

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

FINANCIAL STATEMENTS

June 30, 2016 and 2015

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

June 30, 2016 and 2015

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Young Men's Christian Association of Anaheim
Anaheim, California

Report on Financial Statements

We have audited the accompanying financial statements of YMCA of Anaheim (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards*, issued by the U.S. Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YMCA of Anaheim as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements or to financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated November 9, 2016, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.



November 9, 2016
San Bernardino, California

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

STATEMENT OF FINANCIAL POSITION

June 30, 2016

(Summarized Totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash	\$ 2,194,926	\$ 1,582,720
Accounts and Contracts Receivable	551,047	906,452
Pledges Receivable	48,000	50,000
Prepaid Expenses	25,466	94,629
Total Current Assets	<u>2,819,439</u>	<u>2,633,801</u>
Property and Equipment		
Land	283,590	283,590
Buildings and Improvements	1,069,159	1,111,026
Fixtures and Equipment	109,781	109,781
Vehicles	26,285	26,285
	<u>1,488,815</u>	<u>1,530,682</u>
Accumulated Depreciation	<u>(567,973)</u>	<u>(577,790)</u>
	<u>920,842</u>	<u>952,892</u>
Noncurrent Assets		
Cash - Board Designated	681,947	645,921
Cash - Capital Campaign	1,262,191	1,144,898
Cash - Major Component Replacement Fund	-	70,023
Investments - Endowment	345,802	330,534
	<u>2,289,940</u>	<u>2,191,376</u>
Total Assets	<u><u>\$ 6,030,221</u></u>	<u><u>\$ 5,778,069</u></u>

See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

STATEMENT OF FINANCIAL POSITION

June 30, 2016

(Summarized Totals for 2015)

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 68,004	\$ 170,857
Accrued Payroll Expenses	269,143	244,036
Deferred Revenue	896,535	939,819
Notes Payable - Current Portion	24,550	22,915
Total Current Liabilities	<u>1,258,232</u>	<u>1,377,627</u>
Long-Term Liabilities		
Major Component Replacement Liability	-	70,023
Notes Payable - Long Term Portion	340,708	409,034
	<u>340,708</u>	<u>479,057</u>
Total Liabilities	<u>1,598,940</u>	<u>1,856,684</u>
Net Assets		
Board Designated	681,947	645,921
Other Unrestricted	2,210,795	1,886,471
Total Unrestricted	2,892,742	2,532,392
Temporarily Restricted	1,407,431	1,270,704
Permanently Restricted	131,108	118,289
Total Net Assets	<u>4,431,281</u>	<u>3,921,385</u>
Total Liabilities and Net Assets	<u>\$ 6,030,221</u>	<u>\$ 5,778,069</u>

See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(Summarized Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenues and Support					
Special Events Revenue	\$ 104,748	\$ 24,134	\$ -	\$ 128,882	\$ 127,637
Special Events Expense	(44,614)	-	-	(44,614)	(47,928)
Net Special Events	60,134	24,134	-	84,268	79,709
After School Education and Safety	5,706,206	-	-	5,706,206	6,043,585
CDE Contracts	2,452,935	-	-	2,452,935	2,567,778
Program Service Fees	1,897,118	-	-	1,897,118	1,990,306
Capital Campaign	-	110,458	-	110,458	670,608
Foundation and Local Grants	477,224	-	-	477,224	370,806
Contributions	197,671	1,200	12,819	211,690	227,523
Other Contracts	161,124	-	-	161,124	85,000
Merchandise Sales	10,872	-	-	10,872	29,452
Membership Dues	-	-	-	-	21,732
Investment and Other Income	6,767	935	-	7,702	7,219
United Way Allocation	-	-	-	-	-
Total Revenues and Support	10,970,051	136,727	12,819	11,119,597	12,093,718
Expenses					
Program Services					
Health and Wellness	1,146,687	-	-	1,146,687	995,755
Community Service	8,409,486	-	-	8,409,486	9,192,123
Support Services					
Management and General	915,634	-	-	915,634	957,230
Fundraising	137,894	-	-	137,894	177,497
Total Expenses	10,609,701	-	-	10,609,701	11,322,605
Change in Net Assets	360,350	136,727	12,819	509,896	771,113
Net Assets - Beginning	2,532,392	1,270,704	118,289	3,921,385	3,150,272
Net Assets - Ending	\$ 2,892,742	\$ 1,407,431	\$ 131,108	\$ 4,431,281	\$ 3,921,385

See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

(Summarized Totals for 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 509,896	\$ 771,113
Contributions Collected for Long-Term Purposes	(108,458)	(666,608)
Noncash Items Included in Revenues and Expenses:		
Depreciation	32,050	32,050
Investment Gains	(7,036)	(6,028)
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts and Contracts Receivable	355,405	15,574
Pledges Receivable	2,000	4,000
Prepaid Expenses	69,163	(21,137)
Accounts Payable	(102,853)	30,774
Accrued Payroll Expenses	25,107	18,929
Deferred Revenue	(43,284)	298,312
	<hr/>	<hr/>
Cash Provided (Used) by Operating Activities	<u>731,990</u>	<u>476,979</u>
 Cash Flows from Investing Activities		
Purchase of Investments	(8,232)	(1,273)
Transfers to Capital Campaign Cash	(117,293)	(689,748)
Transfers to Board-Designated Cash	(36,026)	(36,025)
Transfers to Major Component Replacement Fund	70,023	(8,983)
	<hr/>	<hr/>
Cash (Used) by Investing Activities	<u>(91,528)</u>	<u>(736,029)</u>
 Cash Flows from Financing Activities		
Contributions Collected for Long-Term Purposes	108,458	666,608
Increase in Major Component Replacement Liability	(70,023)	8,983
Retirement of Notes Payable	(66,691)	(20,491)
	<hr/>	<hr/>
Cash Provided by Investing Activities	<u>(28,256)</u>	<u>655,100</u>
 Net Increase (Decrease) in Cash	612,206	396,050
 Cash - Beginning	<u>1,582,720</u>	<u>1,186,670</u>
 Cash - Ending	<u><u>\$ 2,194,926</u></u>	<u><u>\$ 1,582,720</u></u>

See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

(Summarized Totals for 2015)

	<u>Program Services</u>		<u>Support Services</u>		2016 <u>Total</u>	2015 <u>Total</u>
	<u>Health and Wellness</u>	<u>Community Service</u>	<u>Management and General</u>	<u>Fund Raising</u>		
Salaries and Wages	\$ 598,028	\$ 4,614,133	\$ 471,646	\$ 78,219	\$ 5,762,026	\$ 6,552,172
Payroll Taxes and Benefits	128,943	920,742	105,051	17,365	1,172,101	1,298,007
Total Payroll Costs	726,971	5,534,875	576,697	95,584	6,934,127	7,850,179
Program Supplies and Costs	70,542	1,549,253	1,591	25	1,621,411	586,128
Professional Fees	181,594	622,354	61,680	20,247	885,875	936,947
Occupancy	28,462	157,671	25,345	6,337	217,815	285,222
Office Expenses	26,684	134,411	41,820	10,637	213,552	250,653
Transportation	2,032	128,584	2,512	-	133,128	123,569
Information Technology	25,674	46,055	64,184	-	135,913	118,509
Conferences, Meetings and Dues	17,571	71,396	16,703	139	105,809	100,096
Insurance	14,212	58,199	6,431	-	78,842	84,143
Equipment	8,939	36,050	22,346	190	67,525	57,737
Payments to Affiliates	15,967	23,951	39,919	-	79,837	57,555
Advertising and Promotion	8,559	17,073	7,705	4,735	38,072	53,395
Taxes and Fees	9,047	13,964	22,618	-	45,629	42,082
Depreciation	6,410	9,615	16,025	-	32,050	32,050
Interest	4,023	6,035	10,058	-	20,116	22,059
Total 2016 Expenses	\$ 1,146,687	\$ 8,409,486	\$ 915,634	\$ 137,894	\$ 10,609,701	
Total 2015 Expenses	\$ 995,755	\$ 9,192,123	\$ 957,230	\$ 177,497		\$ 10,600,324

See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OTHER MATTERS

The YMCA of Anaheim is a nonprofit corporation established in 1911, whose mission is to build and sustain strong kids, strong families and strong communities by putting Christian principles into practice through programs that build healthy spirit, mind and body for all. The Anaheim YMCA is for Youth Development, Healthy Living, and Social Responsibility. From infants to active older adults, the Anaheim YMCA impacts people of all ages through a variety of character-building programs in over 50 program locations. The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23401 of the California Tax Code.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Generally accepted accounting principles (GAAP) provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimates using the best information available when there is little or no market

The Association is required to measure certain investments and related revenues at fair value. The technique used to measure fair value for investments is described in Note 7 below.

Cash Equivalents

For purposes of the statement of cash flows, the Association considers all temporary cash investments with original maturities of three months or less to be cash equivalents.

The City of Anaheim requires that the Association maintain a separate bank account for major component replacement funds. An offsetting liability is carried to reflect the obligation.

Property and Equipment and Depreciation

Property and equipment are reported at cost or donated value and are depreciated by the straight-line method over estimated useful lives ranging between 3 and 39 years. The Association's policy is to capitalize equipment additions with a cost in excess of \$2,000.

Property and equipment acquired with CDE funds are owned by the Association while used in CDE programs and as long as the Association has CDE contracts. CDE has a reversionary interest in such assets and title may revert to CDE should the contracts be cancelled.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Reporting

The costs of the Association's activities have been summarized on a functional basis in these financial statements. Based on management estimates, costs have been allocated between programs and supporting services as they relate to those functions.

Income Taxes

The Association is exempt from income tax liability under Section 501(c)(3) of the Internal Revenue Code and Section 23401 of the California Tax Code. Since the Association is exempt from federal and state tax liability, no provision is made for current or deferred income taxes. The Association uses the same accounting methods for tax and financial reporting.

Accounting for Contributions

Unrestricted contributions are recognized as an increase in unrestricted net assets when received. Contributions restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction. When a restriction is satisfied, either by the passage of time or by accomplishing the purpose, the temporarily restricted net assets are reclassified to unrestricted net assets and are reported as net assets released from restrictions. When restrictions are satisfied in the same period that the contribution is received, both the revenue and the related expense is reported as unrestricted.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Association to review its plans for future funding from time to time and to designate appropriated sums of unrestricted net assets to assure adequate financing of program costs, administrative costs, and repair and maintenance costs. Use of these funds requires a majority vote of the directors present at a meeting at which a quorum is present.

Prior Year Information

The financial statements include prior year summarized comparative information. This information is presented in total and not by net asset class and does not include sufficient detail to be in conformity with generally accepted accounting principles. Such information should be read together with the Association's financial statements for the year ended June 30, 2015, from which the summarized information was extracted. Certain amounts in the prior year statements have been reclassified for purpose of comparison with the current year.

Subsequent Events

Management has evaluated subsequent events through November 9, 2016, the date when the financial statements were available for issuance.

Donated Services and Materials

Some Association members have donated significant amounts of time in the advancement of its programs and objectives. No amounts have been included in the financial statements for such donated member or volunteer services since no objective basis is available to measure the value of these services.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – CONCENTRATIONS

The Association received approximately 51% of its 2016 funding and 50% of its 2015 funding from the After School Education and Safety (ASES) program. This program is funded by the California Department of Education and passed through Anaheim City School District, Magnolia School District, Savanna School District, and the Anaheim Union High School District.

NOTE 4 –TEMPORARY RESTRICTIONS

	<u>2016</u>	<u>2015</u>
<u>Temporarily restricted net assets</u> consist of the following:		
Capital Projects (purpose restriction)	\$ 1,303,674	\$ 1,193,216
Endowment Earnings (purpose restriction)	50,196	49,261
Alden Esping Putting Classic (time restriction)	<u>53,561</u>	<u>28,227</u>
Total	<u>\$ 1,407,431</u>	<u>\$ 1,270,704</u>
<u>Net assets released from restriction</u> consist of the following:		
Alden Esping Putting Classic (time restriction satisfied)	<u>\$ -</u>	<u>\$ 30,519</u>

NOTE 5 – ACCOUNTS AND CONTRACTS RECEIVABLE

Accounts receivable consist of amounts due from childcare and camp programs, and are considered by management to be fully collectable. Contracts receivable are due from CDE and other governmental sources.

	<u>2016</u>	<u>2015</u>
After School Education and Safety (ASES) Program	\$ 276,201	\$ 605,268
CDE Contracts	264,846	285,828
Program Service Fees	-	4,106
Other Federal Contracts	<u>10,000</u>	<u>11,250</u>
Total	<u>\$ 551,047</u>	<u>\$ 906,452</u>

NOTE 6 – PLEDGES RECEIVABLE

The Association has conducted a capital campaign since 2012 to raise funds for capital projects. As of June 30, 2016, the campaign has received gifts and pledges totaling \$1.3 million, of which \$48,000 is scheduled to be received in future years.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – INVESTMENTS

Investments consist of mutual funds carried at fair value and are intended to provide income for the Association's programs. The fair value of investments has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

	<u>Donated Cost/Value</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
<u>June 30, 2016</u>			
Cash and Certificates of Deposit	\$ 24,211	\$ 24,211	\$ -
Small Cap Funds	6,378	6,616	238
Mid Cap Funds	28,021	25,331	(2,690)
Large Cap Funds	188,968	208,411	19,443
Bond Funds	<u>82,314</u>	<u>81,233</u>	<u>(1,081)</u>
	<u>\$ 329,892</u>	<u>\$ 345,802</u>	15,910
Unrealized Gain in Prior Years			<u>49,301</u>
Unrealized (Loss) During the Year Ended 6/30/16			<u>\$ (33,391)</u>

NOTE 8 – DEFERRED REVENUES

Deferred revenues include amounts received in the current year that will be recognized as revenues when earned in the next program year. These include:

	<u>2016</u>	<u>2015</u>
HEAL Initiative	\$ 425,001	\$ 389,271
Program and After-School Grants	120,876	232,770
Camping and Day Camp Fees	256,410	191,081
Swim and Sports Fees	92,148	119,397
Event Revenue	<u>2,100</u>	<u>7,300</u>
Total	<u>\$ 896,535</u>	<u>\$ 939,819</u>

NOTE 9 – PENSION PLAN

The Association has a defined contribution pension plan through the YMCA Retirement Fund, administered by YMCA of the USA, covering employees who are 21 years of age with at least two years of service and 1,000 hours in each year. Plan contributions include employer matching contributions and voluntary employee contributions. In the reporting period, the Association contributed 7% of eligible salaries, which amounted to \$244,093 in 2016 and \$253,615 in 2015.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – RELATED PARTY TRANSACTION

The Association has a conflict-of-interest policy that governs transactions with related parties. Management may engage in such transactions when they are at least equivalent to similar transactions with an unrelated party. During the reporting periods, the Association engaged in several transactions with companies related to Board members and conducted those transactions in accordance with this policy.

NOTE 11 – NOTES PAYABLE

Notes payable consist of the following obligations:

A note due to California Bank & Trust, secured by building and land, with monthly payments of \$3,433, interest at 4.7%, maturing in December 2027.	\$ 365,258
Portion Due in the Next 12 Months	<u>(24,550)</u>
Long-Term Portion	<u>\$ 340,708</u>

Principal maturities in future years are as follows:

<u>June 30</u>	
2017	\$ 24,550
2018	25,729
2019	26,964
2020	28,259
2021	29,616
After 2021	<u>230,140</u>
Total Notes Payable	<u>\$ 365,258</u>

NOTE 12 – CDE INFORMATION

Accrued payroll costs at June 30, 2016 include a liability for accrued vacation of \$162,167, of which \$3,234 is attributable to the Child Supper Program subsidized by the California Department of Education.

Audit costs of \$4,000 were attributable to the Supper Program subsidized by the California Department of Education.

NOTE 13 – SUPPLEMENTAL CASH FLOW INFORMATION

Cash flows from operating activities included interest payments of \$20,116 in 2016 and \$22,059 in 2015. No payments for income taxes were made in 2016 or 2015.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – ENDOWMENT AND RESTRICTED NET ASSETS

In accordance with California state law (UPMIFA), the Association has classified as permanently restricted the fair value of donations restricted by donors to be held as endowments in perpetuity. The finance committee has interpreted the state law as requiring preservation of the fair value of the original endowment gift, as of the gift date, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted the original value of gifts made to the permanent endowment.

Any unappropriated earnings of the permanently restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association. The Association is currently reinvesting any interest and dividends back into the Endowment fund to promote long term growth.

From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors required to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, declines of this nature are reported as losses in unrestricted net assets. As values recover, the increases are reported as unrestricted gains. At the reporting date, the Association had no such declines in values.

The Association has adopted an investment policy and spending guidelines for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. Under these policies, endowment assets are invested to produce a return that is expected to meet or exceed the rate of inflation as measured by the Consumer Price Index. Actual results during any period may vary from these expectations. The Association relies on a total return strategy which allows the earnings objective to be achieved through both capital appreciation and current yield. This strategy involves a diversified asset allocation that provides a balance among equity investments.

Endowment composition by type of fund as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 50,196	\$ 131,108	\$ 181,304
Board-designated endowment funds	<u>164,498</u>	-	-	<u>164,498</u>
Total funds	<u>\$ 164,498</u>	<u>\$ 50,196</u>	<u>\$ 131,108</u>	<u>\$ 345,802</u>

Changes in the year ended June 30, 2016 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 162,984	\$ 49,261	\$ 118,289	\$ 330,534
Contributions	-	-	12,819	12,819
Investment income	22,155	13,686	-	35,841
Net (depreciation)	<u>(20,641)</u>	<u>(12,751)</u>	-	<u>(33,392)</u>
Endowment net assets, end of year	<u>\$ 164,498</u>	<u>\$ 50,196</u>	<u>\$ 131,108</u>	<u>\$ 345,802</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – ENDOWMENT AND RESTRICTED NET ASSETS (continued)

Endowment composition by type of fund as of June 30, 2015 was as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 49,261	\$ 118,289	\$ 167,550
Board-designated endowment funds	<u>162,984</u>	-	-	<u>162,984</u>
Total funds	<u>\$ 162,984</u>	<u>\$ 49,261</u>	<u>\$ 118,289</u>	<u>\$ 330,534</u>

Changes in the year ended June 30, 2015 were as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 160,230	\$ 47,694	\$ 115,309	\$ 323,233
Contributions	-	-	2,980	2,980
Investment income	3,842	2,186	-	6,028
Net appreciation	<u>(1,088)</u>	<u>(619)</u>	-	<u>(1,707)</u>
Endowment net assets, end of year	<u>\$ 162,984</u>	<u>\$ 49,261</u>	<u>\$ 118,289</u>	<u>\$ 330,534</u>

NOTE 15 – COMMITMENTS

The Association has two five-year operating leases for six copiers with Canon Financial with monthly payments of \$4,525. The leases run through May 2019 and December 2019.

The Association has an operating lease for solar equipment with SolarMax with monthly payments of \$99. The lease runs through January 2017.

The Association has an operating lease for postage equipment with Pitney Bowes with monthly payments of \$228. The lease runs through February 2019.

The Association has an operating lease for phone system upgrades with NEC Financial with monthly payments of \$218. The lease runs through December 2019.

Future minimum lease obligations are as follows:

Years Ending June 30,

2017	\$ 60,350
2018	59,657
2019	55,229
2020	<u>19,281</u>
	<u>\$ 194,517</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

<u>Program Name</u>	<u>CFDA Number</u>	<u>Revenue Recorded</u>	<u>Federal Expenditures</u>
U.S. Department of Education –			
Twenty-First Century Community Learning Centers	84.287C	\$ 1,109,590	\$ 1,109,590
Education for Homeless Children and Youth Program	84.196A	6,000	6,000
U.S. Department of Health and Human Services –			
Child and Adult Care Food Program	10.558	1,343,347	1,343,347
Community Development Block Grants	14.218	<u>20,000</u>	<u>20,000</u>
 Total Federal Awards		 <u>\$ 2,478,937</u>	 <u>\$ 2,478,937</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal contract activity of the Association and is presented on the accrual basis of accounting, which is the same basis of accounting used in the preparation of the financial statements.

The information in this schedule is presented in accordance with the requirements of the Uniform Guidance and agrees with the amounts presented in the financial statements.

See Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Young Men's Christian Association of Anaheim
Anaheim, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, the financial statements of YMCA of Anaheim which comprise financial position as of June 30, 2016, and the related statements of activities, cash flow, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report dated November 9, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "K. H. & K. H.", is positioned on the right side of the page.

November 9, 2016
San Bernardino, California

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Young Men's Christian Association of Anaheim
Anaheim, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of YMCA of Anaheim with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the YMCA of Anaheim complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

The Association's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that a material noncompliance with a type of compliance required of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Kathy & Kathy", is positioned in the lower right area of the page.

November 9, 2016
San Bernardino, California

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

PART I - SUMMARY OF AUDITOR'S RESULTS

- 1) The auditors' report expresses an unqualified opinion on the Association's financial statements.
- 2) No reportable conditions or material weaknesses relating to the audit of the financial statements are included in the report on compliance and controls in accordance with *Government Auditing Standards*.
- 3) No instances of noncompliance material to the financial statements were disclosed during the audit.
- 4) No reportable conditions or material weaknesses relating to the audit of major federal award programs are included in the report on compliance and controls in accordance with the Uniform Guidance.
- 5) The auditors' report on compliance and controls in accordance with the Uniform Guidance expressed an unqualified opinion on compliance for all of the Association's major federal award programs.
- 6) The programs tested as major were: U.S. Department of Education – Twenty-First Century Community Learning Centers, and U.S. Department of Health and Human Services – Child and Adult Care Food Program.
- 7) The threshold for distinguishing Type A and Type B programs was \$750,000.
- 8) YMCA of Anaheim was determined to be a low-risk auditee.

PART II - FINANCIAL STATEMENT FINDINGS

None

PART III - MAJOR FEDERAL PROGRAM FINDINGS AND QUESTIONED COSTS

None

PART IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None