

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF ORANGE COUNTY AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

WITH INDEPENDENT AUDITORS' REPORT

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Young Men's Christian Association of Orange County and Subsidiary

We have audited the accompanying consolidated financial statements of the Young Men's Christian Association of Orange County and subsidiary (collectively, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the consolidated financial statements, the Organization adopted new accounting guidance for revenue recognition under Financial Accounting Standards Board Accounting Standards Codification Topic 606. Our opinion is not modified with respect to that matter.

Report on Consolidating Information

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information in Schedules I – IV is presented for purposes of additional analysis, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

White Nelson Dick Evans LLP

Irvine, California
May 14, 2020

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Current Assets:		
Cash and cash equivalents (Note 5)	\$ 4,983,378	\$ 3,659,771
Restricted cash	-	90,000
Investments (Notes 6 and 10)	11,937,055	10,079,397
Receivables:		
Accounts receivable, net (Note 7)	950,612	787,925
Pledges receivable, net	23,738	26,641
Prepaid expenses and other current assets	589,107	458,553
Total Current Assets	18,483,890	15,102,287
Property Held under Capital Leases, Net	32,956	91,880
Property and Equipment, Net (Note 8)	19,794,942	20,739,454
Other Assets:		
Deposits	84,654	18,700
Endowment investments	168,444	-
Total Other Assets	253,098	18,700
Total Assets	\$ 38,564,886	\$ 35,952,321
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 500,785	\$ 1,586,129
Accrued payroll and employee benefits	1,871,043	2,048,336
Program fees received in advance	664,751	728,300
Accrued expenses	132,295	271,498
Deferred Santa Ana project funding, current portion (Note 8)	250,000	250,000
Current maturities of obligations held under capital leases (Note 16a)	30,880	54,894
Notes payable, current portion (Note 11)	166,493	159,575
Total Current Liabilities	3,616,247	5,098,732
Long-Term Liabilities:		
Deposits payable	29,890	16,079
Deferred Santa Ana project funding, less current portion (Note 8)	-	250,000
Long-term portion of obligations held under capital leases (Note 16a)	-	33,949
Notes payable, less current portion (Note 11)	4,105,417	4,278,012
Total Long-Term Liabilities	4,135,307	4,578,040
Total Liabilities	7,751,554	9,676,772
Commitments and Contingencies (Note 16)	-	-
Net Assets (Note 14):		
Without donor restrictions	28,939,243	25,764,109
With donor restrictions	1,874,089	511,440
Total Net Assets	30,813,332	26,275,549
Total Liabilities and Net Assets	\$ 38,564,886	\$ 35,952,321

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Total	Without Donor Restrictions	With Donor Restrictions
<u>Operations</u>			
Support, Revenue, and Gains:			
Fundraising Support:			
Contributions	\$ 1,264,274	\$ 1,113,129	\$ 151,145
Special events, net of direct costs of \$137,755	135,651	135,651	-
Total Fundraising Support	1,399,925	1,248,780	151,145
Program Revenue:			
Childcare fees	23,033,517	23,033,517	-
Membership fees	7,616,968	7,616,968	-
Health and fitness fees	3,086,898	3,086,898	-
Adventure guides fees	1,866,607	1,866,607	-
Government assistance	2,248,585	2,248,585	-
Donated use of facilities/land	944,896	944,896	-
Camp	1,483,458	1,483,458	-
Community programs fees	1,087,752	1,087,752	-
Facility fees	322,018	322,018	-
Total Program Revenue	41,690,699	41,690,699	-
Contributions from other YMCA's	1,657,679	229,097	1,428,582
Other Income	381,480	381,480	-
Rental Income	216,434	216,434	-
Net Assets Released from Restrictions	-	217,078	(217,078)
Total Support, Revenue, and Gains	45,346,217	43,983,568	1,362,649
Operating Expenses:			
Program Services:			
Child and youth development	17,348,448	17,348,448	-
Health and fitness	11,625,538	11,625,538	-
Adventure guides activities	1,868,341	1,868,341	-
Camp	766,644	766,644	-
Other community services	3,804,277	3,804,277	-
Total Program Services	35,413,248	35,413,248	-
Supporting Services:			
Administrative and general	6,301,276	6,301,276	-
Fundraising	319,484	319,484	-
Total Supporting Services	6,620,760	6,620,760	-
Tipper, LLC	611,699	611,699	-
Total Operating Expenses	42,645,707	42,645,707	-
Operating Margin	2,700,510	1,337,861	1,362,649
<u>Nonoperating</u>			
Investment Income, Net (Note 6)	1,852,755	1,852,755	-
Loss on Disposal of Capital Assets	(15,482)	(15,482)	-
Total Nonoperating	1,837,273	1,837,273	-
Increase in Net Assets	4,537,783	3,175,134	1,362,649
Net Assets, Beginning of Year	26,275,549	25,764,109	511,440
Net Assets, End of Year	\$ 30,813,332	\$ 28,939,243	\$ 1,874,089

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Total	Without Donor Restrictions	With Donor Restrictions
<u>Operations</u>			
Support, Revenue, and Gains:			
Fundraising Support:			
Contributions	\$ 2,424,978	\$ 2,264,925	\$ 160,053
Special events, net of direct costs of \$124,076	163,089	163,089	-
Total Fundraising Support	2,588,067	2,428,014	160,053
Program Revenue:			
Childcare fees	21,085,365	21,085,365	-
Membership fees	8,055,551	8,055,551	-
Health and fitness fees	2,980,806	2,980,806	-
Adventure guides fees	2,059,404	2,059,404	-
Government assistance	2,019,454	2,019,454	-
Donated use of facilities/land	944,898	944,898	-
Camp	1,313,716	1,313,716	-
Community programs fees	1,330,781	1,330,781	-
Facility fees	299,751	299,751	-
Total Program Revenue	40,089,726	40,089,726	-
Contributions from other YMCA's	4,265,234	4,265,234	-
Other Income	174,911	174,911	-
Rental Income	192,815	192,815	-
Net Assets Released from Restrictions	-	709,611	(709,611)
Total Support, Revenue, and Gains	47,310,753	47,860,311	(549,558)
Operating Expenses:			
Program Services:			
Child and youth development	16,864,381	16,864,381	-
Health and fitness	13,467,615	13,467,615	-
Adventure guides activities	2,079,085	2,079,085	-
Camp	732,208	732,208	-
Other community services	3,404,550	3,404,550	-
Total Program Services	36,547,839	36,547,839	-
Supporting Services:			
Administrative and general	6,665,012	6,665,012	-
Fundraising	371,261	371,261	-
Total Supporting Services	7,036,273	7,036,273	-
Tipper, LLC	625,750	625,750	-
Total Operating Expenses	44,209,862	44,209,862	-
Operating Margin	3,100,891	3,650,449	(549,558)
<u>Nonoperating</u>			
Investment Loss, Net (Note 6)	(426,106)	(426,106)	-
Loss on Disposal of Capital Assets	(510,249)	(510,249)	-
Total Nonoperating	(936,355)	(936,355)	-
Increase (Decrease) in Net Assets	2,164,536	2,714,094	(549,558)
Net Assets, Beginning of Year	24,111,013	23,050,015	1,060,998
Net Assets, End of Year	\$ 26,275,549	\$ 25,764,109	\$ 511,440

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services					Subtotal
	Child and Youth Development	Health and Fitness	Adventure Guides Activities	Camp	Other Community Services	
Salaries and wages	\$ 10,321,624	\$ 5,389,764	\$ 209,067	\$ 303,977	\$ 2,379,224	\$ 18,603,656
Employee benefits	1,456,181	520,492	38,209	35,169	186,346	2,236,397
Payroll taxes	722,504	412,068	15,078	22,649	251,881	1,424,180
Activity admissions	467,789	-	1,173,008	50,378	174,916	1,866,091
Bad debt expense	58,538	34,914	516	142	510	94,620
Credit card and bank fees	349,041	243,799	37,725	12,328	11,078	653,971
Depreciation	281,054	942,726	189	92,924	9,936	1,326,829
Employee and travel expense	27,894	13,980	6,118	197	9,772	57,961
Equipment	243,112	61,542	3,950	7,142	34,354	350,100
Fair share	247,802	122,368	4,200	6,234	28,466	409,070
Fundraising campaign	-	-	-	-	-	-
Income taxes	-	-	-	-	-	-
Insurance	71,034	38,236	5,689	1,981	13,461	130,401
Interest	-	6,015	-	-	-	6,015
Meetings, training, and conferences	175,746	103,473	19,704	3,912	36,270	339,105
Occupancy	994,082	2,970,515	35,351	85,781	50,659	4,136,388
Postage	3,050	7,639	746	371	340	12,146
Printing and promotion	317,852	118,546	17,597	3,696	24,990	482,681
Professional fees	127,208	37,564	5,911	2,122	14,362	187,167
Program materials	885,969	362,268	285,377	75,718	454,633	2,063,965
Recruitment and relocation	-	-	-	-	85	85
Supplies	116,383	175,374	1,249	7,435	18,220	318,661
Telephone	275,661	64,018	8,620	7,886	42,450	398,635
Vehicle expense	205,924	237	37	46,602	62,324	315,124
Total Functional Expenses	\$ 17,348,448	\$ 11,625,538	\$ 1,868,341	\$ 766,644	\$ 3,804,277	\$ 35,413,248

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

	Supporting Services				Total
	Administrative and General	Fundraising	Subtotal	Tipper, LLC	
Salaries and wages	\$ 2,871,711	\$ 122,381	\$ 2,994,092	\$ -	\$ 21,597,748
Employee benefits	324,172	15,423	339,595	-	2,575,992
Payroll taxes	173,220	9,352	182,572	-	1,606,752
Activity admissions	-	-	-	-	1,866,091
Bad debt expense	-	1,461	1,461	-	96,081
Credit card and bank fees	41,383	6,697	48,080	10	702,061
Depreciation	84,681	-	84,681	219,314	1,630,824
Employee and travel expense	5,614	513	6,127	-	64,088
Equipment	121,706	284	121,990	-	472,090
Fair share	3,208	8,719	11,927	-	420,997
Fundraising campaign	-	108,731	108,731	-	108,731
Income taxes	-	-	-	(800)	(800)
Insurance	414,641	-	414,641	-	545,042
Interest	66,625	-	66,625	120,206	192,846
Meetings, training, and conferences	191,010	5,227	196,237	20	535,362
Occupancy	10,265	186	10,451	229,687	4,376,526
Postage	15,770	2,510	18,280	224	30,650
Printing and promotion	3,233	19,232	22,465	5,688	510,834
Professional fees	1,661,389	16,010	1,677,399	28,728	1,893,294
Program materials	-	-	-	-	2,063,965
Recruitment and relocation	167,899	-	167,899	-	167,984
Supplies	62,107	1,214	63,321	5,977	387,959
Telephone	74,011	1,542	75,553	2,645	476,833
Vehicle expense	8,631	2	8,633	-	323,757
Total Functional Expenses	\$ 6,301,276	\$ 319,484	\$ 6,620,760	\$ 611,699	\$ 42,645,707

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services					Subtotal
	Child and Youth Development	Health and Fitness	Adventure Guides Activities	Camp	Other Community Services	
Salaries and wages	\$ 10,041,420	\$ 5,814,227	\$ 230,491	\$ 305,454	\$ 1,935,683	\$ 18,327,275
Employee benefits	1,342,542	551,988	43,512	30,458	197,085	2,165,585
Payroll taxes	849,713	507,077	23,478	25,798	169,430	1,575,496
Activity admissions	401,622	-	1,231,131	-	12,737	1,645,490
Bad debt expense	21,019	18,468	2,147	532	2,151	44,317
Credit card and bank fees	315,721	228,210	26,686	1,629	44,138	616,384
Depreciation	269,502	1,116,677	356	83,901	10,335	1,480,771
Employee and travel expense	31,073	27,959	7,577	1,402	12,244	80,255
Equipment	314,095	159,827	8,576	2,327	18,310	503,135
Fair share	236,864	132,327	4,522	4,543	23,680	401,936
Fundraising campaign	-	-	-	-	-	-
Income taxes	-	-	-	-	-	-
Insurance	90,473	51,285	7,074	3,890	15,275	167,997
Interest	-	8,487	-	-	-	8,487
Meetings, training, and conferences	153,419	90,149	24,375	5,312	104,323	377,578
Occupancy	897,895	3,859,426	53,369	65,231	65,064	4,940,985
Postage	5,822	3,331	1,105	509	759	11,526
Printing and promotion	306,608	134,088	21,239	5,139	38,987	506,061
Professional fees	136,236	47,618	7,828	2,254	37,295	231,231
Program materials	882,124	449,240	370,338	124,330	591,238	2,417,270
Recruitment and relocation	25	-	-	40	8	73
Supplies	115,454	180,986	3,131	9,044	12,531	321,146
Telephone	240,976	86,063	12,137	6,930	44,161	390,267
Vehicle expense	211,778	182	13	53,485	69,116	334,574
Total Functional Expenses	<u>\$ 16,864,381</u>	<u>\$ 13,467,615</u>	<u>\$ 2,079,085</u>	<u>\$ 732,208</u>	<u>\$ 3,404,550</u>	<u>\$ 36,547,839</u>

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

	Supporting Services				
	Administrative and General	Fundraising	Subtotal	Tipper, LLC	Total
Salaries and wages	\$ 2,985,801	\$ 128,236	\$ 3,114,037	\$ -	\$ 21,441,312
Employee benefits	427,348	25,982	453,330	-	2,618,915
Payroll taxes	199,444	10,812	210,256	-	1,785,752
Activity admissions	-	-	-	-	1,645,490
Bad debt expense	-	(3,477)	(3,477)	-	40,840
Credit card and bank fees	64,994	2,583	67,577	45	684,006
Depreciation	118,693	2	118,695	205,437	1,804,903
Employee and travel expense	5,536	764	6,300	-	86,555
Equipment	217,654	5,127	222,781	-	725,916
Fair share	2,302	9,206	11,508	-	413,444
Fundraising campaign	-	134,039	134,039	-	134,039
Income taxes	-	-	-	1,600	1,600
Insurance	856	620	1,476	-	169,473
Interest	76,624	-	76,624	123,189	208,300
Meetings, training, and conferences	238,872	10,487	249,359	-	626,937
Occupancy	29,586	245	29,831	260,539	5,231,355
Postage	21,815	3,198	25,013	69	36,608
Printing and promotion	6,131	29,270	35,401	1,581	543,043
Professional fees	1,940,013	11,272	1,951,285	23,902	2,206,418
Program materials	-	-	-	-	2,417,270
Recruitment and relocation	170,953	-	170,953	-	171,026
Supplies	73,901	554	74,455	4,987	400,588
Telephone	71,920	2,341	74,261	4,401	468,929
Vehicle expense	12,569	-	12,569	-	347,143
	<u>\$ 6,665,012</u>	<u>\$ 371,261</u>	<u>\$ 7,036,273</u>	<u>\$ 625,750</u>	<u>\$ 44,209,862</u>
Total Functional Expenses	<u>\$ 6,665,012</u>	<u>\$ 371,261</u>	<u>\$ 7,036,273</u>	<u>\$ 625,750</u>	<u>\$ 44,209,862</u>

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 4,537,783	\$ 2,164,536
Noncash Reconciling Items:		
Depreciation	1,630,824	1,804,903
Amortization of deferred financing costs	1,174	1,174
Realized and unrealized (gain) loss on investments	(1,474,626)	713,062
Loss on sale of property and equipment	15,482	510,249
Donation of asset from Pomona Valley YMCA	-	(4,059,000)
Deferred Santa Ana project funding	(250,000)	(250,000)
Allowance for doubtful accounts	7,347	(9,205)
Allowance for uncollectable pledges	1,461	-
Changes in:		
Accounts receivable	(170,034)	(43,164)
Pledges receivable	1,442	1,828
Prepaid expenses and other current assets	(130,554)	38,674
Deposits	(65,954)	41,500
Accounts payable	(1,085,344)	1,001,535
Accrued payroll and employee benefits	(177,293)	401,243
Program fees received in advance	(63,549)	206,272
Accrued expenses	(139,203)	(217,073)
Deposits payable	13,811	(24,081)
Net Cash, Cash Equivalents, and Restricted Cash Provided by Operating Activities	2,652,767	2,282,453
Cash Flows from Investing Activities:		
Purchases of property and equipment	(689,095)	(1,407,439)
Proceeds from sale of property and equipment	46,225	6,250
Sales of investments	5,425,973	13,221,240
Purchases of investments	(5,977,449)	(12,531,335)
Net Cash, Cash Equivalents, and Restricted Cash Used in Investing Activities	(1,194,346)	(711,284)
Cash Flows from Financing Activities:		
Principal payments on capital leases	(57,963)	(73,908)
Principal payments on notes payable	(166,851)	(148,412)
Net Cash, Cash Equivalents, and Restricted Cash Used in Financing Activities	(224,814)	(222,320)
Net Increase in Cash, Cash Equivalents, and Restricted Cash	1,233,607	1,348,849
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	3,749,771	2,400,922
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 4,983,378	\$ 3,749,771

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Supplemental Disclosures:		
Interest paid	<u>\$ 192,846</u>	<u>\$ 208,300</u>
Income taxes	<u>\$ -</u>	<u>\$ 1,600</u>

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

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 1: Organization and Nature of Services

Organization

At the Young Men’s Christian Association of Orange County (the “YMCA” or “Y”), strengthening community is our cause. With a focus on youth development, healthy living and social responsibility, the Y serves Orange County, Riverside County, Pomona Valley, and East San Gabriel Valley through six Health & Wellness locations, two program centers, an aquatics and soccer complex, numerous community services and youth programs, and over 80 Before & After School Program centers. YMCA programs celebrate and honor common values of respect, responsibility, honesty, and caring by infusing character development into the foundation and practice of all our programs; from youth sports and group exercise classes to parent/child programs and community services - Y programs build healthy spirit, mind, and body for all. The YMCA of Orange County is a nonprofit, charitable organization that serves the entire community.

Tipper, LLC (“Tipper”) is a wholly owned subsidiary of the YMCA operated exclusively to further the charitable purposes of the Y. The activities of the limited liability company shall be limited to acquiring and holding title to property, collecting income therefrom, and remitting the entire amount of net income from such property to the member within the meaning of Section 23701b of the California Revenue and Taxation Code and in furtherance of the charitable purposes of the member.

The consolidated financial statements include the accounts of the YMCA and its wholly owned subsidiary, Tipper, which are collectively referred to as the “Organization.” Interorganizational transactions and balances have been eliminated in consolidation.

Nature of Services

The Y provides services for the following program areas:

- Child and Youth Development: The Y provides a safe and inclusive before-and-after-school care program, which supports the needs and priorities of the child, the family, and the school. Our programs facilitate the development of the whole child through meaningful experiences, programs, and collaborations that build relationships and a sense of community. Currently, the Y delivers curriculum-based programming at 80 locations throughout Orange County, Riverside County, and Pomona Valley. In addition, the Y provides year-round experiences through day camps and enrichment clubs. Youth experience curriculum through a variety of content areas, hands-on activities, clubs, service learning projects, and enrichment centers.

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Note 1: Organization and Nature of Services (Continued)

Nature of Services (Continued)

- Health and Fitness: The Y provides comprehensive health and wellness programming to youth and adults. Through quality programs and partnerships that span across six locations and six cities, the community receives opportunities to engage in healthier habits, community involvement, giving back, and being connected. The Y is a place where everyone can work toward their own goals by challenging themselves to learn a new skill or hobby, fostering connections with friends, and bringing loved ones closer together through family-centered healthy activities. At the Y, it's not the activity as much as it is about the benefits of living healthier together as a community.
- Adventure Guides Activities: The Adventure Guides program was developed by the Y to help strengthen family relationships. The program fosters companionship and understanding and sets a foundation for positive, lifelong relationships between parent and child, ages 3-12. The program is designed to build a sense of self-esteem and personal worth through experiences in nature, at events, in play, and more. The program provides the framework to meet a mutual need of spending enjoyable, constructive, and quality time together.
- Camp: Y camp has been a tradition dating back to as early as 1885. The Y offers a variety of camps created to meet the needs of families. The Y camps include residential, summer day camps, winter day camps, and specialty camps. Each camp is designed with the Y's core values of caring, honesty, respect, and responsibility at the center of all activities. Y camp programs are educational and experiential; they foster cognitive development, physical well-being, social growth, character development, leadership skills, and a respect for the environment. Through a variety of engaging activities and the use of natural surroundings, Y camp programs encourage participants to explore and develop their interests and abilities in a safe and nurturing environment.
- Other Community Services: The Y's mission does not stop at traditional school or fitness settings, but extends beyond to meet the needs of those in the community. Through key programs, the Y offers all community members the ability to participate in programs, make new friends, build memories, and live life to their best.

New Horizons is a program for adults living with developmental disabilities and special needs ages 18 and up. The New Horizons program provides safe and supervised recreational outings in the community that offer social interaction, skill building, and lifelong friendships. While participants are having fun, their full-time caregivers are provided with the "time-off" they need to better care for their loved ones.

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Note 1: Organization and Nature of Services (Continued)

Nature of Services (Continued)

- Other Community Services (Continued)

The Y Inclusion Program assists children with special needs or disabilities in becoming independent, engaged, and successful in their childcare setting. The Y’s positive and supportive approach focuses on behavior management and play and social and self-care skills development.

The Y is a proud supporter of the After School Education & Safety (“ASES”) Program for students. This program supports low-income families by providing a safe and educational after-school environment through state grants. The Y currently operates 17 ASES sites, 9 in West Covina Unified School District, 4 in Capistrano Unified School District, 1 for the Orange County Department of Education, and 3 in Orange Unified School District. ASES students receive homework assistance and snacks and participate in activities that support Science, Technology, Engineering, Arts, Math (known as S.T.E.A.M.), leadership, sports, and other enrichment opportunities.

The Youth & Government program is a six-month program in which high-school aged delegates (9th-12th grades) learn about California’s government and the changes they can make in their communities. Students will role-play various positions of the California State Legislature and the state court systems. Students participate by joining their high school delegation and attending weekly meetings where they discuss issues facing California and the ways the legislative and judicial branches can effect change.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). References to the “ASC” hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (“FASB”) as the source of authoritative US GAAP.

Accordingly, the accounts of the Organization are reported in the following net asset categories:

Net Assets without Donor Restrictions - Net assets of the Organization that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets with Donor Restrictions - Net assets of the Organization that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

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Note 2: Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Restricted Cash

For purposes of reporting cash flows, cash and cash equivalents include petty cash funds, bank checking accounts used for operating purposes, and investments with maturities of three months or less from the original purchase dates. Restricted cash consists of cash with certain donor-imposed restrictions that are restricted for long-term purposes.

Investments

Investments consist of debt and equity securities plus time certificates of deposits held by the Organization. Debt securities are carried at fair value with changes in fair value recognized in changes in net assets. Equity securities consisting of common stocks, mutual funds, exchange-traded products and real estate investment trusts with readily determinable fair values are measured at fair value, with changes in fair value recognized in earnings. For equity investments that do not have readily determinable fair values the securities will be carried at cost and remeasured at fair value either upon the occurrence of an observable input of an observable price change or upon identification of an impairment.

Accounts Receivable

The Organization's accounts receivable are primarily fees for services provided and rent that is due. Accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. The allowance for doubtful accounts is determined on the basis of loss experience, economic conditions in the industry, and the financial stability of customers.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation if purchased or at the estimated fair value if donated. Maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 10 to 40 years for buildings and improvements, 3 to 10 years for furniture and equipment, and 3 to 7 years for vehicles.

Long-Lived Assets and Asset Impairment

The Organization accounts for impairment and disposition of long-lived assets in accordance with the FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. For the years ended December 31, 2019 and 2018, there was no impairment of the value of such assets.

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Note 2: Summary of Significant Accounting Policies (Continued)

Donated Materials, Services, and Facilities

Donated materials and other noncash contributions are reflected in the accompanying consolidated financial statements at their estimated fair market value at the date of receipt.

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteer services that do not meet these criteria are not recognized in the consolidated financial statements, as there is no objective basis of deriving their value.

Donated use of facilities/land during each of the years ended December 31, 2019 and 2018, included 3.57 acres of land from the US Army, a 20,455 square-foot building, and 23,655 square feet of land from the City of Laguna Niguel. In addition, the Organization occupied 4 acres of land, as well as a 27,327 square-foot building donated by the City of Mission Viejo. Donated use of facilities/land is considered an exchange transaction and recorded as revenue and occupancy expense in the accompanying consolidated financial statements at their estimated fair market value. The Organization recognized fair value of \$944,898 for donated use of these facilities for each of the years ended December 31, 2019 and 2018. The methodology to estimate the fair value of the donated use of facilities is the market approach. The market approach uses comparable available buildings and actual completed transactions to determine values. Thus, the market approach provides a good estimate of what the property would sell or lease for if it were vacant and available for a buyer/tenant to occupy.

Accrued Vacation

As of December 31, 2019 and 2018, the accrued vacation liability was \$554,156 and \$569,760, respectively, and is included as a component of accrued payroll and employee benefits in the accompanying consolidated statements of financial position.

Revenue Recognition

Contributions

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received, including donated use of facilities and land, are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in 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.

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Note 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions (Continued)

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Exchange Transactions

The Organization recognizes revenue from contracts with customers in accordance with FASB ASC 606, which applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records exchange transaction revenue in its consolidated statements of activities for the years ended December 31, 2019 and 2018, as stated below.

- Childcare: For childcare, the performance obligation is the delivery of childcare services to the customer. Most childcare contracts are month to month with revenue recognized over the length of the contract. The transaction price is established by the Organization. Fees include program supplies, meals, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation.
- Membership: For membership, the performance obligation is providing access to health and fitness facilities and classes to members. Most memberships are month to month with revenue recognized over the monthly membership contract. The transaction price is established by the Organization. Fees include program supplies, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation.
- Health and Fitness: For health and fitness, the performance obligation is providing health and fitness services to members. Revenue is recognized over the period of time when the purchased services are provided. The transaction price is established by the Organization based on individual services provided. As each item is individually priced, no allocation of the transaction price is necessary.

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Note 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Exchange Transactions (Continued)

- Adventure Guides: For Adventure Guides, the performance obligation is the delivery of Adventure Guide programs to the customer. Adventure Guide programs are for one calendar-year period with revenue recognized evenly throughout the period. The transaction price is established by the Organization. Fees include program supplies, meals, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation. In addition, the Adventure Guide program includes events with transaction prices established by the Organization. Adventure Guide event revenue is recognized over the period of time an event occurs. As each event is individually priced, no allocation of the transaction price is necessary.
- Government Assistance: For government assistance, the performance obligation is the delivery of services or incurring qualified expenses on programs. The transaction price is established by contract with the government agency. Government assistance revenue is recognized over the period of the government contact. Government grants are limited in scope with each individual grant including its own single performance obligation.
- Camp: For camp, the performance obligation is holding the camp. Revenue is recognized over the period of time a camp is held. The transaction price is established by the Organization. Fees include program supplies, meals, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation.
- Community-Based Programs: For community-based programs, the performance obligation is the delivery of community programs to program participants. Revenue is recognized over time as programs are held. The transaction price is established by the Organization. Fees include program supplies, meals, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation.

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Note 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Exchange Transactions (Continued)

- Special Fundraising Event Revenue: The Y conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Y. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Y. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Y, are recorded as costs of direct donor benefits in the statement of activities and changes in net assets. The performance obligation is holding the event, which is usually accompanied by a presentation. The event fees are set by the Y. FASB ASC 606 requires allocation of the transaction price to the performance obligation. Accordingly, the Y separately presents in its notes to financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Y in advance of the events are initially recognized as liabilities (deferred income) and are recognized as special event revenue after the event. For special event fees received before year-end, for an event to occur after year-end, the Y follows American Institute of Public Accounting guidance (if this is the case) where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.
- Other Revenue: Other revenue consists primarily of various contracted services other and miscellaneous revenues that are recognized over time when earned.

Facility Fees and Rental Income

The Organization generates revenues from facility rental fees and office space rental income in accordance with FASB ASC 840, *Leases*, on a straight-line basis over the period of the rental contract. A rental contract terms can range from daily to multi-year. Because the term of the contract can extend across more than one financial reporting period, the Organization records unearned and unbilled rental revenue at the end of each reporting period to ensure that the rental revenue earned is appropriately stated in the period presented.

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Note 2: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of functional expenses. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Expenses to advertise programs, which include salaries and wages of marketing employees and other expenses such as printing and promotion, are pooled. The pooled advertising costs are then allocated to programs by natural classification of the pooled costs, based on a pro rata share of each program's total revenue. Also allocated are salaries and other employee expenses for program leadership, which are allocated on a pro rata share of each program's total direct expenses. Additionally, the costs of the subsidiary, Tipper, have been summarized on a functional basis in the consolidated statements of functional expenses.

Use of Estimates

The process of preparing consolidated financial statements in accordance with US GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Income Taxes

The YMCA is recognized as tax exempt under Section 501(c)(3) of the Internal Revenue Code and the corresponding state code as a charitable organization whereby only unrelated business income is subject to income tax. The YMCA had no unrelated business income during the years ended December 31, 2019 and 2018. Accordingly, there is no provision for income taxes in the accompanying consolidated financial statements.

In accordance with FASB ASC 740-10-25, *Income Taxes*, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not that the position will be sustained. The YMCA does not believe that there are any material uncertain tax positions, and accordingly, it has not recognized any liability for unrecognized tax benefits or any related interest or penalties at December 31, 2019 and 2018. The YMCA's tax years from 2016 to 2019 are open to review for federal tax purposes, and tax years from 2015 to 2019 are open to review for state income tax purposes.

Tipper is a limited liability company that was granted tax-exempt status under the Franchise Tax Board Revenue and Taxation Code Section 23701h. Accordingly, there is no provision for income taxes in the accompanying consolidated financial statements. For federal tax purposes, Tipper is considered a disregarded entity and files on a consolidated basis with the YMCA.

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Note 2: Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, with subsequent improvements and corrections issued in ASU 2018-01, ASU 2018-10, ASU 2018-11, ASU 2018-20, ASU 2019-01, and ASU 2019-10. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020; however, early adoption is permitted. The Organization is currently evaluating the impact of the provisions of this pronouncement on the presentation of its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, with subsequent improvements issued in ASU 2018-19, ASU 2019-10, and ASU 2019-11, which requires that credit losses on most financial assets measured at amortized cost and certain other instruments be measured using an expected credit loss model. The ASU also replaces the current accounting model for purchased credit-impaired loans and debt securities. Further, the ASU makes certain targeted amendments to the existing impairment model for available-for-sale debt securities. For nonpublic entities, the amendments are effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of the provisions of this pronouncement on the presentation of its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities - Revenue Recognition (Topic 958-605)*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted. The Organization does not expect provisions of ASU 2018-08 to have a material impact on the presentation of its consolidated financial statements.

Recent Accounting Pronouncement - Adopted

As of January 1, 2019, the Organization adopted the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for the years ended December 31, 2019 and 2018, are presented under FASB ASC Topic 606. ASU 2014-09 has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

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Note 3: Revenue from Contracts with Customers

The following table disaggregates the Organization's revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Performance obligations satisfied over time:		
Special events - exchange component	\$ 137,755	\$ 124,076
Childcare fees	23,033,517	21,085,365
Membership fees	7,616,968	8,055,551
Health and fitness fees	3,086,898	2,980,806
Adventure guide fees	1,866,607	2,059,404
Government assistance	2,248,585	2,019,454
Camp	1,483,458	1,313,716
Community programs fees	1,087,752	1,330,781
Other income	<u>381,480</u>	<u>174,911</u>
 Total Revenue from Contracts with Customers	 <u>\$ 40,943,020</u>	 <u>\$ 39,144,064</u>

Note 4: Liquidity

The Organization's financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the consolidated statement of financial position date, are as follows as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 4,983,378	\$ 3,659,771
Investments	11,937,055	10,079,397
Accounts receivable	950,612	787,925
Pledges receivable	<u>23,738</u>	<u>26,641</u>
 Total Financial Assets Available to Meet General Expenditures within One Year	 <u>\$ 17,894,783</u>	 <u>\$ 14,553,734</u>

As part of its liquidity management plan, the Organization invests cash in excess of daily requirements in various investments and money market funds as more fully described in Note 6 for which the Organization would not incur penalties if sold.

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Note 5: Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Petty cash	\$ 2,076	\$ 2,505
Demand deposits	3,598,329	3,088,179
Money market accounts	1,335,750	553,514
Trust account	<u>47,223</u>	<u>15,573</u>
 Total Cash and Cash Equivalents	 <u>\$ 4,983,378</u>	 <u>\$ 3,659,771</u>

The Organization maintains cash and cash equivalent balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000. The Organization has deposits with banks in excess of federally insured limits of \$4,150,783 and \$3,066,141 at December 31, 2019 and 2018, respectively.

Tipper engaged a property management company, to manage rental lease contracts and building maintenance. As part of the agreement, the property management company established a trust account to which Tipper is the beneficiary.

Note 6: Investments

The fair value of investments at December 31, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Equity securities	\$ 4,787,559	\$ 3,472,172
Corporate bonds	2,137,545	2,059,890
Mutual funds	3,037,415	2,835,145
Exchange traded products	623,059	1,040,330
Real estate income trust	1,332,972	671,860
Certificates of deposit	<u>186,949</u>	<u>-</u>
 Total Investments	 <u>\$ 12,105,499</u>	 <u>\$ 10,079,397</u>

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Note 6: Investments (Continued)

Investment income (loss), net consists of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 421,827	\$ 336,498
Net realized losses	(79,062)	(16,402)
Net unrealized gains (losses)	1,553,688	(696,660)
Management fees	<u>(43,698)</u>	<u>(49,542)</u>
Investment Income (Loss), Net	<u>\$ 1,852,755</u>	<u>\$ (426,106)</u>

Note 7: Accounts Receivable

Accounts receivable are composed of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Grants (governmental/foundation)	\$ 258,887	\$ 343,307
Program	695,637	445,749
Other	7,230	2,664
Less: Allowance for doubtful accounts	<u>(11,142)</u>	<u>(3,795)</u>
Total Accounts Receivable, Net	<u>\$ 950,612</u>	<u>\$ 787,925</u>

Note 8: Property and Equipment

Property and equipment consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 7,123,743	\$ 7,123,743
Buildings and improvements	23,916,881	23,724,908
Furniture and equipment	4,213,729	4,474,489
Vehicles	411,976	426,230
Construction in process	<u>54,157</u>	<u>-</u>
	35,720,486	35,749,370
Less: Accumulated depreciation	<u>(15,925,544)</u>	<u>(15,009,916)</u>
Property and Equipment, Net	<u>\$ 19,794,942</u>	<u>\$ 20,739,454</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
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Note 8: Property and Equipment (Continued)

Depreciation expense for the years ended December 31, 2019 and 2018, was \$1,572,751 and \$1,715,640, respectively, not inclusive of depreciation expense on capital leases.

The Organization completed a project in Santa Ana in November 2010, which was the site of a new YMCA facility. The project included two recreational pools, a soccer arena, sports field, a health and nutrition modular facility, and an office modular, along with an Olympic-size pool with lockers and shower facilities on the Segerstrom High School campus that is adjacent to the YMCA site. The majority of the project was funded by the Children and Families Commission of Orange County (the "Commission"). The grant is considered to be an exchange transaction pursuant to the YMCA contract with the Commission to provide certain community services at the site over a specified 10-year period. Accordingly, the Commission funding is not recognized as revenue upon incurrence of the related construction costs. Funding from the Commission is recorded as deferred revenue to be recognized ratably over the 10-year service period stipulated in the contract with the Commission. Revenue recognition commenced January 2012 and continues through December 2020 at a rate of \$250,000 per year. Deferred Santa Ana project funding as of December 31, 2019 and 2018, was \$250,000 and \$500,000, respectively.

Note 9: Lease Rental Income

Tipper leases office space to various tenants under rental lease agreements expiring in years through 2024. Rental income during the years ended December 31, 2019 and 2018, totaled \$216,434 and \$192,815, respectively.

Minimum future lease payments to be received as of December 31, 2019, are as follows:

2020	\$ 213,360
2021	162,304
2022	95,638
2023	29,512
2024	<u>22,572</u>
Total	<u>\$ 523,386</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
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Note 10: Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; or
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability'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. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Equity Securities and Exchange-Traded Products: Valued at the closing price reported on the active market on which the individual securities are traded.

Municipal and Corporate Bonds: Valued at prices obtained from independent pricing services, without adjustment.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by a retirement plan are deemed to be actively traded.

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Note 10: Fair Value Measurements (Continued)

Real Estate Investment Trust: Valued at prices obtained from independent appraisal services of underlying assets.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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.

The following table provides fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31, 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities:				
Consumer discretionary	\$ 314,740	\$ 314,740	\$ -	\$ -
Consumer goods	564,944	564,944	-	-
Energy	386,040	386,040	-	-
Financials	1,224,637	1,224,637	-	-
Health care	432,988	432,988	-	-
Industrials	616,892	616,892	-	-
Information technology	790,140	790,140	-	-
Utilities	457,178	457,178	-	-
Corporate bonds	2,137,545	-	2,137,545	-
Mutual funds	3,037,415	3,037,415	-	-
Exchange-traded products	623,059	623,059	-	-
Real estate investment trusts	<u>1,332,972</u>	<u>-</u>	<u>1,332,972</u>	<u>-</u>
	11,918,550	<u>\$ 8,448,033</u>	<u>\$ 3,470,517</u>	<u>\$ -</u>
Certificates of deposit ⁽¹⁾	<u>186,949</u>			
Total Investments	<u>\$ 12,105,499</u>			

⁽¹⁾ Not subject to fair value hierarchy measurements.

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Note 10: Fair Value Measurements (Continued)

The following table provides fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31, 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities:				
Consumer discretionary	\$ 153,974	\$ 153,974	\$ -	\$ -
Consumer goods	573,769	573,769	-	-
Energy	176,614	176,614	-	-
Financials	760,868	760,868	-	-
Health care	428,039	428,039	-	-
Industrials	441,986	441,986	-	-
Information technology	623,608	623,608	-	-
Real estate	89,203	89,203	-	-
Utilities	313,315	313,315	-	-
Corporate bonds	2,059,890	-	2,059,890	-
Mutual funds	2,835,145	2,835,145	-	-
Exchange-traded products	1,040,330	1,040,330	-	-
Real estate investment trusts	<u>582,656</u>	<u>-</u>	<u>582,656</u>	<u>-</u>
Total	<u>\$ 10,079,397</u>	<u>\$ 7,436,851</u>	<u>\$ 2,642,546</u>	<u>\$ -</u>

Note 11: Notes Payable

YMCA has a note payable of \$2,300,000 with Bank of America, N.A. The note payable bears a fixed interest rate of 4.43%, with monthly payments of \$12,856 due through maturity, with an estimated \$1,261,914 balloon payment due at maturity on January 1, 2022. This note is secured by the Fullerton Family YMCA facility. The outstanding balance as of December 31, 2019 and 2018, is \$1,443,229 and \$1,530,539, respectively.

Tipper has a note payable of \$3,000,000 with HomeStreet Bank. The note payable bears a fixed interest rate of 4.08%, with monthly payments of \$16,063 due through maturity, with an estimated \$2,167,201 balloon payment due at maturity on October 1, 2027. The note is guaranteed by the assets of the YMCA and is secured by the Tustin building. The outstanding balance as of December 31, 2019 and 2018, is \$2,837,878 and \$2,917,419, respectively.

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Note 11: Notes Payable (Continued)

The loan agreements for YMCA and Tipper, noted above, contain certain financial and nonfinancial covenants. At December 31, 2019, the Organization was in compliance with these financial covenants.

The following table represents the maturities of the notes payable for succeeding years ending December 31:

	<u>Principal Payments</u>	<u>Deferred Finance Costs</u>	<u>Total</u>
2020	\$ 167,668	\$ (1,175)	\$ 166,493
2021	175,255	(1,175)	174,080
2022	1,339,822	(1,175)	1,338,647
2023	86,657	(1,175)	85,482
2024	90,309	(1,175)	89,134
Thereafter	<u>2,421,396</u>	<u>(3,322)</u>	<u>2,418,074</u>
Total	<u>\$ 4,281,107</u>	<u>\$ (9,197)</u>	<u>\$ 4,271,910</u>

Note 12: Endowment Funds

The Organization’s Endowment Funds include a donor-restricted endowment. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the State of California Prudent Management of Institutional Funds Act (“SPMIFA”) as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted endowment funds (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

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Note 12: Endowment Funds (Continued)

In accordance with SPMIFA, the Organization 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 Organization 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 Organization
- (7) The investment policies of the Organization

The Organization's investments are governed by a written investment policy, the principal objectives of which are to preserve the long-term, real purchasing power of the Organization's assets and generate a predictable and growing stream of annual distributions that will support the Organization's needs. Oversight of the investment portfolio is the responsibility of the Investment Committee whose members are composed of two or more directors of the Board of Directors and other such persons as the Board of Directors shall determine. The Chairman of the Board of Directors and the President of the Association shall be ex officio members of the Investment Committee. The Investment Committee shall administer the investment portfolio in compliance with all written policies approved by the Board of Directors.

The Investment Committee has contracted with an independent trust company for the purpose of managing the investment and reinvestment of fund assets in a manner consistent with the overall investment policy as approved by the Board of Directors.

The following are the investment objectives of the Organization:

- Preserve the investment portfolio's corpus over the long term
- Ensure the investment portfolio's long-term ability to distribute income

The following is the endowment net asset composition by type of fund as of December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds, perpetual in duration - original gift amount	\$ -	\$ 168,444	\$ 168,444

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Note 12: Endowment Funds (Continued)

The following is the endowment net asset composition by type of fund as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds, perpetual in duration - original gift amount	\$ _____ -	\$ _____ 90,000	\$ _____ 90,000

Changes in the endowment fund net assets for the years ended December 31, 2019 and 2018, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment fund net assets, December 31, 2017	\$ -	\$ 90,000	\$ 90,000
Investment return	-	27	27
Appropriation of endowment assets for expenditure	_____ -	_____ (27)	_____ (27)
Endowment fund net assets, December 31, 2018	-	90,000	90,000
Contributions	-	78,444	78,444
Investment return	-	24	24
Appropriation of endowment assets for expenditure	_____ -	_____ (24)	_____ (24)
Endowment Fund Net Assets, December 31, 2019	\$ _____ -	\$ _____ 168,444	\$ _____ 168,444

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Organization to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2019 and 2018. The Organization has interpreted the SPMIFA and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

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Note 13: Net Assets Released from Restrictions

Net assets released from restrictions for the years ended December 31, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Satisfaction of time restriction	\$ 57,912	\$ 80,094
Satisfaction of purpose restriction	<u>159,166</u>	<u>629,517</u>
Total Net Assets Released from Restrictions	<u>\$ 217,078</u>	<u>\$ 709,611</u>

Note 14: Net Assets

Net assets consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Net Assets without Donor Restrictions:		
Investment in property and equipment, net of related debt	\$ 15,525,108	\$ 16,304,904
Available for operations	<u>13,414,135</u>	<u>9,459,205</u>
Total net assets without donor restrictions	<u>28,939,243</u>	<u>25,764,109</u>
Net Assets with Donor Restrictions:		
Subject to expenditures for specific purposes:		
Childcare program activities	15,000	26,165
Health and wellness program activities	49,431	11,921
Camping	335	-
Program activities - Orange service area	1,428,582	-
Program activities - Pomona service area	-	12,674
All program activities	251	696
Building and maintenance:		
Camp Elk	110,897	229,528
Capital projects:		
Yorba Linda/Placentia	<u>7,573</u>	<u>7,567</u>
Total purpose restrictions	<u>1,612,069</u>	<u>288,551</u>

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Note 14: Net Assets (Continued)

	2019	2018
Subject to passage of time:		
Charitable remainder unitrust	\$ -	\$ 74,976
Campaign donations	93,576	57,913
Total time restrictions	93,576	132,889
Endowment:		
Subject to endowment spending policy and appropriation: Program activities	168,444	90,000
Total net assets with donor restrictions	1,874,089	511,440
Total Net Assets	\$ 30,813,332	\$ 26,275,549

Note 15: Deferred Income

The activity and balances for deposits and deferred income from contracts with customers are shown in the following table:

	Santa Ana Project Funding	Adventure Guides	Other	Total
Balance - December 31, 2017	\$ 750,000	\$ 418,601	\$ 103,427	\$ 1,272,028
Revenue recognized	(250,000)	(1,763,730)	(3,675,481)	(5,689,211)
Payments received for future performance obligations	-	1,711,491	3,933,992	5,645,483
Balance - December 31, 2018	500,000	366,362	361,938	1,228,300
Revenue recognized	(250,000)	(1,615,966)	(4,460,449)	(6,326,415)
Payments received for future performance obligations	-	1,538,884	4,473,982	6,012,866
Balance - December 31, 2019	\$ 250,000	\$ 289,280	\$ 375,471	\$ 914,751

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Note 16: Commitments and Contingencies

a) Obligations Held under Capital Leases

The Organization is the lessee of various equipment under capital leases expiring in years through 2020. The assets and liabilities held under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of the related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense for the years ended December 31, 2019 and 2018.

The following is a summary of property held under capital leases at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Machinery and equipment	\$ 739,748	\$ 946,690
Less: Accumulated depreciation	<u>(706,792)</u>	<u>(854,810)</u>
Property Held under Capital Leases, Net	<u>\$ 32,956</u>	<u>\$ 91,880</u>

Depreciation of assets held under capital leases charged to expense for the years ended December 31, 2019 and 2018, totaled \$58,073 and \$89,263, respectively.

Minimum future lease payments under capital leases as of December 31, 2019, are as follows:

Total minimum lease payments	\$ 34,920
Less: Amount representing interest	<u>(4,040)</u>
Current Maturities of Obligation Held under Capital Leases	<u>\$ 30,880</u>

The interest rate on the capitalized lease is 6.01% and is based on the lessor's implicit rate of return.

b) Operating Leases

The Organization leases various facilities and equipment pursuant to lease agreements that expire through 2023. The Organization's facility leases provide for annual escalations, common area maintenance charges, and renewal options. The Organization is liable for insurance for both the facilities and equipment leases.

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Note 16: Commitments and Contingencies (Continued)

b) Operating Leases (Continued)

Future minimum payments under noncancelable operating leases with an initial term of one year or more are as follows for years ending December 31:

	<u>Facility</u>	<u>Equipment</u>	<u>Total</u>
2020	\$ 773,621	\$ 139,695	\$ 913,316
2021	536,107	133,090	669,197
2022	1,915	93,076	94,991
2023	<u>-</u>	<u>18,831</u>	<u>18,831</u>
Total	<u>\$ 1,311,643</u>	<u>\$ 384,692</u>	<u>\$ 1,696,335</u>

Total rental expense for the operating leases described above was \$1,018,312 and \$1,334,508 for the years ended December 31, 2019 and 2018, respectively.

c) Employment Agreement

The Organization is engaged in an employment agreement with an individual to provide executive management and leadership services. The agreement provides for a minimum base salary which is subject to merit increase as approved by the compensation committee of the Organization’s Board of Directors. This individual will also receive an annual retention bonus equal to 10% of the executive’s minimum base salary. The agreement’s initial term expires on December 31, 2022. The initial term shall automatically extend up to three additional years, in one-year increments, at the will of the executive.

d) Litigation

The Organization experiences litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its consolidated financial statements.

Note 17: Related-Party Transactions

The Organization is a member of the National Council of Young Men’s Christian Association of the United States of America (“National Council”). The Organization must meet annual certification requirements to remain a member. Support related to the National Council totaled \$420,997 and \$413,444, respectively, for the years ended December 31, 2019 and 2018.

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Note 17: Related-Party Transactions (Continued)

The Organization participates in a defined contribution, individual account, and money purchase retirement plan, which is administered by the Young Men’s Christian Association Retirement Fund (“Retirement Fund”), a separate corporation. The Retirement Fund is for the benefit of all eligible employees of the Organization who qualify under participation requirements.

In accordance with the Retirement Fund agreement, a percentage of the participating employee’s qualified compensation is paid for by the Organization and is to be remitted to the Retirement Fund monthly. Total contributions made by the Organization that are charged to retirement costs for the years ended December 31, 2019 and 2018, aggregated \$1,271,323 and \$1,190,444, respectively. Unpaid contributions were \$112,711 and \$164,241, respectively, at December 31, 2019 and 2018, which represent December contributions.

The Retirement Fund is operated as a church pension plan and is a nonprofit tax-exempt New York State corporation, which was established in 1922. Participation is available to all duly organized and reorganized YMCAs in the United States. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligation.

The Organization has a bank account and note payable with HomeStreet Bank at December 31, 2019 and 2018. There is an Organization board member who is a former employee of HomeStreet Bank. This board member abstains from decisions made concerning matters that would be a conflict of interest.

The Organization has a money market account Farmers & Merchants Bank at December 31, 2019. There is an Organization board member who is an employee of Farmers & Merchants Bank. This board member abstains from decisions made concerning matters that would be a conflict of interest.

HighTower Advisors, LLC provides investment advisory services to the Organization for most of the Organization’s investments. There is an Organization board member who is a partner at HighTower Advisors, LLC. This board member abstains from decisions made concerning matters that would be a conflict of interest.

In June 2015, the Organization paid \$5,500 to become a member of Y Purchasing Group, LLC (“YPG”). Membership in YPG requires the Organization to make certain purchases of supplies and equipment through YPG. The Organization’s chief executive officer is a board member of YPG. In June 2015, the Organization guaranteed a line of credit for YPG. As of December 31, 2019, there is no outstanding balance; the total amount of credit available is \$350,000.

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Note 18: Special Events

The YMCA has various operating branches, each of which organizes its own special event activities. Special events held by the various branches for the year ended December 31, 2019, were as follows:

	<u>Gross Revenue</u>	<u>Direct Expenses</u>	<u>Net Revenue</u>
Dinners/breakfast	\$ 56,179	\$ (25,221)	\$ 30,958
Golf tournaments	162,435	(66,413)	96,022
5/10k runs	<u>54,792</u>	<u>(46,121)</u>	<u>8,671</u>
Total	<u>\$ 273,406</u>	<u>\$ (137,755)</u>	<u>\$ 135,651</u>

Special events held by the various branches for the year ended December 31, 2018, were as follows:

	<u>Gross Revenue</u>	<u>Direct Expenses</u>	<u>Net Revenue</u>
Dinners/breakfast	\$ 75,947	\$ (21,731)	\$ 54,216
Golf tournaments	144,915	(53,404)	91,511
5/10k runs	52,871	(42,673)	10,198
Sports tournament	<u>13,432</u>	<u>(6,268)</u>	<u>7,164</u>
Total	<u>\$ 287,165</u>	<u>\$ (124,076)</u>	<u>\$ 163,089</u>

Note 19: Concentration of Risk

For the years ended December 31, 2019 and 2018, the Organization received approximately 37% and 35%, respectively, of its total support and revenues (excluding capital campaign, endowment, and other) from childcare fees associated with childcare services performed on the premises of facilities owned by the Capistrano Unified School District (“CUSD”). The Organization relies heavily upon these childcare fees to continue the related child and youth development programs. If the Organization’s relationship with CUSD were to be terminated, it would likely cause a significant reduction in the Organization’s operations.

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Note 20: Beneficial Interest in Trust

In 2013, the Organization received documentation of being named in a trust. The trust has two components: one that is revocable and one that is irrevocable. The irrevocable trust component includes the value of an estate, including real and personal property, insurance contracts, retirement investments, and other investments. The revocable trust must first be liquidated prior to the funds being available for the irrevocable trust component. The irrevocable trust requires certain payments to four beneficiaries. The remaining trust assets will then be distributed, of which 15% will be distributed to the Organization. At this time, no trust assets have been distributed to the Organization; the beneficiary interest in the trust is not recorded in the accompanying consolidated financial statements because fair value cannot be estimated.

Note 21: Contribution from Other YMCA’s

On March 9, 2017, the Organization entered into an asset transfer agreement with the Young Men’s Christian Association of Pomona Valley (“Pomona Valley YMCA”). Under the terms of the agreement, Pomona Valley YMCA agreed to transfer rights of certain assets, and proceeds from future sales of other assets, to the Organization and granted the Organization rights to operate in Pomona Valley YMCA’s service area.

In 2018, Pomona Valley YMCA transferred ownership of property and equity consisting of land, buildings, and a vehicle as a part of the assets transfer agreement, which amounted to \$4,059,000. In addition, cash and investments totaling \$206,234 were transferred as a part of the asset transfer agreement.

On October 19, 2018, the Organization entered into an asset transfer agreement with Young Men’s Christian Association of Orange (“YMCA of Orange”). Under the terms of the agreement, effective December 1, 2018, the Organization was granted rights to operate in YMCA of Orange’s service area, which includes the cities of Orange, Anaheim Hills, and Villa Park. Also, effective January 1, 2019, YMCA of Orange agreed to transfer rights of certain assets, and proceeds from future sales of other assets, to the Organization.

In 2019, YMCA of Orange transferred cash and investments totaling \$1,580,826 and a vehicle valued at \$5,500 as a part of the asset transfer agreement. Additionally, cash proceeds from the sale of property totaling \$71,353 was transferred from the YMCA of San Gabriel Valley. In accordance with a 2015 assets transfer agreement, the proceeds were to be transferred upon the sale of the property.

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Note 22: Subsequent Events

Adverse Effect of COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”), and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. Also, in March 2020, California’s governor issued shelter-in-place and social distancing directives along with the Centers for Disease Control and Prevention (“CDC”) and the Orange County Health Care Agency (“OCHCA”) providing health and safety protocols to be followed. The potential impact to the Organization includes a significant reduction in programs provided to the community, temporary closure of gyms, reduction of customers’ ability to pay the Organization as payments are due, and increased costs due to changes in staff to child ratios, diminished room capacity, and increased cleaning/sanitizing.

Management has taken several measures to mitigate the impact of COVID-19. Safety and health protocols issued by the Centers for Disease Control and Prevention and the Orange County Health Care Agency are followed for both staff and children in our programs. Due to temporary closure of gyms and programs, as of the date of this report, 80% of staff were furloughed. Many of the remaining staff were moved to a reduced four-day work week or received salary reductions. The Organization also temporarily reduced its contributions to the Retirement Fund by 90%. Many vendors were contacted to work with the Organization to reduce costs, provide credits, or defer payments to help with cash flow. The Organization did not qualify for a Small Business Administration Payroll Protection Plan loan as it has more than 500 employees; therefore, as noted below, a credit line was obtained to provide short-term liquidity, if needed. The Organization has been able to continue operating some of its childcare sites and also looked for new ways to provide needed childcare to essential workers. Two new “pop-up childcare” sites were opened to care for essential workers’ children.

Any of the foregoing events could be harmful to the Organization’s business, and the Organization cannot anticipate all the ways in which a health epidemic such as COVID-19 could adversely impact it. Likewise, the Organization is dependent on its workforce to deliver its services. To the extent program locations have remained open, the Organization has been able to deploy the necessary staff, yet developments such as social distancing and shelter-in-place directives may impact the Organization’s ability to deploy its workforce effectively. Although management is continuing to monitor and assess the effects of the COVID-19 pandemic on the Organization, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

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Note 22: Subsequent Events (Continued)

Adverse Effect of COVID-19 (Continued)

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. The Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on the Organization's results of future operations, financial position, and liquidity.

Credit Line on Margin Account

In April 2020, the Organization entered into an agreement providing a credit line, on a margin account, with a financial institution. The credit line provides for borrowings up to 50% of the Organization's eligible investment balance with the financial institution. Monthly interest payments are made at 0.75% above the federal funds rate. The line of credit is collateralized by the Organization's investments with the financial institution and has an open maturity date. As of that date of this report, the Organization had not yet drawn on the credit line.

Decline in Value of Investments

Subsequent to December 31, 2019, the stock market experienced a significant decline in value. As of the date of this report, the Dow Jones Industrial Average declined 18.5% since December 31, 2019. During the same period, it is estimated that the Organization's investments declined by 12.7% or approximately \$1,540,000. The Organization will continue to monitor its investments as it has successfully done in the past, but it has no immediate plans to change its investment portfolio.

Events occurring after December 31, 2019, have been evaluated for possible adjustment to the consolidated financial statements or disclosure as of May 14, 2020, which is the date the consolidated financial statements were available to be issued.

CONSOLIDATING INFORMATION

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
SCHEDULE I - CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

	YMCA	Tipper, LLC	Eliminations	Total
Current Assets:				
Cash and cash equivalents (Note 5)	\$ 4,920,422	\$ 62,956	\$ -	\$ 4,983,378
Investments (Notes 6 and 10)	11,937,055	-	-	11,937,055
Receivables:				
Accounts receivable, net (Note 7)	950,612	-	-	950,612
Pledges receivable, net	23,738	-	-	23,738
Prepaid expense and other current assets	585,716	3,391	-	589,107
Total Current Assets	18,417,543	66,347	-	18,483,890
Property Held under Capital Leases, Net	32,956	-	-	32,956
Property and Equipment, Net (Note 8)	14,675,135	5,119,807	-	19,794,942
Other Assets:				
Deposits	84,654	-	-	84,654
Deficit in subsidiary	(288,305)	-	288,305	-
Endowment investments	168,444	-	-	168,444
Due to YMCA	2,615,888	(2,615,888)	-	-
Total Other Assets	2,580,681	(2,615,888)	288,305	253,098
Total Assets	\$ 35,706,315	\$ 2,570,266	\$ 288,305	\$ 38,564,886

LIABILITIES AND NET ASSETS

Current Liabilities:				
Accounts payable	\$ 500,785	\$ -	\$ -	\$ 500,785
Accrued payroll and employee benefits	1,871,043	-	-	1,871,043
Program fees received in advance	664,751	-	-	664,751
Accrued expenses	132,295	-	-	132,295
Deferred Santa Ana project funding, current portion (Note 8)	250,000	-	-	250,000
Current maturities of obligations held under capital leases (Note 16a)	30,880	-	-	30,880
Notes payable, current portion (Note 11)	91,109	75,384	-	166,493
Total Current Liabilities	3,540,863	75,384	-	3,616,247
Long-Term Liabilities:				
Deposits payable	-	29,890	-	29,890
Notes payable, less current portion (Note 11)	1,352,120	2,753,297	-	4,105,417
Total Long-Term Liabilities	1,352,120	2,783,187	-	4,135,307
Total Liabilities	4,892,983	2,858,571	-	7,751,554
Net Assets (Note 14):				
Without donor restrictions	28,939,243	(288,305)	288,305	28,939,243
With donor restrictions	1,874,089	-	-	1,874,089
Total Net Assets	30,813,332	(288,305)	288,305	30,813,332
Total Liabilities and Net Assets	\$ 35,706,315	\$ 2,570,266	\$ 288,305	\$ 38,564,886

See accompanying independent auditors' report.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
SCHEDULE II - CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN MEMBER'S EQUITY
YEAR ENDED DECEMBER 31, 2019

	YMCA	Tipper, LLC	Eliminations	Total
<u>Operations</u>				
Support, Revenue, and Gains:				
Fundraising Support:				
Contributions	\$ 1,264,274	\$ -	\$ -	\$ 1,264,274
Special events, net of direct costs of \$137,755	135,651	-	-	135,651
Total Fundraising Support	1,399,925	-	-	1,399,925
Program Revenue:				
Childcare fees	23,033,517	-	-	23,033,517
Membership fees	7,616,968	-	-	7,616,968
Health and fitness fees	3,086,898	-	-	3,086,898
Adventure guides fees	1,866,607	-	-	1,866,607
Government assistance	2,248,585	-	-	2,248,585
Donated use of facilities/land	944,896	-	-	944,896
Camp	1,483,458	-	-	1,483,458
Community programs fees	1,087,752	-	-	1,087,752
Facility fees	322,018	-	-	322,018
Total Program Revenue	41,690,699	-	-	41,690,699
Contributions from other YMCA's	1,657,679	-	-	1,657,679
Other Income	391,080	-	(9,600)	381,480
Rental Income	-	491,677	(275,243)	216,434
Total Support, Revenue, and Gains	45,139,383	491,677	(284,843)	45,346,217
Operating Expenses:				
Program Services:				
Child and youth development	17,348,448	-	-	17,348,448
Health and fitness	11,625,538	-	-	11,625,538
Adventure guides activities	1,868,341	-	-	1,868,341
Camp	766,644	-	-	766,644
Other community services	3,804,277	-	-	3,804,277
Total Program Services	35,413,248	-	-	35,413,248
Supporting Services:				
Administrative and general	6,576,519	-	(275,243)	6,301,276
Fundraising	319,484	-	-	319,484
Total Supporting Services	6,896,003	-	(275,243)	6,620,760
Tipper, LLC	-	621,299	(9,600)	611,699
Total Operating Expenses	42,309,251	621,299	(284,843)	42,645,707
Operating Margin	2,830,132	(129,622)	-	2,700,510
<u>Nonoperating</u>				
Investment Income, Net (Note 6)	1,723,133	-	129,622	1,852,755
Loss on Disposal of Capital Assets	(15,482)	-	-	(15,482)
Total Nonoperating	1,707,651	-	129,622	1,837,273
Increase (Decrease) in Net Assets	4,537,783	(129,622)	129,622	4,537,783
Net Assets, Beginning of Year	26,275,549	(158,683)	158,683	26,275,549
Net Assets, End of Year	\$ 30,813,332	\$ (288,305)	\$ 288,305	\$ 30,813,332

See accompanying independent auditors' report.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
SCHEDULE III - CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

	<u>YMCA</u>	<u>Tipper, LLC</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets:				
Cash and cash equivalents (Note 5)	\$ 3,628,445	\$ 31,326	\$ -	\$ 3,659,771
Restricted cash	90,000	-	-	90,000
Investments (Notes 6 and 10)	10,079,397	-	-	10,079,397
Receivables:				
Accounts receivable, net (Note 7)	787,925	-	-	787,925
Pledges receivable, net	26,641	-	-	26,641
Prepaid expense and other current assets	424,998	33,555	-	458,553
Total Current Assets	15,037,406	64,881	-	15,102,287
Property Held under Capital Leases, Net	91,880	-	-	91,880
Property and Equipment, Net (Note 8)	15,417,227	5,322,227	-	20,739,454
Other Assets:				
Deposits	18,700	-	-	18,700
Investment in subsidiary	(158,683)	-	158,683	-
Due to YMCA	2,584,226	(2,584,226)	-	-
Total Other Assets	2,444,243	(2,584,226)	158,683	18,700
Total Assets	\$ 32,990,756	\$ 2,802,882	\$ 158,683	\$ 35,952,321

LIABILITIES AND NET ASSETS

Current Liabilities:				
Accounts payable	\$ 1,547,691	\$ 38,438	\$ -	\$ 1,586,129
Accrued payroll and employee benefits	2,048,336	-	-	2,048,336
Program fees received in advance	728,300	-	-	728,300
Accrued expenses	271,498	-	-	271,498
Deferred Santa Ana project funding, current portion (Note 8)	250,000	-	-	250,000
Current maturities of obligations held under capital leases (Note 16a)	54,894	-	-	54,894
Notes payable, current portion (Note 11)	87,289	72,286	-	159,575
Total Current Liabilities	4,988,008	110,724	-	5,098,732
Long-Term Liabilities:				
Deposits payable	-	16,079	-	16,079
Deferred Santa Ana project funding, less current portion (Note 8)	250,000	-	-	250,000
Long-term portion of obligations held under capital leases (Note 16a)	33,949	-	-	33,949
Notes payable, less current portion (Note 11)	1,443,250	2,834,762	-	4,278,012
Total Long-Term Liabilities	1,727,199	2,850,841	-	4,578,040
Total Liabilities	6,715,207	2,961,565	-	9,676,772
Commitments and Contingencies (Note 16)	-	-	-	-
Net Assets (Note 15):				
Without donor restrictions	25,764,109	(158,683)	158,683	25,764,109
With donor restrictions	511,440	-	-	511,440
Total Net Assets	26,275,549	(158,683)	158,683	26,275,549
Total Liabilities and Net Assets	\$ 32,990,756	\$ 2,802,882	\$ 158,683	\$ 35,952,321

See accompanying independent auditors' report.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
SCHEDULE IV - CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN MEMBER'S EQUITY
YEAR ENDED DECEMBER 31, 2018

	YMCA	Tipper, LLC	Eliminations	Total
<u>Operations</u>				
Support, Revenue, and Gains:				
Fundraising Support:				
Contributions	\$ 2,424,978	\$ -	\$ -	\$ 2,424,978
Special events, net of direct costs of \$124,076	163,089	-	-	163,089
Total Fundraising Support	2,588,067	-	-	2,588,067
Program Revenue:				
Childcare fees	21,085,365	-	-	21,085,365
Membership fees	8,055,551	-	-	8,055,551
Health and fitness fees	2,980,806	-	-	2,980,806
Adventure guides fees	2,059,404	-	-	2,059,404
Government assistance	2,019,454	-	-	2,019,454
Donated use of facilities/land	944,898	-	-	944,898
Camp	1,313,716	-	-	1,313,716
Community programs fees	1,330,781	-	-	1,330,781
Facility fees	299,751	-	-	299,751
Total Program Revenue	40,089,726	-	-	40,089,726
Contributions from other YMCA's	4,265,234	-	-	4,265,234
Other Income	184,511	-	(9,600)	174,911
Rental Income	-	468,058	(275,243)	192,815
Total Support, Revenue, and Gains	47,127,538	468,058	(284,843)	47,310,753
Operating Expenses:				
Program Services:				
Child and youth development	16,864,381	-	-	16,864,381
Health and fitness	13,467,615	-	-	13,467,615
Adventure guides activities	2,079,085	-	-	2,079,085
Camp	732,208	-	-	732,208
Other community services	3,437,310	-	(32,760)	3,404,550
Total Program Services	36,580,599	-	(32,760)	36,547,839
Supporting Services:				
Administrative and general	6,907,496	-	(242,483)	6,665,013
Fundraising	371,260	-	-	371,260
Total Supporting Services	7,278,756	-	(242,483)	7,036,273
Tipper, LLC	-	635,350	(9,600)	625,750
Total Operating Expenses	43,859,355	635,350	(284,843)	44,209,862
Operating Margin	3,268,183	(167,292)	-	3,100,891
<u>Nonoperating</u>				
Investment Loss, Net (Note 6) Loss	(593,398)	-	167,292	(426,106)
on Disposal of Capital Assets	(510,249)	-	-	(510,249)
Total Nonoperating	(1,103,647)	-	167,292	(936,355)
Increase (Decrease) in Net Assets	2,164,536	(167,292)	167,292	2,164,536
Net Assets, Beginning of Year	24,111,013	8,609	(8,609)	24,111,013
Net Assets, End of Year	\$ 26,275,549	\$ (158,683)	\$ 158,683	\$ 26,275,549

See accompanying independent auditors' report.