

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

**FINANCIAL STATEMENTS  
JUNE 30, 2021**

# CHANNEL ISLANDS YMCA

June 30, 2021

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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, 2021, 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, 2021, 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, 2020 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated December 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 6, 2021 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.

A handwritten signature in cursive script, reading "McGowan Guntermann".

Santa Barbara, California  
December 6, 2021

**CHANNEL ISLANDS YMCA**

STATEMENT OF FINANCIAL POSITION  
June 30, 2021  
(With Comparative Totals for June 30, 2020)

	<b>ASSETS</b>			(Memo) Total 2020
	Without Donor Restrictions	With Donor Restrictions	Total 2021	
<b>Current Assets</b>				
Cash and cash equivalents	\$ 3,430,547	\$ 377,739	\$ 3,808,286	\$ 2,297,316
Grants and contracts receivable	810,692	-	810,692	108,141
Accounts receivable	47,786	-	47,786	37,077
Promises to give, net	-	84,189	84,189	135,073
Prepaid and other assets	247,984	-	247,984	240,607
<b>Total Current Assets</b>	<b>4,537,009</b>	<b>461,928</b>	<b>4,998,937</b>	<b>2,818,214</b>
<b>Endowment Assets</b>				
Cash	1,329,682	-	1,329,682	824,479
Bequests receivable	-	-	-	1,100,261
Investments	5,881,844	5,665,103	11,546,947	7,797,909
<b>Total Endowment Assets</b>	<b>7,211,526</b>	<b>5,665,103</b>	<b>12,876,629</b>	<b>9,722,649</b>
Property and equipment (net)	21,543,185	-	21,543,185	22,669,460
<b>Total Assets</b>	<b>\$ 33,291,720</b>	<b>\$ 6,127,031</b>	<b>\$ 39,418,751</b>	<b>\$ 35,210,323</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 194,897	\$ -	\$ 194,897	\$ 384,616
Accrued expenses	886,083	-	886,083	1,151,057
Unearned revenue	680,377	-	680,377	212,824
Current portion of notes payable	78,005	-	78,005	51,026
<b>Total Current Liabilities</b>	<b>1,839,362</b>	<b>-</b>	<b>1,839,362</b>	<b>1,799,523</b>
<b>Long-term Liabilities</b>				
Line of Credit	-	-	-	200,000
Paycheck Protection Program loan payable	1,992,705	-	1,992,705	1,951,287
Notes payable, net of current portion	2,910,053	-	2,910,053	2,937,467
<b>Total Long-term Liabilities</b>	<b>4,902,758</b>	<b>-</b>	<b>4,902,758</b>	<b>5,088,754</b>
<b>Total Liabilities</b>	<b>6,742,120</b>	<b>-</b>	<b>6,742,120</b>	<b>6,888,277</b>
<b>Net Assets</b>				
<b>Without Donor Restrictions</b>				
Board designated for endowment	7,211,526	-	7,211,526	3,237,039
Other net assets without donor restrictions	19,338,074	-	19,338,074	18,103,827
<b>Total Without Donor Restrictions</b>	<b>26,549,600</b>	<b>-</b>	<b>26,549,600</b>	<b>21,340,866</b>
<b>With Donor Restrictions</b>	<b>-</b>	<b>6,127,031</b>	<b>6,127,031</b>	<b>6,981,180</b>
<b>Total Net Assets</b>	<b>26,549,600</b>	<b>6,127,031</b>	<b>32,676,631</b>	<b>28,322,046</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 33,291,720</b>	<b>\$ 6,127,031</b>	<b>\$ 39,418,751</b>	<b>\$ 35,210,323</b>

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, 2021

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

	Without Donor Restrictions	With Donor Restrictions	Total 2021	(Memo) Total 2020
Public Support and Revenue				
Public Support				
Contributions - annual campaign	\$ 972,254	\$ -	\$ 972,254	\$ 888,074
Contributions - other	-	976,949	976,949	2,311,367
Bequests and legacies	-	-	-	160,000
Government funds	1,792,911	-	1,792,911	1,046,133
CARES Government Funding	4,027,998	-	4,027,998	-
United Way	-	149,061	149,061	-
Special events, net of direct costs of \$20,605 and \$29,682	72,392	-	72,392	40,116
Total Public Support	6,865,555	1,126,010	7,991,565	4,445,690
Revenue				
Membership dues	4,091,915	-	4,091,915	7,642,171
Joining fees	73,175	-	73,175	87,692
Program fees	447,502	-	447,502	1,284,224
Day Camp	688,686	-	688,686	1,056,478
Sleep Away Camp	2,879	-	2,879	119,272
Childcare	1,934,613	-	1,934,613	2,028,006
Merchandise sales and rentals	135,791	-	135,791	92,462
Investment income	12,468	151,985	164,453	140,914
Realized gain on investments	134,167	85,986	220,153	37,828
Unrealized gain (loss) on investments	2,529,512	-	2,529,512	(120,165)
Gain on disposal of property and equipment	29,425	-	29,425	6,000
Miscellaneous revenue	9,738	295	10,033	51,614
Total Revenue	10,089,871	238,266	10,328,137	12,426,496
Released from Restrictions	2,218,425	(2,218,425)	-	-
Total Public Support and Revenue	19,173,851	(854,149)	18,319,702	16,872,186
Expenses				
Program Services				
Youth Development	5,276,526	-	5,276,526	6,449,788
Healthy Living	4,832,145	-	4,832,145	8,167,769
Social Responsibility	1,166,833	-	1,166,833	849,403
Total Program Services	11,275,504	-	11,275,504	15,466,960
Supporting Services				
Management and general	2,200,276	-	2,200,276	2,256,363
Fundraising	489,337	-	489,337	689,958
Total Supporting Services	2,689,613	-	2,689,613	2,946,321
Total Expenses	13,965,117	-	13,965,117	18,413,281
<b>Increase (Decrease) in Net Assets</b>	<b>5,208,734</b>	<b>(854,149)</b>	<b>4,354,585</b>	<b>(1,541,095)</b>
Net Assets at Beginning of Year	21,340,866	6,981,180	28,322,046	29,863,141
<b>Net Assets at End of Year</b>	<b>\$ 26,549,600</b>	<b>\$ 6,127,031</b>	<b>\$ 32,676,631</b>	<b>\$ 28,322,046</b>

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

## CHANNEL ISLANDS YMCA

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

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

	Program Services				Supporting Services		Total 2021	Total 2020
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising		
Expenses								
Salaries	\$ 3,146,560	\$ 1,887,979	\$ 665,822	\$ 5,700,361	\$ 1,120,185	\$ 261,549	\$ 7,082,095	\$ 9,012,074
Employee benefits	269,231	182,830	71,859	523,920	131,216	30,336	685,472	1,289,917
Payroll taxes and workers comp insurance	481,178	291,961	101,061	874,200	170,993	34,745	1,079,938	1,205,204
<b>Total Salaries and Related Expenses</b>	<b>3,896,969</b>	<b>2,362,770</b>	<b>838,742</b>	<b>7,098,481</b>	<b>1,422,394</b>	<b>326,630</b>	<b>8,847,505</b>	<b>11,507,195</b>
Professional fees and contracted services	29,802	9,797	50,528	90,127	197,121	17,465	304,713	389,253
Supplies	70,216	21,613	40,062	131,891	7,280	7,767	146,938	343,080
Communications	65,787	33,460	13,857	113,104	38,079	4,502	155,685	104,794
Postage	4,496	4,574	70	9,140	4,264	7,400	20,804	26,172
Occupancy	481,924	898,919	29,636	1,410,479	87,335	5,894	1,503,708	2,274,847
Equipment	112,869	237,863	23,424	374,156	69,250	52,766	496,172	723,066
Program costs	3,374	18,107	65,100	86,581	-	-	86,581	195,066
Advertising	36,181	40,949	6,273	83,403	-	11,044	94,447	167,246
Travel and transportation	14,031	5,684	8,843	28,558	3,659	385	32,602	222,495
Conferences	10,753	11,935	2,947	25,635	27,141	3,600	56,376	102,531
Financing costs	89,826	92,122	1,144	183,092	184,270	16,998	384,360	469,946
Other insurance	79,244	120,472	5,950	205,666	5,950	83	211,699	189,394
Miscellaneous	24,453	14,450	4,130	43,033	32,957	977	76,967	55,653
Awards	331	329	33	693	10,496	3,056	14,245	24,240
Other employee expenses	37,710	8,050	7,865	53,625	13,765	1,165	68,555	103,859
National support	62,175	95,767	46	157,988	3,301	20,876	182,165	168,560
<b>Total Expenses before Depreciation Expense</b>	<b>5,020,141</b>	<b>3,976,861</b>	<b>1,098,650</b>	<b>10,095,652</b>	<b>2,107,262</b>	<b>480,608</b>	<b>12,683,522</b>	<b>17,067,397</b>
Depreciation expense	256,385	855,284	68,183	1,179,852	93,014	8,729	1,281,595	1,345,884
<b>Total Expenses - June 30, 2021</b>	<b>\$ 5,276,526</b>	<b>\$ 4,832,145</b>	<b>\$ 1,166,833</b>	<b>\$ 11,275,504</b>	<b>\$ 2,200,276</b>	<b>\$ 489,337</b>	<b>\$ 13,965,117</b>	
Total Expenses - June 30, 2020 (Memo)	\$ 6,449,788	\$ 8,167,769	\$ 849,403	\$ 15,466,960	\$ 2,256,363	\$ 689,958		\$ 18,413,281

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

## CHANNEL ISLANDS YMCA

### STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2021

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

	<u>2021</u>	<u>(Memo)</u> <u>2020</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 4,354,585	\$ (1,541,095)
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation expense	1,281,595	1,345,884
Contributions for endowment	-	(1,259,737)
PPP loan forgiveness	(1,951,287)	-
Unrealized loss (gain)	(2,529,512)	120,165
Realized gain	(220,153)	(37,828)
Gain on disposal of property and equipment	(29,425)	(6,000)
Changes in:		
Grants and contracts receivable	(702,551)	17,444
Accounts receivable	(10,709)	14,783
Promises to give	50,882	82,516
Bequests receivable	1,100,263	1,101,912
Prepaid expenses and other assets	(7,377)	60,314
Accounts payable	(189,719)	(16,339)
Accrued expenses	(264,974)	216,695
Unearned revenue	467,553	(594,744)
Net cash provided (used) by operating activities	<u>1,349,171</u>	<u>(496,030)</u>
Cash Flows from Investing Activities		
Acquisition of property and equipment	(155,320)	(932,928)
Proceeds from sale of equipment	29,425	8,000
Purchase of investments	(1,543,335)	(2,000,749)
Proceeds from sale of investments	<u>543,962</u>	<u>927,817</u>
Net cash used by investing activities	<u>(1,125,268)</u>	<u>(1,997,860)</u>
Cash Flows from Financing Activities		
Principal payments on borrowings	(2,988,493)	(82,133)
(Payments on)/proceeds from line of credit borrowings	(200,000)	200,000
Proceeds from loan refinancing	2,988,058	-
Proceeds received from PPP loan	1,992,705	1,951,287
Contributions for endowment	<u>-</u>	<u>1,259,737</u>
Net cash provided by financing activities	<u>1,792,270</u>	<u>3,328,891</u>
<b>Net Increase in Cash</b>	<b>2,016,173</b>	<b>835,001</b>
Cash and Cash Equivalents at Beginning of the Year	<u>3,121,795</u>	<u>2,286,794</u>
<b>Cash and Cash Equivalents at End of the Year</b>	<b><u>\$ 5,137,968</u></b>	<b><u>\$ 3,121,795</u></b>
<u>Supplementary Information:</u>		
Cash paid for interest	<u>\$ 287,643</u>	<u>\$ 123,167</u>

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 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.

**CHANNEL ISLANDS YMCA**  
**NOTES TO FINANCIAL STATEMENTS**

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.

**CHANNEL ISLANDS YMCA**  
**NOTES TO FINANCIAL STATEMENTS**

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.

**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.

Comparative Amounts

The amounts shown for 2020 in the accompanying financial statements are included to provide a basis for comparison with 2021 and are not intended to present all information necessary for a fair presentation of the 2020 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 6, 2021, the date on which the financial statements were available to be issued. Note 23 to these financial statements reference events occurring subsequent to year end which impact the YMCA.

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 \$13,062 at June 30, 2021. 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 \$2,616 at June 30, 2021, 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.

**CHANNEL ISLANDS YMCA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 6 – PROMISES TO GIVE

Unconditional promises to give at June 30, 2021, are as follows:

	<u>2021</u>
Receivable in less than one year	\$ 96,777
Less allowance for uncollectible promises	<u>(12,588)</u>
<b>Total</b>	<b><u>\$ 84,189</u></b>

Note 7 – INVESTMENTS

Investments at June 30, 2021, 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</u>
Certificates of deposit	\$ 668,533	\$ 695,209	\$ 26,676
Mutual funds	683,113	690,478	7,365
Domestic equities	4,347,473	7,748,722	3,401,249
International	<u>1,826,293</u>	<u>2,412,538</u>	<u>586,245</u>
<b>Total Investments</b>	<b><u>\$ 7,525,412</u></b>	<b><u>\$ 11,546,947</u></b>	<b><u>\$ 4,021,535</u></b>

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

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Balance at end of the year	\$ 7,525,412	\$11,546,947	\$ 4,021,535
Balance at beginning of the year	<u>6,305,886</u>	<u>7,797,909</u>	<u>1,492,023</u>
<b>Net change in unrealized gain</b>			<b><u>\$ 2,529,512</u></b>

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, 2021. Investment return is summarized as follows for the year ended June 30, 2021:

	<u>2021</u>
Interest and dividends	\$ 164,453
Change in unrealized gain	2,529,512
Realized gain	<u>220,153</u>
<b>Total investment gain</b>	<b><u>\$ 2,914,118</u></b>

**CHANNEL ISLANDS YMCA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 8 – RELATED PARTY TRANSACTIONS

- During 2021, several bank accounts, the commercial loan, and line of credit were held and/or provided by a bank whose president is a board member of the YMCA.
- During 2021, the YMCA was charged legal expenses of \$5,783 and \$2,404 by two local law firms for various matters. Partners of the local law firms are also members of the YMCA’s board of directors.

Note 9 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2021:

	<u>2021</u>
Land	\$ 7,027,608
Land improvements	4,031,440
Buildings and improvements	29,035,860
Equipment and fixtures	2,331,407
Vehicles	105,390
Construction in progress	<u>603,982</u>
	43,135,687
Less accumulated depreciation	<u>(21,592,502)</u>
Total	<u>\$ 21,543,185</u>

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 2021, the YMCA could be liable for as much as the full amount of federal governmental funds expended up to approximately \$422,814 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 1% of eligible employee wages to the Retirement Fund each month for 2021. Retirement contribution expense was \$44,233 for the year ended June 30, 2021. Subsequent to June 30, 2021, the contribution rate was increased to 8% 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.

**CHANNEL ISLANDS YMCA**  
**NOTES TO FINANCIAL STATEMENTS**

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, 2021. For the year ended, the YMCA estimates that approximately 3,915 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 \$111,734, for 2021. These estimated benefits are not recorded in the financial statements.

Note 13 – LONG-TERM DEBT

During 2020 the YMCA refinanced and combined two loans from a bank for the purchase of the Carrillo Street building which is used as the Association’s Headquarters. The new loan has an interest rate of 3.50%, is secured by real property, and is payable over a 25-year period with a maturity date of December 25, 2045. The balance at June 30, 2021, for the loan, which is secured by the Santa Barbara Branch real property, was \$2,988,058.

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

	<u>Amount</u>
2022	\$ 78,005
2023	80,519
2024	83,462
2025	86,744
2026	89,874
Thereafter	<u>2,569,454</u>
	<u>\$ 2,988,058</u>

During 2020 the YMCA also obtained a \$2,500,000 revolving line of credit with a bank. The line of credit is secured by the Santa Barbara branch real property and expires December 25, 2030. The loan terms require monthly interest payments at a variable annual rate of the Wall Street Journal Prime rate plus .25%. As of June 30, 2021, there was no outstanding balance.

Total interest expense for loans payable for the year ended June 30, 2021, was \$96,447. The YMCA was in compliance with all applicable debt covenants as of June 30, 2021.

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.

On January 12, 2021, the YMCA applied for forgiveness of the PPP loan and on June 9, 2021 the lending bank notified the YMCA that the loan had been forgiven and paid by the Small Business Administration (SBA).

**CHANNEL ISLANDS YMCA**  
**NOTES TO FINANCIAL STATEMENTS**

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

On April 26, 2021, the YMCA received loan funding of \$1,992,705 from the second draw on the CARES PPP loan program related to the COVID-19 pandemic. The loan allows for the loan proceeds to be used on allowable costs for the YMCA and may be fully forgiven if the funds are used for eligible costs as defined by the SBA.

Note 15 – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions:

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

	2021
Facility improvements	\$ 50,000
Subsequent years' activities	411,929
Permanently Restricted Endowment	3,487,380
Unappropriated endowment earnings	2,177,772
Total	\$ 6,127,031

Note 16 – OPERATING LEASES

The YMCA has entered into several long-term lease agreements for land and facilities, with leases expiring through May 2031, and total annual rents currently of \$64,429. Additionally, the YMCA also leases certain of its childcare facilities under month-to-month leases. Rent expense for all leases was \$160,355 for the year ended June 30, 2021.

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:	
2022	\$ 64,429
2023	65,201
2024	38,689
2025	38,689
2026	38,689
Thereafter	190,220
Total	\$ 435,917

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, 2021, the YMCA had no uncertain tax positions requiring accrual.



# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

### 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 2017 and 2016, 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.

**CHANNEL ISLANDS YMCA**  
**NOTES TO FINANCIAL STATEMENTS**

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, 2021:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Certificates of deposit	\$ 695,209	\$ -	\$ -	\$ 695,209
Mutual funds	690,478	-	-	690,478
Domestic equities	7,748,722	-	-	7,748,722
International	<u>2,412,538</u>	<u>-</u>	<u>-</u>	<u>2,412,538</u>
Total assets measured at fair value	<u>\$ 11,546,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,546,947</u>

There were no transfers between Levels 1, 2 and 3 of the fair value hierarchy during the year ended June 30, 2021.

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, 2021, the YMCA had uninsured cash balances of approximately \$3,800,000.

Concentrations

One source of the YMCA’s revenue is from membership income for its physical education programs. Revenue generated from this source is approximately 22% 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.

# CHANNEL ISLANDS YMCA

## NOTES TO FINANCIAL STATEMENTS

### Note 19 – RISK, CONCENTRATIONS AND UNCERTAINTIES (continued)

#### Concentrations (continued)

CARES funding represented 22% of total public support and revenue during the year. It is estimated that the CARES funding will represent approximately 17% of total public support and revenue for the year ending June 30, 2022.

#### 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.

The YMCA was able to provide indoor operations during the year, on a limited basis, due to ongoing government COVID-19 mandates, including indoor face mask requirements. In addition, the YMCA has continued to provide programming and activities both outdoors and virtually. The YMCA has seen growth in many programs during the year, such as childcare, youth sports and swim programs; however, memberships, facility usage, and indoor programs have been slower to recover. Challenges securing qualified program and key staff positions have also affected operations and program recovery.

During the year, the YMCA's operations were supported by the Federal government CARES funding, including the second draw on the PPP loan and Employee Retention Tax Credits (ERTC). The YMCA expects that these funds and continued growth in programs will provide sufficient operational support through the fiscal year ending June 30, 2023.

### 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.

**CHANNEL ISLANDS YMCA**  
**NOTES TO FINANCIAL STATEMENTS**

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 2021, \$81,569 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, 2021, the endowment fund had no deficiencies.

**CHANNEL ISLANDS YMCA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 20 – ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended June 30, 2021, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets beginning of year	\$ 3,237,039	\$ 5,385,348	\$ 8,622,387
Net investment income	2,655,447	258,671	2,914,118
Contributions	1,345,840	75,853	1,421,693
Appropriation of endowment assets for expenditure or transfer	<u>(26,800)</u>	<u>(54,769)</u>	<u>(81,569)</u>
Endowment net assets, end of year	<u>\$ 7,211,526</u>	<u>\$ 5,665,103</u>	<u>\$ 12,876,629</u>

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, 2021:

Current assets	
Cash and cash equivalents available within one year	\$ 3,808,286
Accounts, pledges and grants receivable, current portion	947,667
Other current assets	<u>247,984</u>
Total Current Assets	<u>4,998,937</u>
Endowment cash and investments	12,876,629
Less investments unavailable for general expenditures within one year:	
Endowments and other funds subject to spending policy appropriations beyond one year:	<u>(5,276,182)</u>
Cash and investments available for general expenditures within one year	<u>7,600,447</u>
Current liabilities	<u>(1,839,362)</u>
Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2021	<u>\$ 10,760,022</u>

**CHANNEL ISLANDS YMCA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 22 – RENTAL INCOME

On December 31, 2020, the Company that was leasing a portion of the Association's headquarters and the YMCA entered into an agreement to terminate the existing lease, effective January 7, 2021. In exchange for the agreement, the YMCA retained two months of prepaid rent and the initial lease deposit totaling \$27,000 and received an additional \$47,659 in rental income.

Note 23 – SUBSEQUENT EVENTS

On August 13, 2021, the YMCA sold the Carrillo Street building to a local nonprofit for \$4,459,000. As part of the sale agreement, the YMCA entered into an agreement to lease back the portion of the building the YMCA previously and still occupies. The base rent is \$13,353 per month plus utilities. The lease term ends on August 13, 2022; however, the YMCA has the option to cancel the lease at any time after February 13, 2022.

In October 2021, \$1,000,000 of the building sale proceeds were used to pay down the commercial loan secured by the Santa Barbara branch property.



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, 2021, 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 6, 2021.

**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.

Handwritten signature in cursive script, reading "McGowan Guntermann".

Santa Barbara, California  
December 6, 2021