YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

FINANCIAL STATEMENTS

June 30, 2018 and 2017

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

June 30, 2018 and 2017

C O N T E N T S

KENNEDY & KENNEDY
Certified Public Accountants

Members of the American Institute of Certified Public Accountants
and of the California Society of Certified Public Accountants

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, 2018, 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 fairs 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, 2018, 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.

1700 North E Street, Suite 201 • San Bernardino, CA 92405 • (909) 886-5048 • (909) 882-3852
15476 West Sand Street • Victorville, CA 92392 • (760) 951-2570

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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.

In 2018, YMCA of Anaheim adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities.* This guidance revises the not-for-profit reporting model and requires certain additional disclosures. As explained further in Note 1, the Association has changed its financial statements presentation and related disclosures to conform with this new standard.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated November 28, 2018, 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 28, 2018
San Bernardino, California

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

STATEMENT OF FINANCIAL POSITION
June 30, 2018
(Summarized Totals for 2017)

	2018	2017
ASSETS		
Current Assets		
Cash	$ 2,755,173	$ 1,828,809
Accounts and Contracts Receivable	311,429	495,138
Pledges Receivable	46,000	46,000
Prepaid Expenses	35,422	41,891
Total Current Assets	3,148,024	2,411,838
Property and Equipment		
Land	283,590	283,590
Buildings and Improvements	1,069,159	1,069,159
Fixtures and Equipment	109,781	109,781
Vehicles	26,285	26,285
Capital Project Costs	219,228	94,166
	1,708,043	1,582,981
Accumulated Depreciation	(629,436)	(600,022)
	1,078,607	982,959
Noncurrent Assets		
Cash - Board Designated	960,352	924,314
Cash - Capital Campaign	1,287,595	1,374,733
Investments - Endowment	745,238	644,222
	2,993,185	2,943,269
Total Assets	$ 7,219,816	$ 6,338,066

See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

STATEMENT OF FINANCIAL POSITION
June 30, 2018
(Summarized Totals for 2017)

	2018	2017
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 386,073	$ 133,113
Accrued Payroll Expenses	280,633	290,216
Deferred Revenue	763,012	673,431
Notes Payable - Current Portion	25,717	25,729
Total Current Liabilities	1,455,435	1,122,489
Long-Term Liabilities		
Notes Payable - Long Term Portion	289,733	315,217
Total Liabilities	1,745,168	1,437,706
Net Assets		
Board Designated	960,352	924,314
Other Unrestricted	2,777,203	2,308,675
Total Net Assets Without Donor Restrictions	3,737,555	3,232,989
Net Assets with Donor Restrictions	1,737,093	1,667,371
Total Net Assets	5,474,648	4,900,360
Total Liabilities and Net Assets	$ 7,219,816	$ 6,338,066

See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018
(Summarized Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Revenues and Support				
Special Events Revenue	$ 91,901	$ 43,842	$ 135,743	$ 216,288
Special Events Expense	(46,914)	-	(46,914)	(74,938)
Net Special Events	44,987	43,842	88,829	141,350
After School Education and Safety	6,028,226	-	6,028,226	5,691,437
Program Service Fees	2,263,723	-	2,263,723	1,999,979
CDE Contracts	1,695,686	-	1,695,686	2,241,380
Foundation and Local Grants	243,637	-	243,637	363,591
Contributions	173,807	58,805	232,612	239,892
Other Contracts	122,019	-	122,019	240,301
Capital Campaign	-	117,181	117,181	103,024
Merchandise Sales	20,531	-	20,531	13,101
Donated Services	2,000	-	2,000	2,000
Investment and Other Income	35,264	23,277	58,541	56,716
	10,629,880	243,105	10,872,985	11,092,771
Net Assets Released from Restriction	173,383	(173,383)	-	-
Total Revenues and Support	10,803,263	69,722	10,872,985	11,092,771
Expenses				
Program Services				
Health and Wellness	1,004,814	-	1,004,814	1,299,442
Community Service	8,074,529	-	8,074,529	8,181,253
Support Services				
Management and General	1,024,488	-	1,024,488	979,194
Fundraising	194,866	-	194,866	163,803
Total Expenses	10,298,697	-	10,298,697	10,623,692
Change in Net Assets	504,566	69,722	574,288	469,079
Net Assets - Beginning	3,232,989	1,667,371	4,900,360	4,431,281
Net Assets - Ending	$ 3,737,555	$ 1,737,093	$ 5,474,648	$ 4,900,360

See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018
(Summarized Totals for 2017)

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	$ 574,288	$ 469,079
Contributions Collected for Long-Term Purposes	(117,181)	(101,024)
Noncash Items Included in Revenues and Expenses:		
Depreciation	29,413	32,049
Investment Gains	(57,119)	(55,615)
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts and Contracts Receivable	183,709	55,909
Pledges Receivable	-	2,000
Prepaid Expenses	6,469	(16,425)
Accounts Payable	252,960	65,109
Accrued Payroll Expenses	(9,583)	21,073
Deferred Revenue	89,581	(223,104)
Cash Provided by Operating Activities	952,537	249,051
Cash Flows from Investing Activities		
Purchase of Investments	(43,897)	(242,805)
Purchase of Property and Equipment	(125,061)	(94,166)
Transfers to Capital Campaign Cash	87,138	(112,542)
Transfers to Board-Designated Cash	(36,038)	(242,367)
Cash (Used) by Investing Activities	(117,858)	(691,880)
Cash Flows from Financing Activities		
Contributions Collected for Long-Term Purposes	117,181	101,024
Retirement of Notes Payable	(25,496)	(24,312)
Cash Provided by Financing Activities	91,685	76,712
Net Increase (Decrease) in Cash	926,364	(366,117)
Cash - Beginning	1,828,809	2,194,926
Cash - Ending	$ 2,755,173	$ 1,828,809

See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018
(Summarized Totals for 2017)

	Program Services		Support Services			
	Health and Wellness	Community Service	Management and General	Fund Raising	2018 Total	2017 Total
Salaries and Wages	$ 561,449	$ 4,603,616	$ 531,454	$ 125,787	$ 5,822,306	$ 5,883,992
Employee Benefits	56,209	377,398	54,069	12,798	500,474	513,325
Payroll Taxes	54,811	368,007	52,724	12,479	488,021	451,153
Workers' Compensation	14,118	94,790	13,581	3,214	125,703	83,393
Total Payroll Costs	686,587	5,443,811	651,828	154,278	6,936,504	6,931,863
Program Supplies and Costs	50,521	1,530,219	1,259	-	1,581,999	1,589,056
Professional Fees	110,958	492,631	57,073	19,839	680,501	893,242
Occupancy	13,983	153,117	18,728	4,682	190,510	247,017
Office Expenses	23,849	115,023	40,717	10,829	190,418	235,414
Information Technology	28,208	46,728	70,519	-	145,455	128,589
Payments to Affiliates	21,765	32,648	54,413	-	108,826	102,621
Transportation	1,773	79,666	3,088	-	84,527	98,814
Conferences, Meetings and Dues	9,934	43,750	21,791	-	75,475	79,034
Insurance	21,391	49,337	18,108	-	88,836	78,717
Equipment	8,544	33,425	21,359	-	63,328	68,099
Advertising and Promotion	3,652	18,272	6,485	5,238	33,647	66,187
Taxes and Fees	14,627	22,369	36,566	-	73,562	56,109
Depreciation	5,883	8,824	14,706	-	29,413	32,049
Interest	3,139	4,709	7,848	-	15,696	16,881
Total 2018 Expenses	$ 1,004,814	$ 8,074,529	$ 1,024,488	$ 194,866	$ 10,298,697	
Total 2017 Expenses	$ 1,299,442	$ 8,181,253	$ 979,194	$ 163,803		$ 10,623,692

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.

New Accounting Standard Adopted in 2018

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. This guidance revises the not-for-profit reporting model, clarifies net asset reporting, and imposes certain new reporting requirements related to expenses. The ASU also requires additional disclosures about liquidity and availability of resources for general expenditures in the next year. The ASU is effective for fiscal years beginning after December 15, 2017, and early implementation is permitted. The YMCA of Anaheim has adopted this new ASU for its financial statements as of and for the year ended June 30, 2018.

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, donated services, and pledges receivable at fair value. The techniques used to measure these fair values are described in Note 5 for investments, Note 3 for contributed services, and Note 14 for pledges receivable.

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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Revenue Recognition

Contracts: Contract revenue is recognized when the qualifying costs are incurred for cost-reimbursement contracts or when units of service are provided in performance contracts. Contract revenue is subject to review by funding agencies, and revenues may require adjustment if costs or services are disallowed.

Service Fees: The Association recognizes service fee revenue in the period when the services are provided and when the amount and certainty of the fee can be determined.

Contributions: GAAP requires that information about financial position and activities be reported in two net asset classes: with donor restrictions and without donor restrictions. Net assets with donor restrictions may be either temporarily or permanently restricted. Contributions without donor restrictions are recognized when received. Contributions restricted by the donors are presented as increases in net assets with donor restrictions, depending on the nature of the donor-imposed restriction. When temporary restrictions are satisfied, the restricted net assets are reclassified to net assets without donor restrictions and reported in the activity statement as net assets released from restrictions.

Recently Issued Accounting Standard Updates

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance requires the recognition of lease contracts, including existing and new arrangements, as assets and liabilities on the statement of financial position. The guidance is effective for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact this update will have on the Association's future financial statements.

Functional Expenses

The costs of providing the Association's programs and services have been summarized on a functional basis in the statement of functional expenses. Based on management estimates and an allocation plan, costs are allocated between programs and supporting services as they relate to those functions. The allocation of costs depends on the nature of the cost, the reason the cost is incurred, and the benefit received by each function.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2017, 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.

Donated Services and Materials

Many individuals and some Association members have donated significant time and services to advance the Association's programs and objectives. Most of these services have not been recorded in the financial statements because no objective basis is available to measure the value of such services. Donated services that have an objective valuation basis and were therefore recorded in these financial statements are discussed at Note 3.

Subsequent Events

Management has evaluated subsequent events through November 28, 2018, the date when the financial statements were available for issuance.

NOTE 3 – CONTRIBUTED SERVICES

Certain noncash contributions are recorded in these financial statements because an objective basis was available for measuring their values. These included donated audit services with fair value of $2,000 in 2018 and 2017. The fair value of donated services has been measured on a nonrecurring basis using prices for similar services in inactive markets (Level 2 inputs).

NOTE 4 – 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 $219,376 in 2018 and $228,574 in 2017.

NOTE 5 – 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).

	Donated Cost/Value	Fair Value	Unrealized Gain (Loss)
June 30, 2018			
Cash and Certificates of Deposit	$ 4,193	$ 4,193	$ -
Small Cap Funds	13,368	14,642	1,274
Mid Cap Funds	51,603	58,902	7,298
Large Cap Funds	381,310	445,210	63,900
Bond Funds	222,291	229,176	(6,885)
	$ 679,649	$ 745,238	65,588
Unrealized Gain in Prior Years			40,445
Unrealized Gain During the Year Ended 6/30/18			$ 25,143

NOTE 6 –RESTRICTIONS ON NET ASSETS

	2018	2017
Net assets with donor restrictions consist of the following:		
Temporary donor restrictions:		
Capital Projects (purpose restriction)	$ 1,304,651	$ 1,312,532
Endowment Earnings (purpose restriction)	102,098	78,821
Alden Esping Putting Classic (time restriction)	43,842	48,321
Total temporary donor restrictions	1,450,591	1,439,674
Endowment Fund (permanent restriction)	286,502	227,697
Total net assets with donor restrictions	$ 1,737,093	$ 1,667,371
Net assets released from restriction consist of the following:		
Capital Projects (purpose restriction satisfied)	$ 125,062	$ 94,166
Alden Esping Putting Classic (time restriction satisfied)	48,321	28,227
Total	$ 173,383	$ 122,393

NOTE 7 – SUPPLEMENTAL CASH FLOW INFORMATION

Cash flows from operating activities included interest payments of $15,696 in 2018 and $16,881 in 2017. No payments for income taxes were made in 2018 or 2017.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – 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.

	2018	2017
After School Education and Safety (ASES) Program	$ 255,241	$ 266,363
CDE Contracts	43,054	221,275
Other Federal Contracts	7,500	7,500
Program Fee Receivables	5,634	-
Total	$ 311,429	$ 495,138

NOTE 9 – 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:

	2018	2017
Program and After-School Grants	$ 330,328	$ 258,055
HEAL Initiative	168,386	158,564
Camping and Day Camp Fees	155,800	172,805
Swim and Sports Fees	108,498	81,507
Event Revenue	-	2,500
Total	$ 763,012	$ 673,431

NOTE 10 – 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.	$ 315,450
Portion Due in the Next 12 Months	(25,717)
Long-Term Portion	$ 289,733

Principal maturities in future years are as follows:

June 30	
2019	$ 25,717
2019	26,952
2020	28,247
2021	29,603
2022	31,025
After 2022	173,905
Total Notes Payable	$ 315,450

NOTE 11 – COMMITMENTS

The Association has a five-year operating lease for five copiers with Canon Financial with monthly payments of $4,298. The lease runs through March 2023.

The Association has an operating lease for solar equipment with SolarMAX Technology with monthly payments of $99. The lease runs through May 2023.

The Association has an operating lease for postage equipment with Pitney Bowes with quarterly payments of $684. 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,

2019	$ 56,753
2020	54,075
2021	52,764
2022	52,764
2023	39,751
	$ 256,107

NOTE 12 – CDE INFORMATION

Accrued payroll costs at June 30, 2018 include a liability for accrued vacation of $143,759, of which $672 is attributable to the Child Supper Program subsidized by the California Department of Education.

Audit costs of $4,335 were attributable to the Supper Program subsidized by the California Department of Education.

NOTE 13 – 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.

NOTE 13 – ENDOWMENT AND RESTRICTED NET ASSETS (continued)

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.

A component of these funds is the YMCA of Anaheim Alden and Linda Esping Camp Endowment Fund, created on May 4, 2017. As of June 30, 2018, the balance in this fund is $158,892.

Endowment composition by type of fund as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 102,098	$ 286,502	$ 388,600
Board-designated endowment funds	356,638	-	-	356,638
Total funds	$ 356,638	$ 102,098	$ 286,502	$ 745,238

Changes in the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 337,704	$ 78,821	$ 227,697	$ 644,222
Contributions/Transfers	(14,908)	-	58,805	43,897
Investment income	18,945	13,031	-	31,976
Net appreciation	14,897	10,246	-	25,143
Endowment net assets, end of year	$ 356,638	$ 102,098	$ 286,502	$ 745,238

NOTE 13 – ENDOWMENT AND RESTRICTED NET ASSETS (continued)

Endowment composition by type of fund as of June 30, 2017 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 78,821	$ 227,697	$ 306,518
Board-designated endowment funds	337,704	-	-	337,704
Total funds	$ 337,704	$ 78,821	$ 227,697	$ 644,222

Changes in the year ended June 30, 2017 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 164,498	$ 50,196	$ 131,108	$ 345,802
Contributions/Transfers	146,216	-	96,589	242,805
Investment income	15,083	15,997	-	31,080
Net appreciation	11,907	12,628	-	24,535
Endowment net assets, end of year	$ 337,704	$ 78,821	$ 227,697	$ 644,222

NOTE 14 – PLEDGES RECEIVABLE

The Association has conducted a capital campaign since 2012 to raise funds for capital projects. As of June 30, 2018, the campaign has received gifts and pledges totaling $1.5 million, of which $46,000 is scheduled to be received in future years.

The fair value of capital campaign pledges receivable is measured on a nonrecurring basis by estimating future cash flows, based on previous capital campaign experience (Level 3 inputs). Any present value discount is deemed immaterial. The following is a reconciliation of capital campaign pledges receivable during 2017-2018:

Beginning balance – July 1, 2017	$ 46,000
Current year pledges received during 2017-2018	117,181
Collections of current year pledges during 2017-2018	(117,181)
Ending balance – June 30, 2018	$ 46,000

NOTE 15 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association receives substantial support from restricted contributions. Because donor restrictions require that resources be used in a specified manner or for a specified purpose, the Association must maintain sufficient resources to meet those donor commitments. As a result, the Association has $1,737,000 of cash and investments that must be held to meet the commitments included in net assets with donor restrictions. These funds are not available for general expenditures in future periods.

In addition, the Board has designated a portion of its surplus cash to be placed in an investment account and to be held as a Board designated reserve. The investment account is presented as a non-current asset and is not available for general expenditures.

The Association has the following financial assets available to meet cash needs for general expenditures, liabilities, and other obligations during the next year:

	2018	2017
Cash	$ 2,755,200	$ 1,829,000
Accounts Receivable	311,400	495,100
Pledges Receivable	46,000	46,000
Accounts Payable and Accruals	(666,700)	(423,300)
Deferred Revenue	(763,000)	(673,400)
Current Portion of Notes Payable	(25,700)	(25,700)
Net Financial Assets Available	$ 1,657,200	$ 1,247,700

The Association's liquidity management includes a policy to structure its financial assets to be available for general expenditures as they come due. Based on annual general expenditures, these financial assets will satisfy general cash needs for 59 days as of June 30, 2018, and 49 days as of June 30, 2017.

NOTE 16 – CONCENTRATIONS

The Association received approximately 55% of its 2018 funding and 51% of its 2017 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 17 – 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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Program Title	CFDA No.	Pass-through Grant Award No.	Award Amount	Revenue Recorded	Amounts Expended
U.S. Department of Agriculture					
Pass-through program from:					
California Department of Education:					
Child and Adult Care Food Program	10.558	04548	$1,181,187	$1,105,093	$1,105,093
Pass-through program from:					
California Department of Education:					
Summer Food Service Program	10.559	04548	16,943	16,943	16,943
U.S. Department of Education					
Pass-through program from:					
California Department of Education:					
21st Century Community Learning Centers	84.287C	14535	888,074	573,650	573,650
U.S. Department of Housing and Urban Development					
Pass-through program from:					
City of Anaheim:					
Community Development Block Grant	14.218		20,000	20,000	20,000
Total Expenditures of Federal Awards			$2,106,204	$1,715,686	$1,715,686

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal contract activity of the Organization 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 Uniform Guidance and agrees with the amounts presented in the financial statements.

The Organization has not elected to use the 10% *de minimis* indirect cost rate allowed by Uniform Guidance.

See Auditors' Report.

KENNEDY & KENNEDY
Certified Public Accountants

Members of the American Institute of Certified Public Accountants
and of the California Society of Certified Public Accountants

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, 2018, 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 28, 2018.

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*.

1700 North E Street, Suite 201 • San Bernardino, CA 92405 • (909) 886-5048 • (909) 882-3852
15476 West Sand Street • Victorville, CA 92392 • (760) 951-2570

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.

November 28, 2018
San Bernardino, California

KENNEDY & KENNEDY
Certified Public Accountants

Members of the American Institute of Certified Public Accountants
and of the California Society of Certified Public Accountants

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, 2018. 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, 2018.

1700 North E Street, Suite 201 • San Bernardino, CA 92405 • (909) 886-5048 • (909) 882-3852
15476 West Sand Street • Victorville, CA 92392 • (760) 951-2570

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 that 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.

November 28, 2018
San Bernardino, California

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ANAHEIM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

PART I - SUMMARY OF AUDITOR'S RESULTS

- The auditors' report expresses an unqualified opinion on the Association's financial statements.
- No significant deficiencies 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*.
- No instances of noncompliance material to the financial statements were disclosed during the audit.
- No significant deficiencies 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.
- 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.
- No audit findings were disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance.
- The programs tested as major were: U.S. Department of Education – Twenty-First Century Community Learning Centers, and U.S. Department of Agriculture – Child and Adult Care Food Program.
- The threshold for distinguishing Type A and Type B programs was $750,000.
- 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