leases copier and fax machines under non-cancelable operating leases through February 2018. Monthly rent on the leases is \$945 as of December 31, 2017.

Total rent expense for the year ended December 31, 2017, totaled \$63,674.

The future minimum lease payments for the non-cancelable leases are as follows for the years ending December 31:

2018	\$ 53,207
2019	47,752
2020	46,932
2021	46,932
2022	15,664
Total	<u>\$ 210,487</u>

Subsequent to year end the club reached a purchase agreement dated January 18, 2018, with the Housing Authority of the County of Santa Barbara to purchase the Lompoc property for \$1.

Note 6 – LINE OF CREDIT

The Club had an unsecured line of credit with Bank of the Sierra with credit limit of \$100,000, balance due August 31, 2018, with an interest rate of 4.50%. As of December 31, 2017, the outstanding balance was \$77,000.

Note 7 – NET ASSETS

As of December 31, 2017, temporarily restricted net assets consist of the following:

Donated Land Leased for Operations	\$ 2,080,251
Cash from fire insurance	177,787
Westside Club	65,000
Pledges Receivable	<u>200,000</u>
Total Temporarily restricted net assets	<u>\$ 2,523,038</u>

Permanently restricted net assets as of December 31, 2017, consists of contributions and pledges, invested in perpetuity with the income available for general operations.

Note 8 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes specified by donors. For 2017, the passage of time restrictions resulted in net assets released from restriction of \$1,073,323.

UNITED BOYS & GIRLS CLUBS OF SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 9 – OTHER INVESTMENTS

Other investments consist of donated interests in timeshares which were valued at the time of donation at an estimated fair market price less any estimated selling expenses.

Note 10 – RETIREMENT PLAN

In 1994, the Club adopted a defined contribution plan sponsored by Boys and Girls Clubs of America, Inc. under which the clubs will be contributing up to 10% of participants' compensation. Effective December 1, 2003, the contribution percentage was decreased to 1.50%. This plan covers employees who have been employed for one year, have attained the age of twenty-one, and has worked 1,000 hours. Pension expense for the year ended December 31, 2017, was \$1,117.

Note 11 - RECLASSIFICATION

Certain amounts from the December 31, 2016 financial statements have been reclassified to conform to the December 31, 2017 financial statement presentation.