

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

**FINANCIAL STATEMENTS
JUNE 30, 2023**

CHANNEL ISLANDS YMCA

June 30, 2023

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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 Audit of the Financial Statements

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, 2023, 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, 2023, 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 applicable 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 includes 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 and *Government Auditing Standards* will always detect 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 influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government 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, that 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 14, 2023, 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, 2022, financial statements, and we expressed an unmodified audit opinion on those statements in our report dated December 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowan Guntermann

Santa Barbara, California
December 14, 2023

CHANNEL ISLANDS YMCA

STATEMENT OF FINANCIAL POSITION

June 30, 2023

(With Comparative Totals for June 30, 2022)

	ASSETS			(Memo)
	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Current Assets				
Cash and cash equivalents	\$ 5,896,920	\$ 819,881	\$ 6,716,801	\$ 8,564,054
Grants and contracts receivable	349,899	-	349,899	289,876
Accounts receivable	278,860	-	278,860	221,946
Promises to give, net	-	113,003	113,003	56,511
Prepaid and other assets	407,435	-	407,435	344,406
Short-term investments	<u>1,971,621</u>	<u>-</u>	<u>1,971,621</u>	<u>-</u>
Total Current Assets	<u>8,904,735</u>	<u>932,884</u>	<u>9,837,619</u>	<u>9,476,793</u>
Endowment Assets				
Cash	880,541	-	880,541	1,213,901
Pledges	-	374,455	374,455	-
Investments	<u>5,823,101</u>	<u>5,963,012</u>	<u>11,786,113</u>	<u>10,318,541</u>
Total Endowment Assets	<u>6,703,642</u>	<u>6,337,467</u>	<u>13,041,109</u>	<u>11,532,442</u>
Right-of-use (ROU) assets, net of accumulated amortization of \$137,913	521,707	-	521,707	-
Property and equipment (net)	<u>16,867,484</u>	<u>-</u>	<u>16,867,484</u>	<u>17,412,706</u>
Total Assets	<u>\$ 32,997,568</u>	<u>\$ 7,270,351</u>	<u>\$ 40,267,919</u>	<u>\$ 38,421,941</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 417,054	\$ -	\$ 417,054	\$ 464,390
Accrued expenses	1,141,028	-	1,141,028	1,280,187
Unearned revenue	900,416	-	900,416	809,206
ROU liability, current	152,303	-	152,303	-
Notes payable, current	<u>121,956</u>	<u>-</u>	<u>121,956</u>	<u>80,819</u>
Total Current Liabilities	2,732,757	-	2,732,757	2,634,602
Long-term Liabilities				
ROU liability, net of current portion	415,098	-	415,098	-
Notes payable, net of current portion	<u>1,642,980</u>	<u>-</u>	<u>1,642,980</u>	<u>1,801,979</u>
Total Long-term Liabilities	<u>2,058,078</u>	<u>-</u>	<u>2,058,078</u>	<u>1,801,979</u>
Total Liabilities	<u>4,790,835</u>	<u>-</u>	<u>4,790,835</u>	<u>4,436,581</u>
Net Assets				
Without Donor Restrictions				
Board designated for endowment	6,703,641	-	6,703,641	5,647,126
Other net assets without donor restrictions	<u>21,503,092</u>	<u>-</u>	<u>21,503,092</u>	<u>21,865,887</u>
Total Without Donor Restrictions	28,206,733	-	28,206,733	27,513,013
With Donor Restrictions				
	<u>-</u>	<u>7,270,351</u>	<u>7,270,351</u>	<u>6,472,347</u>
Total Net Assets	<u>28,206,733</u>	<u>7,270,351</u>	<u>35,477,084</u>	<u>33,985,360</u>
Total Liabilities and Net Assets	<u>\$ 32,997,568</u>	<u>\$ 7,270,351</u>	<u>\$ 40,267,919</u>	<u>\$ 38,421,941</u>

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

CHANNEL ISLANDS YMCA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2023

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

	Without Donor Restrictions	With Donor Restrictions	Total 2023	(Memo) Total 2022
Public Support and Revenue				
Public Support				
Contributions - annual campaign	\$ 1,127,509	\$ -	\$ 1,127,509	\$ 918,370
Contributions - other	-	1,372,550	1,372,550	656,926
Government funds	2,808,373	73,542	2,881,915	2,156,803
CARES Government Funding	-	-	-	3,317,239
United Way	-	-	-	(4,626)
Special events, net of direct costs of \$110,360 and \$110,072	143,863	-	143,863	129,160
Total Public Support	4,079,745	1,446,092	5,525,837	7,173,872
Revenue				
Membership dues	6,908,067	-	6,908,067	5,648,477
Joining fees	191,544	-	191,544	184,286
Program fees	1,730,963	-	1,730,963	1,412,760
Day Camp	1,235,091	-	1,235,091	1,109,295
Sleep Away Camp	116,036	-	116,036	36,936
Childcare	2,799,408	-	2,799,408	2,531,163
Merchandise sales and rentals	35,974	-	35,974	2,311
Investment income	98,571	131,057	229,628	409,231
Realized gain on investments	97,977	129,877	227,854	55,184
Unrealized gain (loss) on investments	1,009,942	-	1,009,942	(1,684,013)
Gain on disposal of property and equipment	1,300	-	1,300	1,111,045
Miscellaneous revenue	269,411	-	269,411	98,060
Total Revenue	14,494,284	260,934	14,755,218	10,914,735
Released from Restrictions	909,022	(909,022)	-	-
Total Public Support and Revenue	19,483,051	798,004	20,281,055	18,088,607
Expenses				
Program Services				
Youth Development	7,579,036	-	7,579,036	6,491,133
Healthy Living	6,594,902	-	6,594,902	5,770,548
Social Responsibility	1,409,557	-	1,409,557	1,325,826
Total Program Services	15,583,495	-	15,583,495	13,587,507
Supporting Services				
Management and general	2,549,874	-	2,549,874	2,530,072
Fundraising	655,962	-	655,962	662,299
Total Supporting Services	3,205,836	-	3,205,836	3,192,371
Total Expenses	18,789,331	-	18,789,331	16,779,878
Increase in Net Assets	693,720	798,004	1,491,724	1,308,729
Net Assets at Beginning of Year	27,513,013	6,472,347	33,985,360	32,676,631
Net Assets at End of Year	\$ 28,206,733	\$ 7,270,351	\$ 35,477,084	\$ 33,985,360

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

CHANNEL ISLANDS YMCA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

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

	Program Services				Supporting Services		Total 2023	Total 2022
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising		
Expenses								
Salaries	\$ 4,073,646	\$ 2,849,224	\$ 668,070	\$ 7,590,940	\$ 1,281,133	\$ 321,130	\$ 9,193,203	\$ 7,785,323
Employee benefits	524,247	335,669	99,723	959,639	295,079	69,578	1,324,296	1,106,452
Payroll taxes and workers comp insurance	392,869	274,685	64,355	731,909	121,253	32,138	885,300	785,121
Total Salaries and Related Expenses	4,990,762	3,459,578	832,148	9,282,488	1,697,465	422,846	11,402,799	9,676,896
Professional fees and contracted services	71,472	27,001	60,616	159,089	200,470	12,322	371,881	427,365
Supplies	219,010	66,977	23,550	309,537	8,992	26,740	345,269	257,235
Communications	72,095	31,584	17,413	121,092	35,093	6,760	162,945	164,651
Postage	4,371	4,660	94	9,125	4,785	1,782	15,692	18,158
Occupancy	1,037,787	1,353,808	109,102	2,500,697	234,761	18,177	2,753,635	2,547,133
Equipment	138,435	384,146	93,712	616,293	135,206	21,934	773,433	791,337
Program costs	108,345	13,850	133,992	256,187	-	3	256,190	241,334
Advertising	77,679	87,422	16,233	181,334	1,268	49,575	232,177	153,151
Travel and transportation	71,747	29,487	11,243	112,477	38,390	3,646	154,513	102,623
Conferences	44,281	42,358	3,920	90,559	46,770	14,052	151,381	78,242
Financing costs	126,756	123,141	2,661	252,558	93,920	31,562	378,040	311,427
Other insurance	88,050	166,146	7,376	261,572	7,126	136	268,834	238,806
Miscellaneous	35,623	34,830	2,930	73,383	5,967	6,619	85,969	140,864
Awards	2,330	2,258	142	4,730	6,778	12,975	24,483	13,328
Other employee expenses	90,247	37,048	7,314	134,609	24,177	5,566	164,352	124,589
Taxes	-	-	-	-	-	-	-	215,515
National support	69,610	91,175	5,520	166,305	1,711	14,069	182,085	187,674
Total Expenses before Depreciation Expense	7,248,600	5,955,469	1,327,966	14,532,035	2,542,879	648,764	17,723,678	15,690,328
Depreciation expense	330,436	639,433	81,591	1,051,460	6,995	7,198	1,065,653	1,089,550
Total Expenses - June 30, 2023	\$ 7,579,036	\$ 6,594,902	\$ 1,409,557	\$ 15,583,495	\$ 2,549,874	\$ 655,962	\$ 18,789,331	
Total Expenses - June 30, 2022 (Memo)	<u>\$ 6,491,133</u>	<u>\$ 5,770,548</u>	<u>\$ 1,325,826</u>	<u>\$ 13,587,507</u>	<u>\$ 2,530,072</u>	<u>\$ 662,299</u>		<u>\$ 16,779,878</u>

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

CHANNEL ISLANDS YMCA

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023

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

	2023	(Memo) 2022
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,491,724	\$ 1,308,729
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	1,065,653	1,089,550
Contributions for endowment	(5,000)	(56,027)
PPP loan forgiveness	-	(1,992,705)
Unrealized loss (gain)	(1,009,942)	1,684,013
Realized gain	(227,854)	(55,184)
Gain on disposal of property and equipment	(1,300)	(1,111,045)
Changes in:		
Grants and contracts receivable	(60,023)	520,816
Accounts receivable	(56,914)	(174,160)
Promises to give	(56,492)	27,678
Bequests receivable	(374,455)	-
Prepaid expenses and other assets	(63,029)	(96,422)
Accounts payable	(47,336)	269,493
Accrued expenses	(139,159)	394,104
Unearned revenue	91,210	128,829
Net cash provided by operating activities	<u>607,083</u>	<u>1,937,669</u>
Cash Flows from Investing Activities		
Acquisition of property and equipment	(520,431)	(112,894)
Proceeds from sale of property and equipment	1,300	4,264,868
Purchase of investments	(3,084,652)	(1,002,063)
Proceeds from sale of investments	928,949	601,640
Net cash provided (used) by investing activities	<u>(2,674,834)</u>	<u>3,751,551</u>
Cash Flows from Financing Activities		
Principal payments on borrowings	(117,862)	(1,105,260)
Contributions for endowment	5,000	56,027
Net used provided by financing activities	<u>(112,862)</u>	<u>(1,049,233)</u>
Net Increase (Decrease) in Cash	(2,180,613)	4,639,987
Cash and Cash Equivalents at Beginning of the Year	<u>9,777,955</u>	<u>5,137,968</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 7,597,342</u>	<u>\$ 9,777,955</u>
<u>Supplementary Information:</u>		
Cash paid for interest	\$ 78,668	\$ 78,669
Non-cash transactions consisted of the following:		
ROU assets obtained in exchange for new operating lease obligations	\$ 659,620	\$ -

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 maintained its principal place of business at 1180 Eugenia Place, Suite #104, Carpinteria, 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:

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, a navigation 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.

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 13).

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
- Right of use asset and liability

CHANNEL ISLANDS YMCA

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates (continued)

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

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 2022 in the accompanying financial statements are included to provide a basis for comparison with 2023 and are not intended to present all information necessary for a fair presentation of the 2022 financial statements in conformity with accounting principles generally accepted in the United States of America.

Leases

The YMCA has adopted FASB ASC 842, Leases, effective in these financial statements. As of July 1, 2022, and for the year ended June 30, 2023, the Organization had multiple noncancellable operating leases.

Further, the Organization elected a short-term extension policy, permitting the Organization to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of net assets.

Subsequent Events

The YMCA has evaluated subsequent events through December 14, 2023, the date on which the financial statements were available to be issued.

Note 3 – NEW STANDARD

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition on the income statement.

CHANNEL ISLANDS YMCA

NOTES TO FINANCIAL STATEMENTS

Note 3 – NEW STANDARD

The new standard is effective for the YMCA as of July 1, 2022, and has been adopted for the year ended June 30, 2023. As of July 1, 2022, and for the year ended June 30, 2023, the YMCA had multiple noncancellable operating leases.

Note 4 – 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 \$2,330 at June 30, 2023. The remaining balance is expected to be fully collectible within one year from the year end.

Note 5 – ACCOUNTS RECEIVABLE

The YMCA has provided an allowance for uncollectible accounts receivable in the amount of \$17,272 at June 30, 2023, 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 6 – CONDITIONAL PROMISES TO GIVE

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

Note 7 – PROMISES TO GIVE

Unconditional promises to give at June 30, 2023, are as follows:

	<u>2023</u>
Receivable in less than one year	\$ 125,458
Less allowance for uncollectible promises	<u>(12,455)</u>
Total current receivables	<u>\$ 113,003</u>
Receivable in more than one year	\$ 400,000
Less allowance for uncollectible promises	<u>(25,545)</u>
Total non-current receivables	<u>\$ 374,455</u>

CHANNEL ISLANDS YMCA

NOTES TO FINANCIAL STATEMENTS

Note 8 – INVESTMENTS

Investments at June 30, 2023, are recorded at market value based upon quoted market prices (fair value) and are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of deposit	\$ 1,708,886	\$ 1,716,592	\$ 7,706
Mutual funds	1,123,864	1,111,217	(12,647)
Domestic equities	5,455,510	8,632,756	3,177,246
International	2,122,011	2,297,169	175,158
Total Investments	<u>\$ 10,410,271</u>	<u>\$ 13,757,734</u>	<u>\$ 3,347,463</u>

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

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Balance at end of the year	\$ 10,410,271	\$13,757,734	\$ 3,347,463
Balance at beginning of the year	7,981,019	10,318,541	2,337,522
Net change in unrealized gain			<u>\$ 1,009,942</u>

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, 2023. Investment return is summarized as follows for the year ended June 30, 2023:

	<u>2023</u>
Interest and dividends	\$ 229,628
Change in unrealized gain	1,009,942
Realized gain	227,854
Total investment gain	<u>\$ 1,467,424</u>

Note 9 – RELATED PARTY TRANSACTIONS

- During 2023, 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 2023, the YMCA was charged legal expenses of \$5,117 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.

CHANNEL ISLANDS YMCA

NOTES TO FINANCIAL STATEMENTS

Note 10 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2023:

	<u>2023</u>
Land	\$ 5,687,608
Land improvements	3,995,992
Buildings and improvements	26,475,328
Equipment and fixtures	2,325,277
Vehicles	110,615
Construction in progress	<u>676,784</u>
	39,271,604
Less accumulated depreciation	<u>(22,404,120)</u>
Total	<u>\$ 16,867,484</u>

Note 11 – 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 2023, the YMCA could be liable for as much as the full amount of federal governmental funds expended up to approximately \$781,385 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 12 – 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 2023. Retirement contribution expense was \$376,747 for the year ended June 30, 2023.

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 13 – CONTRIBUTED SERVICES

A substantial number of volunteers have donated significant amounts of their time performing services to the YMCA during fiscal year ended June 30, 2023. For the year ended, the YMCA estimates that approximately 7,019 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 \$261,930, for 2023. These estimated benefits are not recorded in the financial statements.

CHANNEL ISLANDS YMCA

NOTES TO FINANCIAL STATEMENTS

Note 14 – LONG-TERM DEBT

The YMCA has a commercial loan with a fixed interest rate of 3.50%. The loan 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, 2023, for the loan, which is secured by the Santa Barbara Branch real property, was \$1,764,936.

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

	<u>Amount</u>
2024	\$ 121,956
2025	126,523
2026	131,084
2027	135,811
2028	140,596
Thereafter	<u>1,108,966</u>
	<u>\$ 1,764,936</u>

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, 2023, there was no outstanding balance.

Total interest expense for loans payable for the year ended June 30, 2023, was \$64,920. The YMCA was in compliance with all applicable debt covenants as of June 30, 2023.

Note 15 – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions:

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

	<u>2023</u>
Facility improvements	\$ 41,832
Subsequent years' activities	1,265,506
Permanently Restricted Endowment	3,548,357
Unappropriated endowment earnings	<u>2,414,656</u>
Total	<u>\$ 7,270,351</u>

Note 16 – LEASES

At the inception or modification of a contract, the YMCA assesses whether the contract is, or contains, a lease. The assessment is based on (1) whether the contract involves the use of a distinct identified asset, (2) whether the YMCA obtains the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether the YMCA has the right to direct the use of the asset.

CHANNEL ISLANDS YMCA

NOTES TO FINANCIAL STATEMENTS

Note 16 – LEASES (continued)

The new accounting standard, described in Note 3, establishes a right-of-use (ROU) model requiring a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term of longer than 12 months. ROU assets represent the YMCA's right to use an underlying asset during the reasonably certain lease term, and lease liabilities represent its obligation to make lease payments arising from the lease. Leases are now classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets. Lease terms may include options to extend or terminate the lease when it is reasonably certain the option will be exercised.

ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of all minimum lease payments over the term of the lease. The initial measurement of ROU assets also includes any prepaid lease payments and are reduced by any previously accrued deferred rent. Lease terms include options to extend or terminate the lease when it is reasonably certain that such option will be exercised. For operating leases, lease expense is recognized on a straight line basis over the term of the lease. Management will periodically review the carrying value of ROU assets to determine whether impairment may exist.

The YMCA leases office space on Eugenia Place in Carpinteria under an operating lease which is payable in monthly installments of \$9,892, terminating October 31, 2025. The implementation of the new standard resulted in recording a non-cash transitional adjustment to operating lease ROU assets and operating lease liabilities of \$335,326 and \$335,326, respectively, as of July 1, 2022. The YMCA has elected to use their incremental borrowing rate of 5.50% to discount the lease payments.

The YMCA leases land in Ventura under an operating lease which is payable in monthly installments of \$3,396, terminating June 30, 2031. The implementation of the new standard resulted in recording a non-cash transitional adjustment to operating lease ROU assets and operating lease liabilities of \$324,294 and \$324,294, respectively, as of July 1, 2022. The YMCA has elected to use their incremental borrowing rate of 5.50% to discount the lease payments.

The following is a schedule of future operating lease payments, as of June 30:

2024	\$ 164,619
2025	172,228
2026	77,132
2027	45,967
2028	47,577
Thereafter	<u>152,956</u>
Total minimum lease payments	660,479
Less imputed interest	<u>(93,078)</u>
Present value of minimum lease payments	<u>\$ 567,401</u>

The YMCA recognized \$137,913 of amortization on the operating lease right-of-use assets, as well as \$26,981 of interest on operating lease liabilities for the year ended June 30, 2023. Additionally, \$92,218 of finance cash outflows was related to principal payments on operating lease liabilities. The weighted average remaining lease term of operating leases was 5.29 years, and the weighted average interest rate used was 5.50%.

CHANNEL ISLANDS YMCA

NOTES TO FINANCIAL STATEMENTS

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 prior year, the sale of said building. Because of the sale, the YMCA 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, 2023, 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 2019 and 2018, 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.

CHANNEL ISLANDS YMCA

NOTES TO FINANCIAL STATEMENTS

Note 18 – FAIR VALUE MEASUREMENT (continued)

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.

The following table sets forth by level within the fair value hierarchy the YMCA’s assets at fair values as of June 30, 2023:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Certificates of deposit	\$ 1,716,592	\$ -	\$ -	\$ 1,716,592
Mutual funds	1,111,217	-	-	1,111,217
Domestic equities	8,632,756	-	-	8,632,756
International	<u>2,297,169</u>	-	-	<u>2,297,169</u>
Total assets measured at fair value	<u>\$ 13,757,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,757,734</u>

There were no transfers between Levels 1, 2 and 3 of the fair value hierarchy during the year ended June 30, 2023.

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, 2023, the YMCA had uninsured cash balances of approximately \$5,456,000.

Concentrations

One source of the YMCA’s revenue is from membership income for its physical education programs. Revenue generated from this source is approximately 34% of its operating revenue and derived largely from the local region.

CHANNEL ISLANDS YMCA

NOTES TO FINANCIAL STATEMENTS

Note 19 –RISK, CONCENTRATIONS AND UNCERTAINTIES (continued)

Concentrations (continued)

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

Note 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

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.

CHANNEL ISLANDS YMCA

NOTES TO FINANCIAL STATEMENTS

Note 20 – ENDOWMENT FUNDS (continued)

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 2023, \$250,695 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, 2023, the endowment fund had no deficiencies.

Changes in endowment net assets for the year ended June 30, 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets beginning of year	\$ 5,647,126	\$ 5,885,316	\$ 11,532,442
Net investment income	1,118,972	260,935	1,379,907
Contributions	-	5,000	5,000
Appropriation of endowment assets for expenditure or transfer	<u>(62,457)</u>	<u>(188,238)</u>	<u>(250,695)</u>
Endowment net assets, end of year	<u>\$ 6,703,641</u>	<u>\$ 5,963,013</u>	<u>\$ 12,666,654</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, 2023:

CHANNEL ISLANDS YMCA

NOTES TO FINANCIAL STATEMENTS

Note 21 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

Current assets	
Cash and cash equivalents available within one year	\$ 8,688,422
Accounts, pledges and grants receivable, current portion	<u>741,762</u>
Total Current Assets	<u>9,430,184</u>
Endowment cash and investments	12,666,654
Less investments unavailable for general expenditures within one year:	
Endowments and other funds subject to spending policy appropriations beyond one year:	<u>(5,876,159)</u>
Cash and investments available for general expenditures within one year	<u>6,790,495</u>
Current liabilities	<u>(2,732,757)</u>
Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2023	<u>\$ 13,487,922</u>

Note 22 – SUBSEQUENT EVENTS

On August 10, 2023, the YMCA signed an Asset Transfer Agreement with San Luis Obispo County YMCA (SLO YMCA). In accordance with this agreement, all assets and certain liabilities will transfer from SLO YMCA to the YMCA effective January 1, 2024. On that date, the SLO YMCA will become a branch of the YMCA.



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) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 14, 2023.

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 organization'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.

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

Santa Barbara, California
December 14, 2023