

**CHANNEL ISLANDS  
YOUNG MEN'S CHRISTIAN  
ASSOCIATION  
(YMCA)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

# CHANNEL ISLANDS YMCA

June 30, 2011

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Channel Islands Young Men's Christian Association  
Santa Barbara, California

We have audited the accompanying statement of financial position of the Channel Islands Young Men's Christian Association (YMCA), (a California nonprofit corporation) as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the YMCA's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2010, is presented for comparative purposes only and was extracted from the financial statements for that year, on which an unqualified opinion dated October 22, 2010, was expressed.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Channel Islands YMCA as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 2011 on our consideration of the YMCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit

A handwritten signature in cursive script that reads 'McGowan Guntermann'.

November 1, 2011

**CHANNEL ISLANDS YMCA**

**STATEMENT OF FINANCIAL POSITION**

June 30, 2011

(With Comparative Totals at June 30, 2010)

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Memo Total 2010
<b>Current Assets</b>					
Cash and cash equivalent	\$ 453,948	\$ 654,993	\$ -	\$ 1,108,941	\$ 1,220,397
Grants and contracts receivable	283,472	-	-	283,472	95,460
Accounts receivable	43,046	-	-	43,046	23,894
Promises to give	-	117,073	-	117,073	158,208
Prepaid and other assets	180,132	-	-	180,132	330,477
<b>Total Current Assets</b>	<u>960,598</u>	<u>772,066</u>	<u>-</u>	<u>1,732,664</u>	<u>1,828,436</u>
<b>Assets Restricted for Capital Campaigns</b>					
Cash and cash equivalents	-	2,267,047	-	2,267,047	572,941
Promises to give - capital campaigns	-	602,629	-	602,629	1,296,370
<b>Total Assets Restricted for Capital Campaigns</b>	<u>-</u>	<u>2,869,676</u>	<u>-</u>	<u>2,869,676</u>	<u>1,869,311</u>
<b>Endowment Assets</b>					
Cash	296,252	-	-	296,252	170,118
Investments	180,818	411,269	1,559,112	2,151,199	1,823,572
<b>Total Endowment Assets</b>	<u>477,070</u>	<u>411,269</u>	<u>1,559,112</u>	<u>2,447,451</u>	<u>1,993,690</u>
<b>Property and Equipment (net)</b>	<u>21,322,322</u>	<u>-</u>	<u>-</u>	<u>21,322,322</u>	<u>21,444,798</u>
<b>Total Assets</b>	<u>\$ 22,759,990</u>	<u>\$ 4,053,011</u>	<u>\$ 1,559,112</u>	<u>\$ 28,372,113</u>	<u>\$ 27,136,235</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 419,965	\$ -	\$ -	\$ 419,965	\$ 239,282
Accrued expenses	823,919	-	-	823,919	774,327
Unearned revenue	606,825	-	-	606,825	496,570
Current portion of notes payable	-	-	-	-	113,244
<b>Total Current Liabilities</b>	<u>1,850,709</u>	<u>-</u>	<u>-</u>	<u>1,850,709</u>	<u>1,623,423</u>
<b>Notes Payable, Net of Current Portion</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,531</u>
<b>Total Liabilities</b>	<u>1,850,709</u>	<u>-</u>	<u>-</u>	<u>1,850,709</u>	<u>2,113,954</u>
<b>Net Assets</b>					
Unrestricted	20,909,281	-	-	20,909,281	20,358,773
Temporarily restricted	-	4,053,011	-	4,053,011	3,120,421
Permanently restricted	-	-	1,559,112	1,559,112	1,543,087
<b>Total Net Assets</b>	<u>20,909,281</u>	<u>4,053,011</u>	<u>1,559,112</u>	<u>26,521,404</u>	<u>25,022,281</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 22,759,990</u>	<u>\$ 4,053,011</u>	<u>\$ 1,559,112</u>	<u>\$ 28,372,113</u>	<u>\$ 27,136,235</u>

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

**CHANNEL ISLANDS YMCA**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Year Ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	Memo 2010 Total
<b>Public Support and Revenue</b>					
<b>Public Support</b>					
Contributions - annual campaign	\$ 677,847	\$ -	\$ -	\$ 677,847	\$ 508,171
Contributions - capital campaign	-	1,288,130	-	1,288,130	1,539,073
Contributions - other	10,254	575,079	16,025	601,358	769,750
Special events, net of direct costs of \$76,859 and \$56,946, respectively	112,964	-	-	112,964	102,687
United Way	3,580	-	-	3,580	5,545
<b>Total Public Support</b>	<u>804,645</u>	<u>1,863,209</u>	<u>16,025</u>	<u>2,683,879</u>	<u>2,925,226</u>
<b>Revenue</b>					
Membership dues	7,679,754	-	-	7,679,754	7,388,799
Joining fees	187,882	-	-	187,882	186,896
Program events	1,285,657	-	-	1,285,657	1,215,689
Merchandise sales and rentals	18,593	-	-	18,593	21,812
Camp income	85,003	-	-	85,003	98,040
Childcare	2,808,500	-	-	2,808,500	2,831,622
Government funds:					
Childcare	267,880	-	-	267,880	342,733
Other programs	593,357	94,945	-	688,302	585,483
Investment income	15,520	40,390	-	55,910	45,192
Realized loss on investments	(11,390)	-	-	(11,390)	(17,271)
Unrealized gain on investments	416,958	-	-	416,958	149,467
Other interest income	20,206	-	-	20,206	-
Loss on disposal of property and equipment	(7,585)	-	-	(7,585)	-
Miscellaneous revenue	29,705	-	-	29,705	24,950
<b>Total Revenue</b>	<u>13,390,040</u>	<u>135,335</u>	<u>-</u>	<u>13,525,375</u>	<u>12,873,412</u>
<b>Total Public Support and Revenue</b>	14,194,685	1,998,544	16,025	16,209,254	15,798,638
<b>Assets Released from Restriction</b>					
Due to Time Restriction	1,065,954	(1,065,954)	-	-	-
<b>Net Public Support and Revenue</b>	<u>15,260,639</u>	<u>932,590</u>	<u>16,025</u>	<u>16,209,254</u>	<u>15,798,638</u>
<b>Expenses</b>					
<b>Program Services</b>					
Youth Development	5,345,298	-	-	5,345,298	5,375,141
Healthy Living	6,618,100	-	-	6,618,100	6,391,394
Social Responsibility	829,946	-	-	829,946	755,717
<b>Total Program Services</b>	<u>12,793,344</u>	<u>-</u>	<u>-</u>	<u>12,793,344</u>	<u>12,522,252</u>
<b>Supporting Services</b>					
Management and general	1,481,175	-	-	1,481,175	1,456,966
Fundraising	435,612	-	-	435,612	519,710
<b>Total Supporting Services</b>	<u>1,916,787</u>	<u>-</u>	<u>-</u>	<u>1,916,787</u>	<u>1,976,676</u>
<b>Total Expenses</b>	<u>14,710,131</u>	<u>-</u>	<u>-</u>	<u>14,710,131</u>	<u>14,498,928</u>
<b>Increase in Net Assets</b>	550,508	932,590	16,025	1,499,123	1,299,710
<b>Net Assets at Beginning of Year</b>	<u>20,358,773</u>	<u>3,120,421</u>	<u>1,543,087</u>	<u>25,022,281</u>	<u>23,722,571</u>
<b>Net Assets at End of Year</b>	<u>\$ 20,909,281</u>	<u>\$ 4,053,011</u>	<u>\$ 1,559,112</u>	<u>\$ 26,521,404</u>	<u>\$ 25,022,281</u>

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

## CHANNEL ISLANDS YMCA

### STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2011 (With Comparative Totals for the Year Ended June 30, 2010)

	Program Services				Supporting Services		2011 Total	Memo 2010 Total
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising		
Salaries	\$ 2,825,773	\$ 3,148,160	\$ 539,776	\$ 6,513,709	\$ 777,377	\$ 193,506	\$ 7,484,592	\$ 7,425,163
Employee benefits	380,097	313,932	88,783	782,812	166,862	34,308	983,982	993,659
Payroll taxes and workers comp insurance	<u>334,493</u>	<u>371,151</u>	<u>64,473</u>	<u>770,117</u>	<u>89,705</u>	<u>22,878</u>	<u>882,700</u>	<u>854,078</u>
Total Salaries and Related Expenses	3,540,363	3,833,243	693,032	8,066,638	1,033,944	250,692	9,351,274	9,272,900
Professional fees and contracted services	42,185	33,060	2,876	78,121	100,582	4,119	182,822	197,129
Supplies	292,709	243,273	39,193	575,175	16,441	41,529	633,145	631,053
Communications	21,937	25,496	7,924	55,357	13,067	4,248	72,672	116,571
Postage	11,986	13,029	685	25,700	6,419	5,156	37,275	39,053
Occupancy	437,357	988,915	27,561	1,453,833	91,883	11,577	1,557,293	1,468,295
Equipment	88,544	230,973	11,984	331,501	35,922	14,224	381,647	290,532
Program costs	208,339	2,029	2,690	213,058	-	84	213,142	212,447
Advertising	92,220	115,427	1,145	208,792	64,045	29,371	302,208	309,780
Travel and transportation	144,817	24,403	9,969	179,189	26,331	5,110	210,630	203,528
Conference	28,762	31,095	3,866	63,723	15,387	9,806	88,916	93,152
Financing costs	82,133	80,259	111	162,503	21,641	22,091	206,235	224,692
Other insurance	59,173	93,651	4,616	157,440	2,714	79	160,233	168,186
Miscellaneous	51,640	39,424	5,650	96,714	27,132	4,542	128,388	111,036
Awards	2,168	2,310	219	4,697	11,443	19,956	36,096	24,141
National YMCA fee	<u>44,189</u>	<u>91,148</u>	<u>1,455</u>	<u>136,792</u>	<u>4,321</u>	<u>7,456</u>	<u>148,569</u>	<u>150,113</u>
Total Expenses before Depreciation Expense	5,148,522	5,847,735	812,976	11,809,233	1,471,272	430,040	13,710,545	13,512,608
Depreciation expense	<u>196,776</u>	<u>770,365</u>	<u>16,970</u>	<u>984,111</u>	<u>9,903</u>	<u>5,572</u>	<u>999,586</u>	<u>986,320</u>
Total Expenses - June 30, 2011	<u>\$ 5,345,298</u>	<u>\$ 6,618,100</u>	<u>\$ 829,946</u>	<u>\$ 12,793,344</u>	<u>\$ 1,481,175</u>	<u>\$ 435,612</u>	<u>\$ 14,710,131</u>	
Total Expenses - June 30, 2010	<u>\$ 5,375,141</u>	<u>\$ 6,391,394</u>	<u>\$ 755,717</u>	<u>\$ 12,522,252</u>	<u>\$ 1,456,966</u>	<u>\$ 519,710</u>		<u>\$ 14,498,928</u>

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

**CHANNEL ISLANDS YMCA**

**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	2011	2010
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,499,123	\$ 1,299,710
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Contributions restricted for capital improvements	(1,288,130)	(1,505,384)
Contributions for endowment	(16,025)	(2,437)
Depreciation expense	999,586	986,320
Change in unrealized gain	(416,958)	(149,467)
Realized losses	11,390	17,271
Loss on disposal of property and equipment	7,585	1,898
Changes in:		
Contracts and grants receivable	(188,012)	(1,549)
Accounts receivable	(19,152)	(1,314)
Promises to give	41,135	74,455
Prepaid expenses, deposits and other assets	150,345	(124,865)
Assets held in trust	-	53,710
Accounts payable	180,683	(61,997)
Accrued expenses	49,592	(22,101)
Unearned revenue	110,255	33,721
Net cash provided by operating activities	1,121,417	597,971
Cash Flows from Investing Activities		
Acquisition of property and equipment	(884,695)	(474,260)
Purchase of investments	(87,172)	(623,955)
Proceeds from sale of investments	165,093	297,535
Net cash used by investing activities	(806,774)	(800,680)
Cash Flows from Financing Activities		
Proceeds from borrowing	250,000	400,000
Principal payments on borrowings	(853,775)	(557,161)
Proceeds received from contributions restricted for capital improvements	1,981,891	750,551
Contributions for endowment	16,025	2,437
Net cash provided by financing activities	1,394,141	595,827
Net Increase in Cash	1,708,784	393,118
Cash and Cash Equivalents at Beginning of the Year	1,963,456	1,570,338
Cash and Cash Equivalents at End of the Year	\$ 3,672,240	\$ 1,963,456
<u>Supplementary Information:</u>		
Cash paid for interest	\$ 36,102	\$ 69,780

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

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: ORGANIZATION

Channel Islands Young Men's Christian Association (the "YMCA") is a charitable organization which provides programs based upon Christian principles to men, women, and children of all ages, races, religious beliefs and economic status, in order to develop and enrich the spirit, mind, and body.

"Santa Barbara Young Men's Christian Association" was established in September 1899. Since its establishment it has started or absorbed operations of several YMCAs in neighboring cities and counties. In January 1981 it adopted the current name. The YMCA maintains its principal place of business at 55 Hitchcock Way, Suite 101, Santa Barbara, California.

As a voluntary health and welfare organization qualifying under Internal Revenue Code Section 501(c)(3), the YMCA is generally exempt from federal and state income taxes. The YMCA is not considered a private foundation.

The YMCA is governed by an elected board of directors and officers responsible for the development of policies. Executive directors and staff conduct YMCA activities in accordance with board-established policy.

The YMCA is committed to strengthening communities in Santa Barbara and Ventura counties through programs focused on:

#### Youth Development - Nurturing the potential of every child and teen

These programs include youth sports, before and after school care, preschool, summer day camps, leadership development, civic engagement, swimming, recreation and off-premise overnight or week-long camping activities.

#### Healthy Living - Improving the nation's health and well-being

These programs promote family time, health, well-being, fitness, sports, recreation, spiritual development and group interests for adults and families.

#### Social Responsibility - Giving back and providing support to our neighbors

These programs include a youth shelter and teen center for at risk youth.

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying financial statements of the YMCA have been prepared on the accrual basis. The YMCA is comprised of facility branches located in Santa Barbara, Montecito, Ventura, Camarillo, Lompoc and Santa Ynez. These branches also operate childcare programs and day camps at school sites. The Youth and Family Services branch operates programs in Santa Barbara and Isla Vista. This branch primarily serves youth and young adults at a youth shelter, a teen center and as part of supportive transitional housing program. All significant balances and transactions among the branches have been eliminated. To present comparative financial statements, the YMCA has included summarized comparative information for the twelve-month period ending on June 30, 2010.

To ensure observance of limitations and restrictions placed on the use of resources available to the YMCA, the accounts of the YMCA are maintained in accordance with the principles of fund accounting. This accounting and reporting method classifies resources by their nature and purpose based on the presence or absence of donor-imposed restrictions into three classes of net assets:

#### Unrestricted Net Assets

Unrestricted net assets are those net assets which are received without donor restriction or those net assets for which donor restrictions have been fulfilled. Also included are board designated net assets.

#### 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 the actions of the YMCA that fulfill donor stipulations. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as temporarily restricted net assets.

#### Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions and other inflows of funds subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the actions of the YMCA.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the YMCA considers all highly-liquid investments with an initial maturity of twelve months or less to be cash equivalents.

The YMCA maintains several cash accounts to separately hold cash which may not be available for operating purposes as required by certain granting agencies and donors.

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

#### Property and Equipment

Expenditures of \$2,500 or more for land, buildings and equipment are capitalized; the fair market value of donated assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the respective assets ranging from three to fifty years on the straight-line method. Leasehold improvements are being amortized over the shorter of the lease term or useful life.

#### Investments

Investments are recorded at fair market value. Changes in unrealized gains or losses are recorded as a change in the appropriate class of net assets.

#### Unearned Revenue

Revenues from membership dues are recognized over the terms of the memberships. Revenues from childcare fees are recognized over periods of childcare service provided. Revenues from program fees are recognized over the terms of the program. Amounts collected but unearned are reflected in the statement of financial position as unearned revenue.

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted public support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, that is, when stipulated time restrictions end, or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

#### Contributed Services

The YMCA pays for most services requiring specific expertise. However, a substantial number of volunteers have donated significant amounts of time to assist with the YMCA's program services and its fundraising campaigns (See Note 15).

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Advertising Costs

The YMCA charges the cost of advertising to expense when incurred.

#### Functional Expenses

Expenses for program services shown in the statement of functional expenses primarily consist of program expenses of branches. Management and general expenses are expenses of the Association Office, and fundraising expenses are incurred by all branches and the Association Office.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates used in preparing these financial statements include:

- Depreciable lives and estimated residual value of fixed assets
- Allocation of certain expenses by function
- Allowance for uncollectible contracts, grants and promises to give
- Fair value of donated land
- Promises to give discounted to net present value
- Fair value of financial instruments

It is at least reasonably possible that the significant estimates used will change within the next year.

#### Subsequent Events

In preparing these financial statements, the YMCA has evaluated events and transactions for potential recognition or disclosure through November, 1, 2011, the date the financial statements were issued.

### NOTE 3: CONTRACTS AND GRANTS RECEIVABLE

Contracts and grants receivable are mainly from the governmental agencies and private foundations. The YMCA has provided an uncollectible allowance of an amount of \$10,952 at June 30, 2011, with the remaining balance expected to be fully collectible within one year from the year end.

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

NOTE 4: ACCOUNTS RECEIVABLE

The YMCA has provided an allowance for uncollectible accounts receivable of an amount of \$52,798 and \$110,199 at June 30, 2011 and 2010, respectively, with the remaining balance of accounts receivable expected to be fully collectible within one year from the year end.

NOTE 5: PROMISES TO GIVE

While the YMCA conducts annual campaigns, promises to give are primarily the result of a capital campaign. During the year ended June 30, 2008, the Stuart C. Gildred Branch started a campaign to provide an additional 7,000 square feet to the facility in Santa Ynez.

Unconditional promises to give at June 30 are as follows:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 275,422	\$ 1,472,556
Receivable in one to five years	<u>661,135</u>	<u>294,707</u>
Total unconditional promises to give	936,577	1,767,263
Less discounts to net present value (effective rate 2.529%)	(26,372)	(114,066)
Less allowance for uncollectible promises	<u>(190,503)</u>	<u>(198,619)</u>
Total	<u>\$ 719,702</u>	<u>\$ 1,454,578</u>

Promises to give in the statement of financial position are composed of:

	<u>2011</u>	<u>2010</u>
Annual campaign – net	\$ 98,268	\$ 123,545
Capital campaign – net	602,629	1,296,370
Other	<u>18,805</u>	<u>34,663</u>
Total	<u>\$ 719,702</u>	<u>\$1,454,578</u>

NOTE 6: CONDITIONAL PROMISES TO GIVE

The YMCA does not record conditional promises to give. The YMCA has been named as a charitable beneficiary in the wills of various donors. However, the donors have retained the right to change charitable beneficiaries; therefore, these intentions have not been recorded as an asset of the YMCA.

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7: INVESTMENTS

Investments at June 30, 2011, are recorded at market value based upon quoted market prices (fair value) and are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of deposit	\$ 130,405	\$ 133,113	\$ 2,708
US Treasury bonds	87,125	96,515	9,390
Other bonds	25,907	27,088	1,181
Mutual funds	737	402	(335)
Domestic corporate stocks	1,233,848	1,464,884	231,036
International stocks	<u>405,186</u>	<u>429,197</u>	<u>24,011</u>
Current year	1,883,208	2,151,199	267,991
Prior year	1,972,539	1,823,572	<u>(148,967)</u>
Change in unrealized gain on investments:			<u>\$ 416,958</u>

The endowment fund investments include unrestricted, temporarily restricted, and permanently restricted investments. Unrestricted investments of the endowment fund consist of amounts that have been designated by the YMCA's board of directors. The earnings from the investments provide an income stream for restricted and unrestricted purposes. Investment return is summarized as follows for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 55,910	\$ 45,642
Change in unrealized gain	416,958	149,467
Realized loss	<u>(11,390)</u>	<u>(17,271)</u>
Total investment gain	<u>\$ 461,478</u>	<u>\$ 177,838</u>

### NOTE 8: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30:

	<u>2011</u>	<u>2010</u>
Land	\$ 5,687,608	\$ 5,687,608
Land improvements	3,777,359	3,738,259
Buildings and improvements	21,078,947	20,785,934
Equipment and fixtures	1,748,114	1,868,036
Office furniture and equipment	400,073	409,501
Vehicles	73,902	94,089
Construction in progress	<u>573,154</u>	<u>115,612</u>
	33,339,157	32,699,039
Less accumulated depreciation	<u>(12,016,835)</u>	<u>(11,254,241)</u>
Total	<u>\$ 21,322,322</u>	<u>\$ 21,444,798</u>

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9: RELATED PARTY TRANSACTIONS

- In April 2011, the YMCA entered into a construction contract for \$1,535,160 with a contractor to add additional program space to the Stuart C. Gildred facility in Santa Ynez. This contract is considered a related party transaction as one of the YMCA's board members is employed by the contractor. The board member abstained from voting on this transaction and the transaction was processed in accordance with the association's new *Conflict of Interest* policy.
- The YMCA hired an engineering firm to perform survey and mapping services relating to the Stuart C. Gildred and Montecito facility projects. The firm's principal owner is also a member of the YMCA's board of directors. The firm received \$3,500 and \$8,400 during 2011, and 2010, respectively.
- The YMCA used the service of a broker to obtain its worker compensation insurance policies. The broker received a commission of \$23,000 for each of the years ended 2011 and 2010. The purchases of these insurance policies are considered related party transactions as the principal for the broker is also a member of the YMCA's board of directors.
- During 2011 and 2010, the YMCA's bank accounts, construction loan and line of credit were held by a local bank whose president and chief operating officer is a board member of the YMCA. In December 2010, the loans were refinanced into one line of credit by another bank.

### NOTE 10: CONTINGENCIES

The YMCA received a number of grants from various governmental agencies. These grants are subject to audit by the corresponding oversight agency as to allowable costs paid with governmental funds and as to the share of costs contributed by the YMCA. The YMCA could be liable for as much as the full amount of governmental funds expended up to approximately \$668,311 for the year if, under audit, the oversight agency were to determine that all costs charged to the project were disallowed. Management believes it is unlikely that the various agencies would disallow a significant portion of the costs.

### NOTE 11: RETIREMENT PLAN

The YMCA has a defined contribution retirement plan provided through the YMCA Retirement Fund. To be eligible, an employee must be age twenty-one or older and work 1,000 hours in each of two years. Once eligible, the employee is immediately vested and remains in the plan. Employees who transfer from another YMCA, where they participated in the Retirement Fund, will continue to participate without interruption. The YMCA contributed 8% of eligible employee wages to the Retirement Fund each month for 2011 and 2010, respectively. Retirement expense was \$344,574 and \$349,001 for the years ended June 30, 2011 and 2010, respectively.

**CHANNEL ISLANDS YMCA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12: LONG-TERM DEBT**

Long-term debt consists of the following:

	2011	2010
Term note payable to a bank due in monthly installments of \$12,314 including interest currently at 6.25%, secured by a first trust deed on the Santa Barbara branch real property (see note 9)	\$ _____ -	\$ <u>603,775</u>
Total debt		603,775
Less current portion	_____ -	<u>(113,244)</u>
Long-term debt	<u>\$ _____ -</u>	<u>\$ 490,531</u>

During fiscal year 2011 the YMCA obtained a \$5,000,000 revolving line of credit with a local bank due December 1, 2015. The line of credit is secured by a 1st trust deed on the Santa Barbara branch real property and a UCC-a filing on all business assets. The loan terms require monthly interest payments at a variable rate of Wall Street Journal Prime, with a floor rate of 3.75%. There have been no borrowings as of June 30, 2011.

Total interest expense for notes payable for the years ended June 30, 2011 and 2010 was \$35,031 and \$64,987, respectively. The YMCA is in compliance with all applicable debt covenants as of June 30, 2011.

**NOTE 13: RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets:

Temporarily restricted net assets are available for the following purpose or period:

	2011	2010
Stuart Gildred improvement project	\$ 2,869,675	\$ 1,828,810
Subsequent years' activities	772,067	906,339
Unappropriated endowment earnings	<u>411,269</u>	<u>385,272</u>
Total	<u>\$ 4,053,011</u>	<u>\$ 3,120,421</u>

Permanently restricted net assets:

Permanently restricted net assets consist of investments in perpetuity, the income from which is expendable to support operations of the YMCA.

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

### NOTE 14: SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Summary of cash and cash equivalents:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 453,948	\$ 512,767
Temporarily restricted	654,993	707,630
Temporarily restricted for capital campaigns	2,267,047	572,941
Unrestricted endowment	296,252	65,331
Unappropriated permanent endowment earnings	-	<u>104,787</u>
Total	<u>\$ 3,672,240</u>	<u>\$ 1,963,456</u>

Certain donor-restricted donations required, and are included, in separate bank accounts.

### NOTE 15: CONTRIBUTED SERVICES

A substantial number of volunteers have donated significant amounts of their time performing services to the YMCA during fiscal year ended June 30, 2011. The YMCA estimates that approximately 26,766 hours were contributed by policy, advisory, fundraising and program volunteers. Valued at the lowest rate of pay the YMCA would have paid these volunteers had they been employees, the YMCA received benefits estimated at \$214,128. These estimated benefits are not recorded in the financial statements.

### NOTE 16: FAIR VALUE MEASUREMENT

Fair values of assets have been measured in accordance with generally accepted accounting principles (GAAP), which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

### NOTE 16: FAIR VALUE MEASUREMENT – (continued)

The following is a description of the valuation methodologies used for assets measured at fair value:

US Treasury bonds	Valued at the closing price reported in the active market in which the bond is traded
Other bonds	Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.
Equities	Certain common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the YMCA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. Gains and losses (realized and unrealized) are on the statement of activities and changes in net assets.

The following table sets forth by level within the fair value hierarchy the YMCA's assets at fair values as of June 30, 2011:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Certificates of deposit	\$ 133,515	\$ -	\$ -	\$ 133,515
US Treasury bonds	96,515	-	-	96,515
Other bonds	27,088	-	-	27,088
Domestic stocks	1,464,884	-	-	1,464,884
International stocks	<u>429,197</u>	<u>-</u>	<u>-</u>	<u>429,197</u>
Total assets measured at fair value	<u>\$ 2,151,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,151,199</u>

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

### NOTE 17: OPERATING LEASES

The YMCA has entered into several long-term lease agreements for land and facilities, with leases expiring between June 2013 and May 2031, and total annual rents currently of \$112,428. Additionally the YMCA also leases certain of its childcare facilities under month-to-month leases. Rent expense for all leases was \$252,116 and \$247,723 for the years ended June 30, 2011 and 2010, respectively.

The following is a schedule of future minimum rental payments on non-cancelable leases with remaining terms in excess of one year:

Years ending June 30:	
2012	\$ 112,428
2013	114,929
2014	29,075
2015	29,075
2016	29,075
Thereafter	<u>429,883</u>
Total	<u>\$ 744,465</u>

### NOTE 18: ENDOWMENT FUNDS

The YMCA's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including those designated by board of directors, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The board of directors of the YMCA has interpreted the California adopted Universal 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 YMCA classified as permanently restricted net assets (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 endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the YMCA in a manner consistent with the standard for prudence prescribed by UPMIFA. In accordance with California UPMIFA, the YMCA considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

NOTE 18: ENDOWMENT FUNDS (continued)

1. The duration and preservation of the fund
2. The purposes of the YMCA and the donor-restricted endowment fund
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 YMCA
7. The investment policies of the YMCA

Endowment net assets are composed of the following as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 411,269	\$ 1,559,112	\$ 1,970,381
Board-restricted	<u>477,070</u>	<u>-</u>	<u>-</u>	<u>477,070</u>
Total endowment funds	<u>\$ 477,070</u>	<u>\$ 411,269</u>	<u>\$ 1,559,112</u>	<u>\$ 2,447,451</u>

Changes in endowment net assets for the year ended June 30, 2011 are:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 65,331	\$ 385,272	\$ 1,543,087	\$ 1,993,690
Net investment return (investment income, realized and unrealized gains and losses)	421,088	40,390	-	461,478
Contributions	25,625	-	16,025	41,650
Appropriation of endowment assets for expenditure	<u>(34,974)</u>	<u>(14,393)</u>	<u>-</u>	<u>(49,367)</u>
Endowment net assets, end of year	<u>\$ 477,070</u>	<u>\$ 411,269</u>	<u>\$ 1,559,112</u>	<u>\$ 2,447,451</u>

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

### NOTE 18: ENDOWMENT FUNDS (Continued)

#### Return Objectives and Risk Parameters

The YMCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the YMCA must hold in perpetuity for donor-specified periods as well as board-designated funds. The endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diverse portfolio utilizing various asset classes with a goal of reducing volatility and risk. The YMCA expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

The YMCA has a policy of appropriating for expenditure each year an amount not to exceed 5% of the average past twelve quarterly asset market value balances as of December 31. In establishing this policy, the YMCA considered the long-term expected return on its endowment. Accordingly, over the long-term, the YMCA expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the YMCA's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term as well as to provide additional real growth through new gifts and investment return. During 2011 appropriations for expenditures of \$49,367 were made.

#### Endowment Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted funds may fall below the level that current law requires the YMCA to retain for a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, these deficiencies are reported as a reduction in unrestricted net assets. Such deficiencies may result from unfavorable market fluctuations. As of June 30, 2011, the endowment fund had no deficiencies.

### NOTE 19: CONCENTRATIONS OF RISK

The YMCA maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 for interest-bearing accounts, and unlimited deposit coverage on non-interest bearing deposit accounts. At June 30, 2011, the YMCA had no uninsured cash balances.

The YMCA's major source of revenue is from membership income for its physical education programs. Revenue generated from this source is approximately 53% of its operating revenue.

## CHANNEL ISLANDS YMCA

### NOTES TO FINANCIAL STATEMENTS

NOTE 19: CONCENTRATIONS OF RISK - (continued)

A significant portion of the YMCA's revenues and contracts and grants receivable consists of Federal, State of California and local government grants and contracts. These revenues and grants are earned by the YMCA based on its services to clients in Santa Barbara and Ventura Counties.

NOTE 20: INCOME TAXES

The YMCA is exempt from taxes on income under Internal Revenue Code section 501(c)(3) and California Revenue and Taxation Code 23701(d), therefore no amounts for income taxes are reflected in the accompanying financial statements. The YMCA is not a private foundation for income tax purposes. Management is not aware of any transactions that would affect the YMCA's tax-exempt status.

The YMCA evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2011, the YMCA had no uncertain tax positions requiring accrual.

The YMCA files tax returns in California and U.S. federal jurisdictions. The YMCA is no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2007.



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Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards*

To the Board of Directors of  
Channel Islands Young Men's Christian Association:

We have audited the financial statements of Channel Islands Young Men's Christian Association (YMCA) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the YMCA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the YMCA's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the YMCA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Compliance and Other Matters (continued)

We noted certain other matters that we have reported to the YMCA's management in a separate letter dated November 1, 2011.

This report is intended solely for the information and use of the audit committee, management, others within the YMCA and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*McGowan Guntermann*

November 1, 2011