CHANNEL ISLANDS
YOUNG MEN'S CHRISTIAN ASSOCIATION
(YMCA)

FINANCIAL STATEMENTS
JUNE 30, 2022

CHANNEL ISLANDS YMCA

June 30, 2022

TABLE OF CONTENTS

McGowan Guntermann
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
200 E. Carrillo Street, Suite 300, Santa Barbara, CA 93101, (805) 962-9175, www.mcgowan.com

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Channel Islands YMCA as of June 30, 2022, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards appliable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Channel Islands YMCA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Channel Islands YMCA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that incudes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detected a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would include the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Channel Islands YMCA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, which raise substantial doubt about Channel Islands YMCA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, on our consideration of Channel Islands YMCA'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 solely 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 the effectiveness of Channel Islands YMCA's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Channel Islands YMCA's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Channel Islands YMCA's June 30, 2021, financial statements, and we expressed an unmodified audit opinion on those statements in our report dated December 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowan Guntermann

Santa Barbara, California
December 8, 2022

CHANNEL ISLANDS YMCA

STATEMENT OF FINANCIAL POSITION
June 30, 2022
(With Comparative Totals for June 30, 2021)

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total 2022	(Memo) Total 2021
Current Assets				
Cash and cash equivalents	$ 8,033,534	$ 530,520	$ 8,564,054	$ 3,808,286
Grants and contracts receivable	289,876	-	289,876	810,692
Accounts receivable	221,946	-	221,946	47,786
Promises to give, net	-	56,511	56,511	84,189
Prepaid and other assets	344,406	-	344,406	247,984
Total Current Assets	8,889,762	587,031	9,476,793	4,998,937
Endowment Assets				
Cash	1,213,901	-	1,213,901	1,329,682
Investments	4,433,225	5,885,316	10,318,541	11,546,947
Total Endowment Assets	5,647,126	5,885,316	11,532,442	12,876,629
Property and equipment (net)	17,412,706	-	17,412,706	21,543,185
Total Assets	**$ 31,949,594**	**$ 6,472,347**	**$ 38,421,941**	**$ 39,418,751**

LIABILITIES AND NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total 2022	(Memo) Total 2021
Current Liabilities				
Accounts payable	$ 464,390	$ -	$ 464,390	$ 194,897
Accrued expenses	1,280,187	-	1,280,187	886,083
Unearned revenue	809,206	-	809,206	680,377
Current portion of notes payable	80,819	-	80,819	78,005
Total Current Liabilities	2,634,602	-	2,634,602	1,839,362
Long-term Liabilities				
Paycheck Protection Program loan payable	-	-	-	1,992,705
Notes payable, net of current portion	1,801,979	-	1,801,979	2,910,053
Total Long-term Liabilities	1,801,979	-	1,801,979	4,902,758
Total Liabilities	4,436,581	-	4,436,581	6,742,120
Net Assets				
Without Donor Restrictions				
Board designated for endowment	5,647,126	-	5,647,126	7,211,526
Other net assets without donor restrictions	21,865,887	-	21,865,887	19,338,074
Total Without Donor Restrictions	27,513,013	-	27,513,013	26,549,600
With Donor Restrictions	-	6,472,347	6,472,347	6,127,031
Total Net Assets	27,513,013	6,472,347	33,985,360	32,676,631
Total Liabilities and Net Assets	**$ 31,949,594**	**$ 6,472,347**	**$ 38,421,941**	**$ 39,418,751**

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, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	(Memo) Total 2021
Public Support and Revenue				
Public Support				
Contributions - annual campaign	$ 918,370	$ -	$ 918,370	$ 972,254
Contributions - other	-	656,926	656,926	976,949
Government funds	2,156,803	-	2,156,803	1,792,911
CARES Government Funding	3,317,239	-	3,317,239	4,027,998
United Way	(4,626)	-	(4,626)	149,061
Special events, net of direct costs of $110,072 and $20,605	129,160	-	129,160	72,392
Total Public Support	6,516,946	656,926	7,173,872	7,991,565
Revenue				
Membership dues	5,648,477	-	5,648,477	4,091,915
Joining fees	184,286	-	184,286	73,175
Program fees	1,412,760	-	1,412,760	447,502
Day Camp	1,109,295	-	1,109,295	688,686
Sleep Away Camp	36,936	-	36,936	2,879
Childcare	2,531,163	-	2,531,163	1,934,613
Merchandise sales and rentals	2,311	-	2,311	135,791
Investment income	165,911	243,320	409,231	164,453
Realized gain on investments	55,184	-	55,184	220,153
Unrealized gain (loss) on investments	(1,684,013)	-	(1,684,013)	2,529,512
Gain on disposal of property and equipment	1,111,045	-	1,111,045	29,425
Miscellaneous revenue	98,060	-	98,060	10,033
Total Revenue	10,671,415	243,320	10,914,735	10,328,137
Released from Restrictions	554,930	(554,930)	-	-
Total Public Support and Revenue	17,743,291	345,316	18,088,607	18,319,702
Expenses				
Program Services				
Youth Development	6,491,133	-	6,491,133	5,276,526
Healthy Living	5,770,548	-	5,770,548	4,832,145
Social Responsibility	1,325,826	-	1,325,826	1,166,833
Total Program Services	13,587,507	-	13,587,507	11,275,504
Supporting Services				
Management and general	2,530,072	-	2,530,072	2,200,276
Fundraising	662,299	-	662,299	489,337
Total Supporting Services	3,192,371	-	3,192,371	2,689,613
Total Expenses	16,779,878	-	16,779,878	13,965,117
Increase (Decrease) in Net Assets	**963,413**	**345,316**	**1,308,729**	**4,354,585**
Net Assets at Beginning of Year	26,549,600	6,127,031	32,676,631	28,322,046
Net Assets at End of Year	**$ 27,513,013**	**$ 6,472,347**	**$ 33,985,360**	**$ 32,676,631**

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

CHANNEL ISLANDS YMCA

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Program Services				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	Total 2022	Total 2021
Expenses								
Salaries	$ 3,397,808	$ 2,308,219	$ 643,381	$ 6,349,408	$ 1,136,437	$ 299,478	$ 7,785,323	$ 7,082,095
Employee benefits	419,924	284,346	102,231	806,501	235,490	64,461	1,106,452	685,472
Payroll taxes and workers comp insurance	342,488	233,234	66,680	642,402	111,336	31,383	785,121	1,079,938
Total Salaries and Related Expenses	4,160,220	2,825,799	812,292	7,798,311	1,483,263	395,322	9,676,896	8,847,505
Professional fees and contracted services	50,652	21,926	51,988	124,566	234,545	68,254	427,365	304,713
Supplies	165,602	42,791	23,237	231,630	9,091	16,514	257,235	146,938
Communications	74,436	31,992	13,868	120,296	37,341	7,014	164,651	155,685
Postage	4,021	4,233	94	8,348	7,064	2,746	18,158	20,804
Occupancy	987,144	1,270,486	73,814	2,331,444	198,439	17,250	2,547,133	1,503,708
Equipment	193,587	376,975	41,655	612,217	124,062	55,058	791,337	496,172
Program costs	42,202	12,287	185,995	240,484	-	850	241,334	86,581
Advertising	59,306	65,775	13,883	138,964	-	14,187	153,151	94,447
Travel and transportation	41,009	34,345	9,080	84,434	17,207	982	102,623	32,602
Conferences	19,235	19,696	4,630	43,561	30,138	4,543	78,242	56,376
Financing costs	103,833	101,805	932	206,570	80,696	24,161	311,427	384,360
Other insurance	82,456	143,211	6,493	232,160	6,511	135	238,806	211,699
Miscellaneous	43,446	32,858	7,495	83,799	41,372	15,693	140,864	76,967
Awards	959	970	1,176	3,105	7,230	2,993	13,328	14,245
Other employee expenses	65,440	25,782	12,316	103,538	15,933	5,118	124,589	68,555
Taxes	-	-	-	-	215,515	-	215,515	-
National support	66,515	104,997	7	171,519	661	15,494	187,674	182,165
Total Expenses before Depreciation Expense	6,160,063	5,115,928	1,258,955	12,534,946	2,509,068	646,314	15,690,328	12,683,522
Depreciation expense	331,070	654,620	66,871	1,052,561	21,004	15,985	1,089,550	1,281,595
Total Expenses - June 30, 2022	**$ 6,491,133**	**$ 5,770,548**	**$ 1,325,826**	**$ 13,587,507**	**$ 2,530,072**	**$ 662,299**	**$ 16,779,878**	
Total Expenses - June 30, 2021 (Memo)	$ 5,276,526	$ 4,832,145	$ 1,166,833	$ 11,275,504	$ 2,200,276	$ 489,337		$ 13,965,117

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

CHANNEL ISLANDS YMCA

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022
(With Comparative Amounts for the Year Ended June 30, 2021)

	2022	(Memo) 2021
Cash Flows from Operating Activities		
Increase in net assets	$ 1,308,729	$ 4,354,585
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	1,089,550	1,281,595
Contributions for endowment	(56,027)	-
PPP loan forgiveness	(1,992,705)	(1,951,287)
Unrealized loss (gain)	1,684,013	(2,529,512)
Realized gain	(55,184)	(220,153)
Gain on disposal of property and equipment	(1,111,045)	(29,425)
Changes in:		
Grants and contracts receivable	520,816	(702,551)
Accounts receivable	(174,160)	(10,709)
Promises to give	27,678	50,882
Bequests receivable	-	1,100,263
Prepaid expenses and other assets	(96,422)	(7,377)
Accounts payable	269,493	(189,719)
Accrued expenses	394,104	(264,974)
Unearned revenue	128,829	467,553
Net cash provided by operating activities	1,937,669	1,349,171
Cash Flows from Investing Activities		
Acquisition of property and equipment	(112,894)	(155,320)
Proceeds from sale of property and equipment	4,264,868	29,425
Purchase of investments	(1,002,063)	(1,543,335)
Proceeds from sale of investments	601,640	543,962
Net cash provided (used) by investing activities	3,751,551	(1,125,268)
Cash Flows from Financing Activities		
Principal payments on borrowings	(1,105,260)	(2,988,493)
Payments of line of credit borrowings	-	(200,000)
Proceeds from loan refinancing	-	2,988,058
Proceeds received from PPP loan	-	1,992,705
Contributions for endowment	56,027	-
Net cash (used) provided by financing activities	(1,049,233)	1,792,270
Net Increase in Cash	**4,639,987**	**2,016,173**
Cash and Cash Equivalents at Beginning of the Year	5,137,968	3,121,795
Cash and Cash Equivalents at End of the Year	**$ 9,777,955**	**$ 5,137,968**
Supplementary Information:		
Cash paid for interest	$ 78,669	$ 287,643

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 maintained its principal place of business at 105 E. Carrillo Street in Santa Barbara, California as of year-end.

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:

<u>Youth Development</u> - 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.

<u>Healthy Living</u> - 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.

<u>Social Responsibility</u> - 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

<u>Basis of Presentation</u>

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.

During the year ended June 30, 2022, the YMCA received credits on their payroll tax filings in the form of Employee Retention Credits. These credits were awarded during the year and reduced the payroll tax liability for each quarter to which the credit applied. A total of $3,317,239 was reported as CARES Government Funding during the year ended June 30, 2022.

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 2021 in the accompanying financial statements are included to provide a basis for comparison with 2022 and are not intended to present all information necessary for a fair presentation of the 2021 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 8, 2022, 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 $28,131 at June 30, 2022. 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 $25,862 at June 30, 2022, 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

Unconditional promises to give at June 30, 2022, are as follows:

	2022
Receivable in less than one year	$ 73,000
Less allowance for uncollectible promises	(16,489)
Total	$ 56,511

Note 7 – INVESTMENTS

Investments at June 30, 2022, are recorded at market value based upon quoted market prices (fair value) and are summarized as follows:

	Cost	Market Value	Unrealized Gain (Loss)
Certificates of deposit	$ 617,865	$ 605,409	$ (12,456)
Mutual funds	1,083,873	1,043,495	(40,378)
Domestic equities	4,349,644	6,712,157	2,362,513
International	1,929,637	1,957,480	27,843
Total Investments	$ 7,981,019	$ 10,318,541	$ 2,337,522

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

	Cost	Market Value	Unrealized Gain (Loss)
Balance at end of the year	$ 7,981,019	$10,318,541	$ 2,337,522
Balance at beginning of the year	7,525,412	11,546,947	4,021,535
Net change in unrealized gain			$ (1,684,013)

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, 2022. Investment return is summarized as follows for the year ended June 30, 2022:

	2022
Interest and dividends	$ 409,231
Change in unrealized gain	(1,684,013)
Realized gain	55,184
Total investment loss	$ (1,219,598)

Note 8 – RELATED PARTY TRANSACTIONS

- During 2022, 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 2022, the YMCA was charged legal expenses of $10,254 by a local law firm for various matters. A partner of this local law firm is also a member 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, 2022:

	2022
Land	$ 5,687,608
Land improvements	4,028,440
Buildings and improvements	26,496,118
Equipment and fixtures	2,174,112
Vehicles	141,977
Construction in progress	648,444
	39,176,699
Less accumulated depreciation	(21,763,993)
Total	$ 17,412,706

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 2022, the YMCA could be liable for as much as the full amount of federal governmental funds expended up to approximately $437,641 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 2022. Retirement contribution expense was $362,292 for the year ended June 30, 2022.

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, 2022. For the year ended, the YMCA estimates that approximately 7,516 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 $225,103, for 2022. 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, 2022, for the loan, which is secured by the Santa Barbara Branch real property, was $1,882,798.

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

	Amount
2023	$ 80,819
2024	83,462
2025	86,744
2026	89,874
2027	89,815
Thereafter	1,452,084
	$ 1,882,798

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, 2022, there was no outstanding balance.

Total interest expense for loans payable for the year ended June 30, 2022, was $78,668. The YMCA was in compliance with all applicable debt covenants as of June 30, 2022.

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).

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. On January 25, 2022, the SBA issued a letter notifying the YMCA that the loan was forgiven and payment to the lender had been issued.

Note 15 – RESTRICTIONS ON NET ASSETS

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

	2022
Facility improvements	$ 160,700
Subsequent years' activities	587,031
Permanently Restricted Endowment	3,543,357
Unappropriated endowment earnings	2,181,259
Total	$ 6,472,347

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 $65,149. Additionally, the YMCA also leases certain of its childcare facilities under month-to-month leases. Rent expense for all leases was $316,474 for the year ended June 30, 2022.

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:	
2023	$ 65,149
2024	38,689
2025	38,689
2026	38,689
2027	38,689
Thereafter	151,531
Total	$ 371,436

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). In addition, the YMCA is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The YMCA generated unrelated business income from debt-financed rental income and, in the current year, the sale of said building. Because of the sale, the YMCA has recorded income tax related to the sale in accrued expenses and on the statement of functional expenses.

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, 2022, the YMCA had no uncertain tax positions requiring accrual.

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 2018 and 2017, 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.

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.

Note 18 – FAIR VALUE MEASUREMENT (continued)

The following table sets forth by level within the fair value hierarchy the YMCA's assets at fair values as of June 30, 2022:

Description	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of deposit	$ 605,409	$ -	$ -	$ 605,409
Mutual funds	1,043,495	-	-	1,043,495
Domestic equities	6,712,157	-	-	6,712,157
International	1,957,480	-	-	1,957,480
Total assets measured at fair value	$ 10,318,541	$ -	$ -	$ 10,318,541

There were no transfers between Levels 1, 2 and 3 of the fair value hierarchy during the year ended June 30, 2022.

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, 2022, the YMCA had uninsured cash balances of approximately $8,534,000.

Concentrations

One source of the YMCA's revenue is from membership income for its physical education programs. Revenue generated from this source is approximately 31% 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.

CARES funding represented 18% of total public support and revenue during the year.

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.

Note 19 –RISK, CONCENTRATIONS AND UNCERTAINTIES (continued)

Uncertainties (continued)

The YMCA was able to provide indoor operations during the year, on a limited basis, due to on-going 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.

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

Note 20 – ENDOWMENT FUNDS (continued)

Return Objectives and Risk Parameters

The YMCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the YMCA must hold in perpetuity for donor-specified periods as well as board-designated funds. The endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diverse portfolio utilizing various asset classes with a goal of reducing volatility and risk. The YMCA expects its endowment funds, over time, to provide an average rate of return of approximately 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 2022, $180,616 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, 2022, the endowment fund had no deficiencies.

Changes in endowment net assets for the year ended June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets beginning of year	$ 7,211,526	$ 5,665,103	$ 12,876,629
Net investment income	(1,462,918)	243,320	(1,219,598)
Contributions	-	56,027	56,027
Appropriation of endowment assets for expenditure or transfer	(101,482)	(79,134)	(180,616)
Endowment net assets, end of year	$ 5,647,126	$ 5,885,316	$ 11,532,442

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, 2022:

Current assets	
Cash and cash equivalents available within one year	$ 8,564,054
Accounts, pledges and grants receivable, current portion	568,333
Total Current Assets	9,132,387
Endowment cash and investments	11,532,442
Less investments unavailable for general expenditures within one year:	
Endowments and other funds subject to spending policy appropriations beyond one year:	(5,594,256)
Cash and investments available for general expenditures within one year	5,938,186
Current liabilities	(2,634,602)
Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2022	$ 12,435,971

Note 22 – SUBSEQUENT EVENTS

Effective October 1, 2022, the YMCA signed a long-term lease for a property in Carpinteria, California. The lease is for 37 months, expiring October 31, 2025, and allows for three twelve-month period options. Base rent is $6,986 per month and is subject to annual cost of living adjustment based on the consumer price index for Los Angeles/Long Beach/Anaheim area. The lease also calls for common area maintenance of $2,906.

McGowan Guntermann
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
200 E. Carrillo Street, Suite 300, Santa Barbara, CA 93101, (805) 962-9175, www.mcgowan.com

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, 2022, 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 8, 2022.

Report on 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) as a basis for determining the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control. 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.

Report on 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 financial statements. 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 8, 2022