CHANNEL ISLANDS
YOUNG MEN'S CHRISTIAN
ASSOCIATION
(YMCA)

FINANCIAL STATEMENTS
JUNE 30, 2020

CHANNEL ISLANDS YMCA

June 30, 2020

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McGowan Guntermann
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Channel Islands Young Men's Christian Association (YMCA), (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, 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 and the standards applicable to financial statement audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Channel Islands YMCA as of June 30, 2020, 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 Channel Islands YMCA's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated December 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

McGowan Guntermann

Santa Barbara, California
December 10, 2020

CHANNEL ISLANDS YMCA

STATEMENT OF FINANCIAL POSITION
June 30, 2020
(With Comparative Totals for June 30, 2019)

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total 2020	(Memo) Total 2019
Current Assets				
Cash and cash equivalents	$ 1,936,819	$ 360,497	$ 2,297,316	$ 1,776,856
Grants and contracts receivable	108,141	-	108,141	125,585
Accounts receivable	37,077	-	37,077	51,860
Promises to give, net	-	135,073	135,073	217,587
Prepaid and other assets	240,607	-	240,607	300,921
Total Current Assets	2,322,644	495,570	2,818,214	2,472,809
Endowment Assets				
Cash	824,479	-	824,479	509,938
Bequests receivable	-	1,100,261	1,100,261	2,202,175
Investments	2,412,560	5,385,349	7,797,909	6,807,314
Total Endowment Assets	3,237,039	6,485,610	9,722,649	9,519,427
Property and equipment (net)	22,669,460	-	22,669,460	23,084,416
Total Assets	**$ 28,229,143**	**$ 6,981,180**	**$ 35,210,323**	**$ 35,076,652**

LIABILITIES AND NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total 2020	(Memo) Total 2019
Current Liabilities				
Accounts payable	$ 384,616	$ -	$ 384,616	$ 400,955
Accrued expenses	1,151,057	-	1,151,057	934,362
Unearned revenue	212,824	-	212,824	807,568
Current portion of notes payable	51,026	-	51,026	98,950
Total Current Liabilities	1,799,523	-	1,799,523	2,241,835
Long-term Liabilities				
Line of Credit	200,000	-	200,000	-
Paycheck Protection Program loan payable	1,951,287	-	1,951,287	-
Notes payable, net of current portion	2,937,467	-	2,937,467	2,971,676
Total Long-term Liabilities	5,088,754	-	5,088,754	2,971,676
Total Liabilities	6,888,277	-	6,888,277	5,213,511
Net Assets				
Without Donor Restrictions				
Board designated for endowment	3,237,039	-	3,237,039	3,307,479
Other net assets without donor restrictions	18,103,827	-	18,103,827	19,828,662
Total Without Donor Restrictions	21,340,866	-	21,340,866	23,136,141
With Donor Restrictions	-	6,981,180	6,981,180	6,727,000
Total Net Assets	21,340,866	6,981,180	28,322,046	29,863,141
Total Liabilities and Net Assets	**$ 28,229,143**	**$ 6,981,180**	**$ 35,210,323**	**$ 35,076,652**

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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	(Memo) Total 2019
Public Support and Revenue				
Public Support				
Contributions - annual campaign	$ 888,074	$ -	$ 888,074	$ 994,439
Contributions - other	1,467,751	843,616	2,311,367	671,766
Bequests and legacies	-	160,000	160,000	3,125,621
Government funds	1,019,667	26,466	1,046,133	755,854
Special events, net of direct costs of $29,682 and $77,883	40,116	-	40,116	131,028
Total Public Support	3,415,608	1,030,082	4,445,690	5,678,708
Revenue				
Membership dues	7,642,171	-	7,642,171	10,321,394
Joining fees	87,692	-	87,692	149,999
Program fees	1,284,224	-	1,284,224	1,759,195
Day Camp	1,056,478	-	1,056,478	1,149,755
Sleep Away Camp	119,272	-	119,272	257,870
Childcare	2,028,006	-	2,028,006	2,653,257
Merchandise sales and rentals	92,462	-	92,462	128,593
Investment income	27,587	113,327	140,914	140,974
Realized gain (loss) on investments	37,828	-	37,828	(14,997)
Unrealized gain (loss) on investments	(120,165)	-	(120,165)	318,619
Gain on disposal of property and equipment	6,000	-	6,000	-
Miscellaneous revenue	51,614	-	51,614	65,269
Total Revenue	12,313,169	113,327	12,426,496	16,929,928
Released from Restrictions	889,229	(889,229)	-	-
Total Public Support and Revenue	16,618,006	254,180	16,872,186	22,608,636
Expenses				
Program Services				
Youth Development	6,449,788	-	6,449,788	6,938,284
Healthy Living	8,167,769	-	8,167,769	8,726,072
Social Responsibility	849,403	-	849,403	924,777
Total Program Services	15,466,960	-	15,466,960	16,589,133
Supporting Services				
Management and general	2,256,363	-	2,256,363	2,204,875
Fundraising	689,958	-	689,958	684,336
Total Supporting Services	2,946,321	-	2,946,321	2,889,211
Total Expenses	18,413,281	-	18,413,281	19,478,344
Increase (Decrease) in Net Assets	**(1,795,275)**	**254,180**	**(1,541,095)**	**3,130,292**
Net Assets at Beginning of Year	23,136,141	6,727,000	29,863,141	26,732,849
Net Assets at End of Year	**$ 21,340,866**	**$ 6,981,180**	**$ 28,322,046**	**$ 29,863,141**

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

CHANNEL ISLANDS YMCA

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Program Services				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	Total 2020	Total 2019
Expenses								
Salaries	$ 3,392,736	$ 3,770,048	$ 395,765	$ 7,558,549	$ 1,112,268	$ 341,257	$ 9,012,074	$ 9,709,988
Employee benefits	472,986	413,152	89,164	975,302	254,299	60,316	1,289,917	1,149,655
Payroll taxes and workers comp insurance	454,655	503,577	52,602	1,010,834	149,162	45,208	1,205,204	1,271,358
Total Salaries and Related Expenses	4,320,377	4,686,777	537,531	9,544,685	1,515,729	446,781	11,507,195	12,131,001
Professional fees and contracted services	89,826	47,735	46,143	183,704	188,080	17,469	389,253	289,094
Supplies	211,218	75,119	11,395	297,732	10,011	35,337	343,080	439,453
Communications	32,849	27,612	14,052	74,513	27,448	2,833	104,794	90,198
Postage	8,673	9,150	64	17,887	6,658	1,627	26,172	29,106
Occupancy	623,500	1,517,625	46,370	2,187,495	78,781	8,571	2,274,847	2,326,843
Equipment	176,108	318,902	93,527	588,537	80,819	53,710	723,066	728,351
Program costs	180,642	13,676	748	195,066	-	-	195,066	333,102
Advertising	77,994	57,097	7,667	142,758	334	24,154	167,246	266,453
Travel and transportation	148,949	23,426	12,842	185,217	29,196	8,082	222,495	276,567
Conferences	31,087	24,872	4,953	60,912	22,317	19,302	102,531	143,831
Financing costs	141,278	146,521	415	288,214	156,120	25,612	469,946	515,395
Other insurance	67,367	111,517	4,948	183,832	5,481	81	189,394	159,970
Miscellaneous	29,733	21,066	1,014	51,813	2,937	903	55,653	57,521
Awards	1,163	1,405	102	2,670	11,042	10,528	24,240	20,840
Other employee expenses	50,580	31,158	3,652	85,390	14,776	3,693	103,859	134,724
National support	42,817	101,427	24	144,268	1,205	23,087	168,560	237,914
Total Expenses before Depreciation Expense	6,234,161	7,215,085	785,447	14,234,693	2,150,934	681,770	17,067,397	18,180,363
Depreciation expense	215,627	952,684	63,956	1,232,267	105,429	8,188	1,345,884	1,297,981
Total Expenses - June 30, 2020	**$ 6,449,788**	**$ 8,167,769**	**$ 849,403**	**$ 15,466,960**	**$ 2,256,363**	**$ 689,958**	**$ 18,413,281**	
Total Expenses - June 30, 2019 (Memo)	$ 6,938,284	$ 8,726,072	$ 924,777	$ 16,589,133	$ 2,204,875	$ 684,336		$ 19,478,344

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

CHANNEL ISLANDS YMCA

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020
(With Comparative Amounts for the Year Ended June 30, 2019)

	2020	(Memo) 2019
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ (1,541,095)	$ 3,130,292
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation expense	1,345,884	1,297,981
Contributions for endowment	(1,259,737)	(1,411,000)
Unrealized loss (gain)	120,165	(318,619)
Realized loss (gain)	(37,828)	14,997
Gain on disposal of property and equipment	(6,000)	-
Changes in:		
Grants and contracts receivable	17,444	10,520
Accounts receivable	14,783	210,294
Promises to give	82,516	(24,024)
Bequests receivable	1,101,912	(2,202,175)
Prepaid expenses and other assets	60,314	(29,398)
Accounts payable	(16,339)	18,805
Accrued expenses	216,695	(18,663)
Unearned revenue	(594,744)	(58,620)
Net cash provided (used) by operating activities	(496,030)	620,390
Cash Flows from Investing Activities		
Acquisition of property and equipment	(932,928)	(795,208)
Proceeds from sale of equipment	8,000	-
Purchase of investments	(2,000,749)	(2,217,649)
Proceeds from sale of investments	927,817	804,709
Net cash used by investing activities	(1,997,860)	(2,208,148)
Cash Flows from Financing Activities		
Principal payments on borrowings	(82,133)	(94,318)
Proceeds received from line of credit borrowings	200,000	-
Proceeds received from PPP loan	1,951,287	-
Contributions for endowment	1,259,737	1,411,000
Net cash provided by financing activities	3,328,891	1,316,682
Net Increase (Decrease) in Cash	**835,001**	**(271,076)**
Cash and Cash Equivalents at Beginning of the Year	2,286,794	2,557,870
Cash and Cash Equivalents at End of the Year	**$ 3,121,795**	**$ 2,286,794**
Supplementary Information:		
Cash paid for interest	$ 123,167	$ 150,132

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

Note 1 – ORGANIZATION

Channel Islands Young Men's Christian Association (the "YMCA") is a charitable organization providing programs based upon Christian principles to people of all ages, races, religious beliefs and economic status to promote Youth Development, Healthy Living and Social Responsibility.

"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 105 E. Carrillo Street in 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 for income tax purposes.

The YMCA is governed by an elected board of directors and officers responsible for the development of policies. Management 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 our communities' 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.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the YMCA have been prepared on the accrual basis of accounting. 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. In addition to the facility branches, 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 a supportive transitional housing program. All significant balances and transactions among the branches have been eliminated. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of Net Assets

The YMCA reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds.

With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. Earnings on net assets with donor restrictions are reported as an increase in net assets with donor restrictions. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as "Net assets released from restrictions". Net assets with donor restrictions include perpetual income trusts for which the related income is reported as contributions without donor restrictions when received on the Statement of Activities. The change in value of the underlying assets is recorded as an unrealized gain or loss in net assets with donor restrictions on the Statement of Activities. Net assets with donor restrictions also consist of those donor-restricted endowments held by the YMCA as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

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.

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

The Board adopted a capitalization policy of $5,000 or more for the cost of land, buildings and equipment with a similar policy for the fair market value of donated assets, provided the asset had an expected life in excess of one year. 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.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 without donor restriction or with donor restriction, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, that is, when stipulated time restrictions end, or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 12).

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, and accounts receivable
- Fair value of donated land and buildings
- 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.

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.

Comparative Amounts

The amounts shown for 2019 in the accompanying financial statements are included to provide a basis for comparison with 2020 and are not intended to present all information necessary for a fair presentation of the 2019 financial statements in conformity with accounting principles generally accepted in the United States of America.

Subsequent Events

The YMCA has evaluated subsequent events through December 10, 2020, the date on which the financial statements were available to be issued.

Note 3 – GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable are mainly from the governmental agencies and private foundations. The YMCA has provided an uncollectible allowance of an amount of $1,074 at June 30, 2020. The remaining balance is expected to be fully collectible within one year from the year end.

Note 4 – ACCOUNTS RECEIVABLE

The YMCA has provided an allowance for uncollectible accounts receivable in the amount of $5,415 at June 30, 2020, with the remaining balance of accounts receivable expected to be fully collectible within one year from the year end. The allowance for uncollectible accounts is determined based on periodic analysis of individual accounts, including evaluation of payment history, recent payment trends and assessment of creditworthiness.

Note 5 – 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.

Note 6 – PROMISES TO GIVE AND BEQUESTS RECEIVABLE

Unconditional promises to give at June 30, 2020, are as follows:

	2020
Receivable in less than one year	$ 153,497
Less allowance for uncollectible promises	(18,424)
Total	$ 135,073

Bequests receivable consists of two bequests totaling $1,100,261 at June 30, 2020. The YMCA expects to receive the balance in full within one year from year end.

Note 7 – INVESTMENTS

Investments at June 30, 2020, are recorded at market value based upon quoted market prices (fair value) and are summarized as follows:

	Cost	Market Value	Unrealized Gain
Certificates of deposit	$ 530,529	$ 567,518	$ 36,989
Mutual funds	579,755	584,397	4,642
Domestic equities	3,548,804	4,997,552	1,448,748
International	1,646,798	1,648,442	1,644
Total Investments	$ 6,305,886	$ 7,797,909	$ 1,492,023

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

	Cost	Market Value	Unrealized Gain
Balance at end of the year	$ 6,305,886	$ 7,797,909	$ 1,492,023
Balance at beginning of the year	5,195,126	6,807,314	1,612,188
Net change in unrealized gain			$ (120,165)

The endowment fund investments include investments with and without donor restrictions. Investments of the endowment fund without restrictions consist of amounts that have been designated by the YMCA's board of directors. The earnings from the investments provide an income stream for both classifications of Net Assets, with and without donor restrictions. The YMCA incurred no investment fees for the year ended June 30, 2020. Investment return is summarized as follows for the year ended June 30, 2020:

	2020
Interest and dividends	$ 140,914
Change in unrealized loss	(120,165)
Realized gain	37,828
Total investment gain	$ 58,577

Note 8 – RELATED PARTY TRANSACTIONS

- During 2020, two bank accounts were held by a bank whose president is a board member of the YMCA.
- During 2020, the YMCA was charged legal expenses of $9,982 and $3,580 by two local law firms for various matters. Partners of the local law firms are also members of the YMCA's board of directors.
- Subsequent to June 30, 2020, the board of the YMCA approved refinancing its current mortgage and line of credit with a bank whose president is a board member of the YMCA.

Note 9 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2020:

	2020
Land	$ 7,027,608
Land improvements	4,117,020
Buildings and improvements	29,313,725
Equipment and fixtures	2,610,120
Vehicles	110,651
Construction in progress	589,121
	43,768,245
Less accumulated depreciation	(21,098,785)
Total	$ 22,669,460

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. For 2020, the YMCA could be liable for as much as the full amount of federal governmental funds expended up to approximately $293,368 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 401(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 2020. Retirement contribution expense was $399,308 for the year ended June 30, 2020. Subsequent to June 30, 2020, the contribution rate was reduced to 1% of eligible employee wages.

The YMCA also offers a 403(b) retirement savings plan to all employees, regardless of age or hours worked, which allows employees to invest on a pre-tax basis through payroll deductions.

Note 12 – CONTRIBUTED SERVICES

A substantial number of volunteers have donated significant amounts of their time performing services to the YMCA during fiscal years ended June 30, 2020. For the year ended, the YMCA estimates that approximately 9,750 hours were contributed by policy, advisory, fundraising and program volunteers. Valued at the most recent Independent Sector volunteer rate for California, the YMCA received benefits estimated at $265,090, for 2020. These estimated benefits are not recorded in the financial statements.

Note 13 – LONG-TERM DEBT

During 2014 the YMCA obtained two loans from a bank for the purchase of the Carrillo Street building which is now used as the Association's Headquarters. Both loans have an interest rate of 4.81%, are secured by real property, and are payable over a 25-year period with a maturity date of October 1, 2038. The balance at June 30, 2020, for the first loan, which is secured by the Carrillo Street building, was $1,725,355, while the balance of the second loan, which is secured by the Camarillo facility, was $1,263,138.

Aggregate maturities of long-term debt over the next five years and thereafter are as follows:

	Amount
2021	$ 51,026
2022	105,801
2023	111,004
2024	116,463
2025	122,190
Thereafter	2,482,009
	$ 2,988,493

During 2014 the YMCA obtained a $1,250,000 revolving line of credit with a bank. The line of credit is secured by a 1st trust deed on the Santa Barbara branch real property and a UCC-1 filing on all business assets and expires March 1, 2022. The loan terms require monthly interest payments at a variable annual rate of the Wall Street Journal Prime rate plus .5%. As of June 30, 2020, there was an outstanding balance of $200,000.

Total interest expense for loans payable for the year ended June 30, 2020, was $123,167. The YMCA was in compliance with all applicable debt covenants as of June 30, 2020.

Note 14 – SBA LOAN UNDER PAYCHECK PROTECTION PROGRAM

On April 23, 2020, the YMCA received loan funding of $1,951,287 under the Paycheck Protection Program (PPP) as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic. The loan allows for the loan proceeds to be used on allowable costs for the YMCA.

The loan may be fully forgiven if the funds are used for eligible payroll costs, rent and utilities and mortgage interest with at least 60% of the amount used for eligible payroll costs. Forgiveness will be based on maintaining or quickly rehiring employees, maintaining salary levels and will be reduced if full-time headcount declines, or if salaries and wages decrease. The YMCA believes it is complying with all regulations to allow for the loan to be fully forgiven.

Note 14 – SBA LOAN UNDER PAYCHECK PROTECTION PROGRAM (continued)

Any unforgiven balance will become a loan with a maturity date of five years, beginning ten months after the covered period of the loan, expected to be October 2021, bearing an interest rate of 1%. No collateral or personal guarantees were required.

Note 15 – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions:

Net assets with donor restrictions are available for the following purpose or period:

	2020
Facility improvements	$ 66,840
Subsequent years' activities	3,827,355
Bequest receivable	1,100,263
Unappropriated endowment earnings	1,986,722
Total	$ 6,981,180

Note 16 – OPERATING LEASES

The YMCA has entered into several long-term lease agreements for land and facilities, with leases expiring between June 2020 and May 2031, and total annual rents currently of $71,016. Additionally, the YMCA also leases certain of its childcare facilities under month-to-month leases. Rent expense for all leases was $195,545 for the year ended June 30, 2020.

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

Years ending June 30:	
2021	$ 71,016
2022	71,788
2023	72,584
2024	45,276
2025	45,276
Thereafter	236,041
Total	$ 541,981

Note 17 – 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. 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, 2020, the YMCA had no uncertain tax positions requiring accrual.

Note 17 – INCOME TAXES (continued)

The YMCA files exempt organization 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 2016 and 2015, respectively.

Note 18 – FAIR VALUE MEASUREMENT

Fair values of assets have been measured in accordance with accounting principles generally accepted in the United States of America (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.

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.
Certificates of Deposits	Valued at their cash value plus any accrued interest at the end of the reporting period.

Note 18 – FAIR VALUE MEASUREMENT (continued)

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 reported 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, 2020:

Description	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of deposit	$ 567,518	$ -	$ -	$ 567,518
Mutual funds	584,397	-	-	584,397
Domestic equities	4,997,552	-	-	4,997,552
International	1,648,442	-	-	1,648,442
Total assets measured at fair value	$ 7,797,909	$ -	$ -	$ 7,797,909

There were no transfers between Levels 1, 2 and 3 of the fair value hierarchy during the year ended June 30, 2020.

Fair Value of Financial Instruments – The fair value of the grants and pledges receivable, other receivables, prepaid expenses and other assets, accounts payable and accrued liabilities, and unearned revenue approximate carrying value because of the short-term nature of these items.

Note 19 –RISK, CONCENTRATIONS AND UNCERTAINTIES

Credit 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 each insured financial institution. At June 30, 2020, the YMCA had uninsured cash balances of approximately $2,063,000.

Concentrations

One source of the YMCA's revenue is from membership income for its physical education programs. Revenue generated from this source is approximately 46% of its operating revenue and derived largely from the local region.

Revenues from 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 19 –RISK, CONCENTRATIONS AND UNCERTAINTIES (continued)

Uncertainties

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Since March 11, 2020, the YMCA's operations have been modified, particularly to adjust to the State of California mandates in the following weeks. Within two weeks of closure of schools and fitness facilities specified by the Governor of California, the YMCA's childcare operations resumed to aid first responders in their need for childcare while they met the demand to address the COVID-19 crisis. In addition, the Youth and Family Services branch, recognizing youth remain in trouble whether there is a pandemic or not, updated its protocols to be able to aid its constituency amid the pandemic. This branch further expanded its service to the community by becoming a distribution location for breakfast and lunch for low income students once schools closed. To facilitate meeting its mission relating to a healthy lifestyle, the YMCA added virtual classes online to remain connected to its members. Once permitted in California, the YMCA moved many of its physical fitness activities outside. Just prior to the June 30, 2020, California protocols allowed for indoor operations related to fitness activities but limited to 10% of capacity, allowing the YMCA to expand its offerings to members. In November 2020, under the California colored tier system, fitness facilities had to suspend indoor activities.

The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the YMCA's financial position, changes in net assets and cash flows in 2021 and the future.

Note 20 – 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 net assets with donor restrictions (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted 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 funds are classified as net assets with donor restrictions until those amounts are appropriated by the YMCA in a manner consistent with the standard for prudence prescribed by UPMIFA.

Note 20 – ENDOWMENT FUNDS (continued)

Interpretation of Relevant Law (continued)

In accordance with UPMIFA, the YMCA considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

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 7% 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 2% 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 2020, $14,546 of appropriations for expenditures 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 net assets with donor restrictions. Such deficiencies may result from unfavorable market fluctuations. As of June 30, 2020, the endowment fund had no deficiencies.

Note 20 – ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets beginning of year	$ 3,307,479	$ 4,009,773	$ 7,317,252
Net investment income	(72,615)	130,384	57,769
Contributions	2,175	1,259,737	1,261,912
Appropriation of endowment assets for expenditure or transfer	-	(14,546)	(14,546)
Endowment net assets, end of year	$ 3,237,039	$ 5,385,348	$ 8,622,387

Note 21 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors, financial institutions, and nonprofit organizations.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2020:

Current assets	
Cash and cash equivalents available within one year	$ 2,297,316
Accounts, pledges and grants receivable, current portion	280,291
Other current assets	240,607
Total Current Assets	2,818,214
Endowment cash and investments	9,722,649
Less investments unavailable for general expenditures within one year:	
Endowments and other funds subject to spending policy appropriations beyond one year:	(5,192,902)
Cash and investments available for general expenditures within one year	4,529,747
Current liabilities	(1,799,523)
Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2020	$ 5,548,438

Note 22 – RENTAL INCOME

In October 2019, the YMCA entered into an agreement with a Company to lease a portion of the Association's headquarters, including 6 parking spaces. The lease period commenced October 1, 2019 and expires on November 30, 2022. Base rent of $9,000 was charged per month. On September 3, 2020, the lease was amended to reduce the monthly payments from $9,000 to $7,380 due to economic conditions resulting from the COVID-19 pandemic..

Base payments are now $7,380 per month and have built-in escalators at December 2020 and 2021, for rent to be $7,601 and $7,829, respectively.

The future minimum rental receipts due from the lessee are as follows:

Years ending June 30:	
2021	$ 93,350
2022	92,813
2023	21,147
Total	$ 207,310

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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Independent Auditor's 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
Channel Islands Young Men's Christian Association

We have audited, in accordance with the 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, the financial statements of the Channel Islands Young Men's Christian Association (YMCA), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expense and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the YMCA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control. Accordingly, we do not express an opinion on the effectiveness of the YMCA's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the YMCA's financial statements are free from 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGowan Guntermann

Santa Barbara, California
December 10, 2020