

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF ORANGE COUNTY

Financial Statements

Years ended December 31, 2011 and 2010
(With Independent Auditors' Report Thereon)

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YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Financial Statements

Years ended December 31, 2011 and 2010

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Board of Directors
Young Men's Christian Association of Orange County
Tustin, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of the Young Men's Christian Association of Orange County (a nonprofit organization) as of December 31, 2011 and 2010 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of the Young Men's Christian Association of Orange County. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Orange County as of December 31, 2011 and 2010, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming opinions on the financial statements that comprise the Young Men's Christian Association of Orange County's basic financial statements. The supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mayer Hoffman McCann P.C.

Irvine, California
May 9, 2012

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YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Statements of Financial Position

December 31, 2011 and 2010

| <u>Assets</u> | <u>2011</u> | <u>2010</u> |
|---|----------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents (note 2) | \$ 6,825,200 | 5,667,458 |
| Receivables: | | |
| Accounts, net of allowance of \$33,700 and \$18,138 (note 3) | 567,074 | 718,340 |
| Pledges, net of allowance of \$47,611 and \$21,187 (note 7) | 2,429 | 42,803 |
| Santa Ana Project funding (note 4) | - | 925,455 |
| Deposits | 56,659 | 68,297 |
| Prepaid insurance | 77,668 | 65,548 |
| Other prepaid expenses | 245,850 | 198,825 |
| Total current assets | <u>7,774,880</u> | <u>7,686,726</u> |
| Other land | 149,863 | 149,863 |
| Property and equipment, net (note 4) | <u>14,383,934</u> | <u>14,406,945</u> |
| Total assets | <u>\$ 22,308,677</u> | <u>22,243,534</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 524,914 | 1,242,100 |
| Accrued payroll and employee benefits | 1,368,714 | 1,232,613 |
| Deposits payable (note 15) | 746,675 | 775,364 |
| Membership dues received in advance | 51,666 | 127,476 |
| Program fees received in advance | 1,504,914 | 1,609,714 |
| Deferred Santa Ana Project funding, current portion (note 4) | 250,000 | 250,000 |
| Notes payable, current portion (note 5) | 118,261 | 182,395 |
| Custodial funds payable (note 16) | 58,081 | 23,708 |
| Total current liabilities | <u>4,623,225</u> | <u>5,443,370</u> |
| Long-term liabilities: | | |
| Self insurance liability (note 13) | 172,622 | 162,976 |
| Interest rate swap liability (note 6) | 37,515 | - |
| Notes payable, less current portion (note 5) | 2,152,447 | 2,433,045 |
| Deferred Santa Ana Project funding, less current portion (note 4) | <u>2,000,000</u> | <u>2,250,000</u> |
| Total long-term liabilities | <u>4,362,584</u> | <u>4,846,021</u> |
| Total liabilities | <u>8,985,809</u> | <u>10,289,391</u> |
| Net assets (note 9): | | |
| Unrestricted net assets | 13,023,899 | 11,795,434 |
| Temporarily restricted | 208,969 | 68,709 |
| Permanently restricted | 90,000 | 90,000 |
| Total net assets | <u>13,322,868</u> | <u>11,954,143</u> |
| Total liabilities and net assets | <u>\$ 22,308,677</u> | <u>22,243,534</u> |

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Statement of Activities

Year ended December 31, 2011

| | Total | Unrestricted | Temporarily Restricted | Permanently Restricted |
|---|---------------|--------------|------------------------|------------------------|
| <u>Operations</u> | | | | |
| Support, revenue and gains: | | | | |
| Fundraising support: | | | | |
| Contributions (cash) | \$ 1,587,649 | 1,473,662 | 113,987 | - |
| Contributions (in-kind) | 54,726 | 54,726 | - | - |
| Special events - net of direct costs | 203,730 | 152,230 | 51,500 | - |
| Total fundraising support | 1,846,105 | 1,680,618 | 165,487 | - |
| Program revenue: | | | | |
| Child care fees | 13,964,889 | 13,964,889 | - | - |
| Membership fees | 4,958,387 | 4,958,387 | - | - |
| Health and fitness fees | 1,645,181 | 1,645,181 | - | - |
| Adventure Guides fees | 1,765,592 | 1,765,592 | - | - |
| Government assistance | 1,522,159 | 1,522,159 | - | - |
| Use of facilities/land | 907,100 | 907,100 | - | - |
| Camp fees | 600,155 | 600,155 | - | - |
| Community programs fees | 1,006,445 | 1,006,445 | - | - |
| Facility fees | 274,629 | 274,629 | - | - |
| Total program revenue | 26,644,537 | 26,644,537 | - | - |
| Other income | 165,626 | 165,626 | - | - |
| Net assets released from restrictions | - | 25,227 | (25,227) | - |
| Total support, revenue & gains | 28,656,268 | 28,516,008 | 140,260 | - |
| Operating expenses: | | | | |
| Program expenses: | | | | |
| Child care | 11,466,978 | 11,466,978 | - | - |
| Health & fitness | 7,779,248 | 7,779,248 | - | - |
| Adventure Guides | 1,734,145 | 1,734,145 | - | - |
| Camping | 330,133 | 330,133 | - | - |
| Other community services | 2,222,145 | 2,222,145 | - | - |
| Total program expenses | 23,532,649 | 23,532,649 | - | - |
| Supporting services: | | | | |
| Administration and general costs | 3,238,168 | 3,238,168 | - | - |
| Fundraising | 330,622 | 330,622 | - | - |
| Total supporting services | 3,568,790 | 3,568,790 | - | - |
| Total expenses | 27,101,439 | 27,101,439 | - | - |
| Operating margin | 1,554,829 | 1,414,569 | 140,260 | - |
| <u>Capital campaign, endowment & other</u> | | | | |
| Capital campaign - net | (36,507) | (36,507) | - | - |
| Investment income | 4,929 | 4,929 | - | - |
| Increase (decrease) in fair value of interest rate swap | (37,515) | (37,515) | - | - |
| Disposal of capital assets | (117,011) | (117,011) | - | - |
| Capital campaign, endowment & other - net | (186,104) | (186,104) | - | - |
| Increase (decrease) in net assets | 1,368,725 | 1,228,465 | 140,260 | - |
| Net assets at beginning of year | 11,954,143 | 11,795,434 | 68,709 | 90,000 |
| Net assets at end of year | \$ 13,322,868 | 13,023,899 | 208,969 | 90,000 |

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Statement of Activities

Year ended December 31, 2010

| | Total | Unrestricted | Temporarily Restricted | Permanently Restricted |
|--|---------------|--------------|------------------------|------------------------|
| <u>Operations</u> | | | | |
| Support, revenue and gains: | | | | |
| Fundraising support: | | | | |
| Contributions (cash) | \$ 1,014,103 | 963,766 | 50,337 | - |
| Contributions (in-kind) | 545,305 | 545,305 | - | - |
| Special events - net of direct costs | 138,479 | 138,479 | - | - |
| Total fundraising support | 1,697,887 | 1,647,550 | 50,337 | - |
| Program revenue: | | | | |
| Child care fees | 13,723,963 | 13,723,963 | - | - |
| Membership fees | 5,105,444 | 5,105,444 | - | - |
| Health and fitness fees | 1,286,529 | 1,286,529 | - | - |
| Adventure Guides fees | 1,562,674 | 1,562,674 | - | - |
| Government assistance | 1,048,623 | 1,048,623 | - | - |
| Use of facilities/land | 964,100 | 964,100 | - | - |
| Camp fees | 524,208 | 524,208 | - | - |
| Community programs fees | 833,271 | 833,271 | - | - |
| Facility fees | 192,613 | 192,613 | - | - |
| Total program revenue | 25,241,425 | 25,241,425 | - | - |
| Other income | 119,963 | 119,963 | - | - |
| Net assets released from restrictions | - | 84,543 | (84,543) | - |
| Total support, revenue & gains | 27,059,275 | 27,093,481 | (34,206) | - |
| Operating expenses: | | | | |
| Program expenses: | | | | |
| Child care | 10,706,865 | 10,706,865 | - | - |
| Health & fitness | 7,223,770 | 7,223,770 | - | - |
| Adventure Guides | 1,708,269 | 1,708,269 | - | - |
| Camping | 302,656 | 302,656 | - | - |
| Other community services | 2,129,700 | 2,129,700 | - | - |
| Total program expenses | 22,071,260 | 22,071,260 | - | - |
| Supporting services: | | | | |
| Administration and general costs | 3,130,771 | 3,130,771 | - | - |
| Fundraising | 325,706 | 325,706 | - | - |
| Total supporting services | 3,456,477 | 3,456,477 | - | - |
| Total expenses | 25,527,737 | 25,527,737 | - | - |
| Operating margin | 1,531,538 | 1,565,744 | (34,206) | - |
| <u>Capital campaign, endowment & other</u> | | | | |
| Capital campaign - net | 40,950 | 40,950 | - | - |
| Investment income | 4,193 | 4,193 | - | - |
| Other | 25,000 | 25,000 | - | - |
| Disposal of capital assets | (628,049) | (628,049) | - | - |
| Net assets released from restrictions | - | 184,501 | (184,501) | - |
| Capital campaign, endowment & other - net | (557,906) | (373,405) | (184,501) | - |
| Increase (decrease) in net assets | 973,632 | 1,192,339 | (218,707) | - |
| Net assets at beginning of year | 10,980,511 | 10,603,095 | 287,416 | 90,000 |
| Net assets at end of year | \$ 11,954,143 | 11,795,434 | 68,709 | 90,000 |

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Statement of Functional Expenses

Year ended December 31, 2011

| | Program Services | | | | | Subtotal |
|--|----------------------|--------------------|-----------------------------|----------------|--------------------------|----------------------|
| | Child Care | Health and Fitness | Adventure Guides Activities | Camping | Other Community Services | |
| Salaries and wages | \$ 6,700,072 | 3,650,172 | 205,716 | 81,949 | 1,344,722 | 11,982,631 |
| Employee benefits | 954,586 | 305,980 | 33,904 | 6,938 | 114,050 | 1,415,458 |
| Payroll taxes | 561,816 | 310,368 | 17,513 | 6,836 | 122,093 | 1,018,626 |
| Professional fees | 59,100 | 5,189 | 836 | 247 | 4,285 | 69,657 |
| Supplies | 118,545 | 114,014 | 3,980 | 700 | 9,927 | 247,166 |
| Telephone | 158,582 | 53,417 | 11,149 | 1,804 | 29,385 | 254,337 |
| Postage | 12,103 | 6,204 | 1,213 | 233 | 2,044 | 21,797 |
| Occupancy | 792,808 | 1,687,344 | 93,759 | 16,118 | 81,740 | 2,671,769 |
| Depreciation | 244,202 | 840,768 | 518 | 95 | 19,516 | 1,105,099 |
| Equipment | 53,274 | 43,306 | 5,202 | 972 | 8,058 | 110,812 |
| Printing and promotion | 206,459 | 84,071 | 10,131 | 8,278 | 9,488 | 318,427 |
| Fundraising campaign | - | - | - | - | - | - |
| Employee and travel expense | 42,009 | 7,486 | 6,141 | 775 | 7,604 | 64,015 |
| Meetings, training, and conferences | 102,828 | 48,652 | 10,861 | 1,914 | 32,069 | 196,324 |
| Program costs | 990,001 | 357,329 | 1,264,101 | 173,818 | 368,347 | 3,153,596 |
| Vehicle expense | 139,518 | 84 | 20,525 | 22,725 | 37,730 | 220,582 |
| Administrative expenses | 165,232 | 133,348 | 40,155 | 2,096 | 3,591 | 344,422 |
| Fair share | 147,767 | 68,537 | 5,616 | 2,764 | 13,938 | 238,622 |
| Recruitment and relocation | 28,383 | 11,357 | 139 | 1,742 | 13,287 | 54,908 |
| Bad debt expense | (10,307) | 51,622 | 2,686 | 129 | 271 | 44,401 |
| Interest | - | - | - | - | - | - |
| Total expenses | <u>\$ 11,466,978</u> | <u>7,779,248</u> | <u>1,734,145</u> | <u>330,133</u> | <u>2,222,145</u> | <u>23,532,649</u> |
| Fundraising expenses netted with capital campaign | | | | | | <u>-</u> |
| Fundraising expenses for the Statement of Activities | | | | | | <u>\$ 23,532,649</u> |

See accompanying notes to financial statements.

Supporting Services

| <u>Administrative and General</u> | <u>Fundraising</u> | <u>Subtotal</u> | <u>Total</u> |
|---------------------------------------|--------------------|------------------|-------------------|
| 1,625,191 | 197,990 | 1,823,181 | 13,805,812 |
| 244,761 | 24,942 | 269,703 | 1,685,161 |
| 121,171 | 16,679 | 137,850 | 1,156,476 |
| 329,543 | 449 | 329,992 | 399,649 |
| 49,117 | 1,032 | 50,149 | 297,315 |
| 25,255 | 1,979 | 27,234 | 281,571 |
| 8,797 | 423 | 9,220 | 31,017 |
| 223,340 | 409 | 223,749 | 2,895,518 |
| 235,415 | 38 | 235,453 | 1,340,552 |
| 27,964 | 381 | 28,345 | 139,157 |
| 5,310 | 2,256 | 7,566 | 325,993 |
| - | 47,370 | 47,370 | 47,370 |
| 2,267 | 864 | 3,131 | 67,146 |
| 55,063 | 40,893 | 95,956 | 292,280 |
| 80,559 | 77 | 80,636 | 3,234,232 |
| 16,840 | - | 16,840 | 237,422 |
| 27,236 | 2,293 | 29,529 | 373,951 |
| - | 5,305 | 5,305 | 243,927 |
| 18,939 | 71 | 19,010 | 73,918 |
| - | 26,424 | 26,424 | 70,825 |
| <u>141,400</u> | <u>-</u> | <u>141,400</u> | <u>141,400</u> |
| 3,238,168 | 369,875 | 3,608,043 | 27,140,692 |
| <u>-</u> | <u>(39,253)</u> | <u>(39,253)</u> | <u>(39,253)</u> |
| <u>3,238,168</u> | <u>330,622</u> | <u>3,568,790</u> | <u>27,101,439</u> |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Statement of Functional Expenses

Year ended December 31, 2010

| | Program Services | | | | | Subtotal |
|--|----------------------|--------------------|-----------------------------|----------------|--------------------------|----------------------|
| | Child Care | Health and Fitness | Adventure Guides Activities | Camping | Other Community Services | |
| Salaries and wages | \$ 6,259,981 | 3,335,601 | 228,413 | 74,202 | 1,281,491 | 11,179,688 |
| Employee benefits | 800,679 | 256,385 | 36,570 | 4,753 | 114,088 | 1,212,475 |
| Payroll taxes | 535,212 | 289,836 | 19,952 | 6,080 | 120,835 | 971,915 |
| Professional fees | 16,351 | 3,661 | 220 | 215 | 3,461 | 23,908 |
| Supplies | 112,736 | 105,117 | 3,792 | 861 | 10,109 | 232,615 |
| Telephone | 163,403 | 49,602 | 11,370 | 1,731 | 33,708 | 259,814 |
| Postage | 9,604 | 5,335 | 1,081 | 179 | 3,072 | 19,271 |
| Occupancy | 854,473 | 1,704,023 | 92,826 | 17,271 | 160,183 | 2,828,776 |
| Depreciation | 251,155 | 631,595 | 1,411 | 245 | 26,783 | 911,189 |
| Equipment | 43,137 | 48,530 | 6,169 | 1,080 | 11,670 | 110,586 |
| Printing and promotion | 181,433 | 109,680 | 7,701 | 7,987 | 12,327 | 319,128 |
| Fundraising campaign | - | - | - | - | - | - |
| Employee and travel expense | 40,538 | 9,931 | 5,329 | 363 | 6,319 | 62,480 |
| Meetings, training, and conferences | 82,747 | 40,124 | 5,268 | 1,871 | 23,649 | 153,659 |
| Program costs | 908,952 | 403,584 | 1,239,630 | 154,389 | 264,709 | 2,971,264 |
| Vehicle expense | 126,451 | 16 | 9,020 | 17,881 | 26,786 | 180,154 |
| Administrative expenses | 153,667 | 139,062 | 33,248 | 4,900 | 2,157 | 333,034 |
| Fair share | 132,803 | 66,235 | 3,893 | 2,433 | 15,320 | 220,684 |
| Recruitment and relocation | 30,707 | 15,654 | 212 | 5,041 | 11,333 | 62,947 |
| Bad debt expense | 2,821 | 5,661 | 2,164 | 1,174 | 1,700 | 13,520 |
| Interest | 15 | 4,138 | - | - | - | 4,153 |
| Total expenses | <u>\$ 10,706,865</u> | <u>7,223,770</u> | <u>1,708,269</u> | <u>302,656</u> | <u>2,129,700</u> | <u>22,071,260</u> |
| Fundraising expenses netted with capital campaign | | | | | | <u>-</u> |
| Fundraising expenses for the Statement of Activities | | | | | | <u>\$ 22,071,260</u> |

See accompanying notes to financial statements.

Supporting Services

| <u>Administrative and General</u> | <u>Fundraising</u> | <u>Subtotal</u> | <u>Total</u> |
|---------------------------------------|-----------------------|-------------------------|--------------------------|
| 1,522,478 | 202,210 | 1,724,688 | 12,904,376 |
| 212,784 | 33,808 | 246,592 | 1,459,067 |
| 120,193 | 15,070 | 135,263 | 1,107,178 |
| 319,542 | 2,744 | 322,286 | 346,194 |
| 61,870 | 2,156 | 64,026 | 296,641 |
| 31,534 | 1,824 | 33,358 | 293,172 |
| 9,567 | 819 | 10,386 | 29,657 |
| 261,219 | 321 | 261,540 | 3,090,316 |
| 142,868 | 973 | 143,841 | 1,055,030 |
| 29,739 | 167 | 29,906 | 140,492 |
| 8,260 | 1,962 | 10,222 | 329,350 |
| - | 38,206 | 38,206 | 38,206 |
| 15,032 | 1,551 | 16,583 | 79,063 |
| 38,985 | 24,823 | 63,808 | 217,467 |
| 101,601 | 2,007 | 103,608 | 3,074,872 |
| 16,010 | - | 16,010 | 196,164 |
| 25,960 | 2,220 | 28,180 | 361,214 |
| - | 7,414 | 7,414 | 228,098 |
| 14,238 | 65 | 14,303 | 77,250 |
| - | (31,467) | (31,467) | (17,947) |
| <u>198,891</u> | <u>-</u> | <u>198,891</u> | <u>203,044</u> |
| 3,130,771 | 306,873 | 3,437,644 | 25,508,904 |
| <u>-</u> | <u>18,833</u> | <u>18,833</u> | <u>18,833</u> |
| <u><u>3,130,771</u></u> | <u><u>325,706</u></u> | <u><u>3,456,477</u></u> | <u><u>25,527,737</u></u> |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Statements of Cash Flows

Years ended December 31, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|---|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Cash received from services | \$ 24,310,915 | 24,094,637 |
| Contributions received | 1,795,246 | 1,343,590 |
| Grants received | 2,209,570 | 2,819,508 |
| Interest received | 4,929 | 4,193 |
| Cash paid to employees for services | (15,354,872) | (14,437,909) |
| Cash paid to suppliers of goods and services | <u>(10,028,762)</u> | <u>(7,682,776)</u> |
| Net cash provided by operating activities | <u>2,937,026</u> | <u>6,141,243</u> |
| Cash flows from investing activities: | | |
| Cash paid to acquire fixed assets | (1,516,250) | (4,268,528) |
| Proceeds from disposal of fixed assets | <u>81,698</u> | <u>5,200</u> |
| Net cash used for investing activities | <u>(1,434,552)</u> | <u>(4,263,328)</u> |
| Cash flows from financing activities: | | |
| Principal payment on notes | (2,644,732) | (265,516) |
| Proceeds from long term notes | <u>2,300,000</u> | <u>-</u> |
| Net cash provided used for financing activities | <u>(344,732)</u> | <u>(265,516)</u> |
| Net increase in cash | 1,157,742 | 1,612,399 |
| Cash and cash equivalents at beginning of year | <u>5,667,458</u> | <u>4,055,059</u> |
| Cash and cash equivalents at end of year | <u>\$ 6,825,200</u> | <u>5,667,458</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Increase in net assets | \$ 1,368,725 | 973,632 |
| Depreciation | 1,340,552 | 1,055,030 |
| Loss on sale of property and equipment | 117,011 | 647,209 |
| Decrease on fair value of interest rate swap | 37,515 | - |
| Loss on investments | - | 2,000 |
| Changes in working capital: | | |
| Accounts receivable | 151,266 | 280,310 |
| Pledges receivable | 40,374 | - |
| Santa Ana Project funding receivable | 925,455 | (925,455) |
| Deposits | 11,638 | (22,322) |
| Prepaid insurance | (12,120) | 6,434 |
| Other prepaid expenses | (47,025) | (15,943) |
| Accounts payable | (717,186) | 808,121 |
| Accrued payroll and employee benefits | 136,101 | (74,466) |
| Deposits payable | (28,689) | 775,364 |
| Membership dues received in advance | (75,810) | (212,114) |
| Program fees received in advance | (104,800) | 244,132 |
| Deferred Santa Ana project funding | (250,000) | 2,500,000 |
| Custodial funds payable | 34,373 | (22,851) |
| Self insurance liability | <u>9,646</u> | <u>122,162</u> |
| Net cash provided by operating activities | <u>\$ 2,937,026</u> | <u>6,141,243</u> |
| Supplemental Disclosures: | | |
| Interest paid | <u>\$ 141,400</u> | <u>203,044</u> |
| Non-cash investing and financing activities for the years ended December 31, 2011 and 2010: | | |
| Decrease in fair value of interest rate swap | <u>\$ 37,515</u> | <u>-</u> |

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

Years ended December 31, 2011 and 2010

(1) Summary of Significant Accounting Policies

(a) Organization

The Young Men's Christian Association of Orange County (the YMCA or Y) is a charitable organization which puts Christian principles into practice through programs that build spirit, mind, and body for all. The Y has been active in Orange County since 1922 and consists of nine operating branches located throughout Orange County. The Y provides programs that incorporate our core values of honesty, caring, respect and responsibility. At the Y, strengthening community is our cause. Every day we work side-by-side with our neighbors to make sure that everyone, regardless of age, income or background, has the opportunity to learn, grow and thrive. Our vision is to improve lives and strengthen character by fostering youth and family development, healthy living and social responsibility driven by passionate staff and volunteers.

The Y provides service for the following program areas:

- Child Care: With so many demands on today's families, parents need all the support they can get. That's why child care at the Y is about more than looking after kids. It's about nurturing their development by providing a safe place to learn foundational skills, develop healthy, trusting relationships and build self-reliance through the Y values of caring, honesty, respect and responsibility. We believe the values and skills learned early on are vital building blocks for quality of life. Because of the Y community, kids in neighborhoods around the nation are taking more interest in learning and making smarter life choices. At the Y, kids learn character which shapes responsible decisions, the value of social responsibility and the gift of giving back, good sportsmanship and, most importantly, they learn to be themselves. We believe that all kids deserve the opportunity to discover who they are and what they can achieve. That's why, through the Y, millions of youth today are cultivating the values, skills and relationships that lead to positive behaviors, better health and educational achievement.
- Health and Fitness: The Y provides health and wellness programming to youth and adults to increase the positive impact on the health of children and families in Orange County through programs and partnerships which promote healthier decisions and provide opportunities to get involved, give back and get connected. Being healthy means more than simply being physically active. It's about maintaining a balanced spirit, mind and body. The Y is a place where everyone can work toward that balance by challenging themselves to learn a new skill or hobby, fostering connections with friends through our lifelong learning programs, or brining your loved ones closer together through our many family-centered activities. At the Y, it's not about the activity as much as it is about the benefits of living healthier.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(a) Organization, (Continued)

- Adventure Guides Activities: The Y provides Adventure Guides participants with a family oriented program providing an opportunity for parents and children to spend quality one-on-one time together to help strengthen the family relationships and create memories that will last a lifetime. The Y's core values provide direction as parents guide children on their journey. Along the way adults model, teach and demonstrate these values as well as give children many opportunities to practice and celebrate with them. Initially, these four values provide guidance in helping children select activities, make decisions, and choose appropriate courses of action both in the program and in their lives.
- Camping: Y camps have a rich tradition dating back to as early as 1909. The Y offers both residential and day camps that are designed to have kids learn to appreciate and respect nature and each other. We nurture character development through the Ys core values of caring, honesty, respect and responsibility. Y camping programs are educational and experiential; they promote 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, YMCA camping programs encourage participants to explore and develop their interests and abilities in a safe and nurturing environment.
- Other Community Services: Y youth and teen programs give kids good role models to help them develop self-esteem and good values, including cooperation, respect for the body, good citizenship, and a strong work ethic. Teen activities are among the most rapidly growing Y programs, reflecting the growing awareness that adolescents need structure and activities, especially in the after-school hours.

The Y provides a variety of programs including individual family counseling, mentoring, tutoring, programs targeted towards high-risk youth, developmentally disabled adults, fragile families in crisis, and other programs targeted to at-risk populations. We also provide unique styles of programming to impact the growing epidemic of youth obesity through school based fitness and nutrition programs.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(a) Organization, (Continued)

- Other Community Services: The Y provides a multitude of community service programs providing safe and structured activities within a variety of programs targeted towards high risk youth, fragile families in crisis, and other programs targeted to at-risk populations. The Y provides essential support for the most overlooked members of our community, delivering unique programs and services to youth and adults with developmental disabilities and foster care youth and families. We enhance the lives of youth, their families and provide enrichment to the community.

(b) Basis of Accounting

The financial statements of the YMCA have been prepared on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

(c) Financial Statement Presentation

The YMCA's accounting and reporting policies comply with the accounting and reporting provisions of the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not for Profit Organizations*.

(d) Income Taxes

The YMCA is a tax-exempt organization ("other than a private foundation") under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

(e) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the YMCA considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(f) Donated Materials, Services and Facilities

Donated materials and other noncash contributions, if received, would be reflected in the accompanying statements at their estimated market values at 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. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value. A large number of volunteers donate their time as officers and directors of the YMCA and as volunteers in programs and at fundraising events. These volunteer services received by the YMCA did not meet the above criteria and therefore are not reflected in the accompanying financial statements.

Donated services in the amounts of \$30,000 and \$10,000 were recorded during the years ended December 31, 2011 and 2010, respectively. Donated computer equipment and software in the amounts of \$24,726 and \$535,305 were recorded during the years ended December 31, 2011 and 2010, respectively.

(g) Use of Facilities/Land

Use of facilities/land received during the years ended December 31, 2011 and December 31, 2010 included: 3.57 acres of land from the United States of America – Department of the Army, 20,455 square feet of building and 23,655 square feet of land from the City of Laguna Niguel. In addition, the YMCA occupies 4 acres of land, as well as 27,327 square feet of building donated by the City of Mission Viejo. Use of facilities/land is considered an exchange transaction and recorded as revenue and “occupancy” expenses in the accompanying financial statements at their estimated fair market value. The YMCA recognized \$907,100 and \$964,100 for the use of these facilities for the years ended December 31, 2011 and December 31, 2010, respectively. For 2011 and 2010, the YMCA determined the value of the facilities by focusing on zoning restrictions for these specific properties, using a specific property appraisal, and breaking down the various cost components of the buildings.

(h) Accrued Vacation

As of December 31, 2011 and 2010, the accrued vacation liability was \$388,746 and \$307,631, respectively, and is included as a component of accrued payroll and employee benefits in the accompanying financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(i) Property and Equipment

Items costing a nominal amount and repairs and maintenance are charged to expense as incurred, except expenses that materially extend asset lives, which are capitalized. Purchased fixed assets are capitalized at historical cost. Management has reviewed the depreciable lives of property and equipment and has no noted indications of impairment.

Donated property and equipment are recorded as support at their estimated fair value at the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, the YMCA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The YMCA reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment other than land are depreciated over their estimated useful lives using the straight-line method.

The YMCA owns certain land in Huntington Beach that was originally purchased in order to build a facility for YMCA programs on the land. Due to zoning restrictions, it became difficult to build the facilities originally intended, so the YMCA may sell the land. The land has been presented as Other Land on the Statement of Financial Position.

(j) Restricted and Unrestricted Revenue and Support

The YMCA records contributions received as unrestricted, temporarily restricted, or permanently restricted support, 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 of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(k) Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) Estimates

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

(m) Fair Value Measurements

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. 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 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

(n) Subsequent Events

Subsequent events have been evaluated by management through May 9, 2012, which is the date the financial statements were available to be issued.

(o) Operations

For purposes of the accompanying statement of activities, the terms *operations* and *operating margin* are used to report the on-going activities of the Organization exclusive of certain other items such as capital campaign activities, endowment activities, investment activities, and changes in donor conditions.

(2) Cash and Cash Equivalents

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

| | <u>2011</u> | <u>2010</u> |
|---------------------------------|--------------------|------------------|
| Petty cash | \$ 3,950 | 4,450 |
| Demand deposits | 3,036,782 | 3,125,696 |
| Money market accounts | <u>3,784,468</u> | <u>2,537,312</u> |
| Total cash and cash equivalents | <u>\$6,825,200</u> | <u>5,667,458</u> |

The YMCA has deposits with banks in excess of federally insured limits of \$3,073,200 and \$1,827,081 at December 31, 2011 and 2010, respectively. Deposits at federally insured institutions are insured up to at least \$250,000 per depositor through December 31, 2013, while all noninterest-bearing transaction accounts are fully insured through December 31, 2012.

Included in cash are certain funds that are restricted for long-term purposes, including the endowment fund balance, the CalOptima deposits, and funds for capital projects. Restricted balances were \$881,592 and \$913,579 at December 31, 2011 and 2010, respectively.

The YMCA's money market accounts are considered Level 1 fair value measurements for the years ended December 31, 2011 and 2010.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(3) Accounts Receivable, Net

Net accounts receivable is comprised of the following at December 31:

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|----------------|
| Grants (Government/Foundation) Program | \$ 373,369 | 385,325 |
| Other | <u>176,929</u> | <u>284,207</u> |
| | <u>16,776</u> | <u>48,808</u> |
| Total | <u>\$ 567,074</u> | <u>718,340</u> |

(4) Property and Equipment

Property and equipment consist of the following at December 31:

| | <u>2011</u> | <u>2010</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 3,377,403 | 3,377,403 |
| Buildings and improvements | 15,731,452 | 14,842,232 |
| Furniture and equipment | 5,550,419 | 6,101,593 |
| Vehicles | <u>184,220</u> | <u>174,406</u> |
| | 24,843,494 | 24,495,634 |
| Less accumulated depreciation | <u>(10,459,560)</u> | <u>(10,088,689)</u> |
| Property and equipment, net | <u>\$14,383,934</u> | <u>14,406,945</u> |

Depreciation expense for the years ended December 31, 2011 and 2010 was \$1,340,552 and \$1,055,030, respectively.

The YMCA of Orange County completed the Santa Ana project in November 2010. The project included two recreational pools, a soccer arena, sports field, a health and nutrition modular facility and an office modular on the YMCA site 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 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 ten year period. Accordingly, the Children and Families Commission of Orange County 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 ten year service period stipulated in the contract with the Commission. Revenue recognition commenced January 2011 and continues through December 2020 at a rate of \$250,000 per year. Deferred Santa Ana Project Funding for the years ended December 31, 2011 and 2010 was \$2,250,000 and \$2,500,000, respectively. As of December 31, 2011 the YMCA had collected the entire grant funds recorded as a receivable as of December 31, 2010 in the amount of \$925,455.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(5) Notes Payable

Notes payable consists of the following as of December 31:

| | <u>Outstanding Balance</u> | |
|--|--------------------------------|------------------|
| | <u>2011</u> | <u>2010</u> |
| The YMCA entered into a \$2,500,000 note with a 7.3% interest rate, payable to Fullerton Community Bank in initial monthly principal and interest installments of \$20,200. Final payment was due September 1, 2027, but the note was paid in full in September 2011. The purpose of the note was to provide funds for the refurbishment of the North Orange County facility. This note was secured by all business assets. | \$ - | 2,315,970 |
| The YMCA entered into a \$500,000 note with a 6.5% interest rate, payable to Fullerton Community Bank in initial monthly principal and interest installments of \$10,240. Final payment was due September 1, 2013, but the note was paid in full in April 2011. The purpose of the note was to provide funds for the refurbishment of the North Orange County facility. This note was secured by all business assets. | - | 299,470 |
| The YMCA entered into a \$2,300,000 note with a variable interest rate, payable to Bank of America in monthly principal and interest installments. Refer to Note 6 for interest rate terms. The variable interest rate at December 31, 2011 was 2.545%. Final payment is due September 1, 2016. The purpose of the note was to refinance the previous note with Fullerton Community Bank at a lower interest rate. This note is secured by the North Orange County facility. | <u>2,270,708</u> | <u>-</u> |
| Total notes payable | 2,270,708 | 2,615,440 |
| Less current portion | <u>(118,261)</u> | <u>(182,395)</u> |
| Notes payable - long term | <u>\$2,152,447</u> | <u>2,433,045</u> |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(5) Notes Payable, (Continued)

Future requirements to amortize outstanding notes are as follows:

| <u>Year Ending</u> <u>December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Hedging</u> <u>Derivatives, Net</u> | <u>Total</u> |
|--|---------------------|-----------------|---|------------------|
| 2012 | \$ 118,261 | 56,169 | 23,705 | 198,135 |
| 2013 | 122,675 | 53,101 | 22,407 | 198,183 |
| 2014 | 127,253 | 49,915 | 21,064 | 198,232 |
| 2015 | 132,003 | 46,611 | 19,671 | 198,285 |
| 2016 | <u>1,770,516</u> | <u>29,176</u> | <u>12,312</u> | <u>1,812,004</u> |
| | <u>\$ 2,270,708</u> | <u>234,972</u> | <u>99,159</u> | <u>2,604,839</u> |

The above table incorporates the net receipts/payments of the hedging derivative instrument that is associated with this debt issue. These amounts assume that current interest rates on variable-rate notes and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate notes and net receipts/payments on the hedging derivative instruments will vary. Refer to Note 6 for additional information regarding the derivative instrument associated with the debt of the YMCA.

(6) Interest Rate Swap Liability

The following table displays the objectives and terms of the YMCA's hedging derivative instrument outstanding at December 31, 2011, along with the credit rating of the associated counterparty.

| <u>Type</u> | <u>Objective</u> | <u>Notional</u> <u>Amount</u> | <u>Effective</u> <u>Date</u> | <u>Maturity</u> <u>Date</u> | <u>Terms</u> | <u>Counterparty</u> <u>(Bank of</u> <u>America)</u> <u>Credit Rating</u> |
|------------------------------------|--|----------------------------------|---------------------------------|--------------------------------|--|---|
| Cash flow hedges: | | | | | | |
| Pay-fixed interest rate swap | Hedge of changes in cash flows on the outstanding notes payable | \$2,270,708 | 9/1/2011 | 9/1/2016 | Pay 3.619%; Receive USLIBOR rate plus 2.25% | A |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(6) Interest Rate Swap Liability, (Continued)

The fair value balance and notional amount of derivative instruments outstanding at December 31, 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended December 31, 2011 are as follows:

| | Changes in Fair Value For the Year Ended December 31, 2011 | | Fair Value at December 31, 2011 | | Notional |
|-------------------------------|--|------------|------------------------------------|------------|-------------|
| | Classification | Amount | Classification | Amount | |
| Cash flow hedges: | | | | | |
| Pay-fixed interest rate swaps | Decrease in fair value of interest rate swap | (\$37,515) | Liability | (\$37,515) | \$2,270,708 |

The YMCA's interest rate swap is considered a Level 2 fair value measurement for the year ended December 31, 2011.

(7) Pledges receivable

The pledges receivable listed below are a combination of capital campaign pledges and annual support pledges. Long-term pledges receivable are recorded as contributions based upon the net present value of the expected amounts to be collected. The prime rate in effect at the time the pledges were made was used to determine the present value of such pledges receivable. The following is a schedule of pledges receivable at December 31:

| | 2011 | 2010 |
|-----------------------------------|-----------------|-----------------|
| Annual support pledges: | | |
| Gross pledges due in one year | \$ 5,040 | 17,990 |
| Less allowance for uncollectibles | <u>(2,611)</u> | <u>(14,787)</u> |
| Subtotal annual support pledges | <u>2,429</u> | <u>3,203</u> |
| Capital campaign pledges: | | |
| Gross pledges due in one year | 45,000 | 46,000 |
| Less allowance for uncollectibles | <u>(45,000)</u> | <u>(6,400)</u> |
| Subtotal capital campaign pledges | <u>-</u> | <u>39,600</u> |
| Total pledges receivable | <u>\$ 2,429</u> | <u>42,803</u> |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(7) Pledges receivable, (Continued)

Pledges receivable have been classified in the financial statements as follows:

| | <u>2011</u> | <u>2010</u> |
|--|------------------|----------------|
| Pledges receivable, current | <u>\$ 2,429</u> | <u>42,803</u> |
| <u>(8) Net Assets Released from Restrictions</u> | | |
| | <u>2011</u> | <u>2010</u> |
| Expiration of time restrictions: | | |
| Subsequent years operations and programs | \$ 25,227 | 84,543 |
| Expiration of program restrictions: | | |
| Facility construction / renovation | <u>-</u> | <u>184,501</u> |
| Total net assets released from restrictions | <u>\$ 25,227</u> | <u>269,044</u> |

(9) Net Assets

Net assets consist of the following at December 31:

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|-------------------|
| Unrestricted net assets: | | |
| Invested in property and equipment, net of related debt | 12,263,089 | 11,941,368 |
| Available for operations | <u>760,810</u> | <u>(145,934)</u> |
| Total unrestricted net assets | <u>\$13,023,899</u> | <u>11,795,434</u> |
| Temporarily restricted net assets: | | |
| Restricted for: | | |
| Subsequent years operations and programs | 168,040 | 64,467 |
| Annual Partners campaign | <u>40,929</u> | <u>4,242</u> |
| Total temporarily restricted net assets | <u>208,969</u> | <u>68,709</u> |
| Permanently restricted net assets: | | |
| Restricted for: | | |
| Chick Hearn Foundation Endowment | <u>90,000</u> | <u>90,000</u> |
| Total permanently restricted net assets | <u>90,000</u> | <u>90,000</u> |
| Total net assets | <u>\$13,322,868</u> | <u>11,954,143</u> |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(10) Operating Leases

The YMCA leases various facilities and equipment pursuant to lease agreements which expire between 2012 and 2017. The YMCA's facility leases provide for annual escalations, common area maintenance charges and renewal options. The YMCA is liable for insurance for both the facilities and equipment leases. Future minimum payments under noncancelable operating leases with an initial term of one year or more were as follows for the years ending December 31:

| | <u>Facility</u> | <u>Equipment</u> | <u>Total</u> |
|------------|--------------------|------------------|------------------|
| 2012 | \$354,486 | 82,904 | 437,390 |
| 2013 | 236,419 | 50,358 | 286,777 |
| 2014 | 242,883 | 20,002 | 262,885 |
| 2015 | 249,540 | 20,002 | 269,542 |
| 2016 | 256,397 | 15,173 | 271,570 |
| Thereafter | <u>263,459</u> | <u>1,029</u> | <u>264,488</u> |
| | <u>\$1,603,184</u> | <u>189,468</u> | <u>1,792,652</u> |

Total rental expense for operating leases described above were \$547,026 and \$602,861 for the years ended December 31, 2011 and 2010, respectively.

(11) Related Party Transactions

The YMCA of Orange County is a member association of the National Council of Young Men's Christian Association of the United States of America. The YMCA of Orange County is an independent autonomous organization, recognized as a member, but separate from the National Council. The YMCA of Orange County must meet annual certification requirements to remain a member. Support related to the YMCA of the USA totaled \$243,927 and \$228,098 for the years ended December 2011 and 2010, respectively.

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

In accordance with the agreement with the Retirement Fund, contributions are a percentage of the participating employee's qualified compensation, are paid for by the YMCA and are to be remitted to the YMCA Retirement Fund monthly. Total YMCA contributions charged to retirement costs for the years ended December 31, 2011 and 2010 aggregated \$554,945 and \$594,495, respectively. Unpaid contributions were \$52,787 and \$50,614 at December 31, 2011 and 2010, respectively, representing December contributions.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(11) Related Party Transactions, (Continued)

The Young Men's Christian Association Retirement Fund is operated as a church pension plan and is a non-profit, tax exempt, New York State corporation (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.

(12) Special Events

The YMCA has nine operating branches, each of which organizes its own special event activities, none of which are considered to be major events in relation to the organization as a whole. Special events held by the various branches are classified as follows:

| | <u>2011</u> | | |
|-------------------|--------------------------------|----------------------------------|------------------------------|
| | <u>Gross</u> <u>Revenue</u> | <u>Direct</u> <u>Expenses</u> | <u>Net</u> <u>Revenue</u> |
| Dinners | \$144,998 | (32,334) | 112,664 |
| Golf tournaments | 124,446 | (48,463) | 75,983 |
| 5/10K runs | <u>41,400</u> | <u>(26,317)</u> | <u>15,083</u> |
| Totals | <u>\$310,844</u> | <u>(107,114)</u> | <u>203,730</u> |
| | | | |
| | <u>2010</u> | | |
| | <u>Gross</u> <u>Revenue</u> | <u>Direct</u> <u>Expenses</u> | <u>Net</u> <u>Revenue</u> |
| Dinners | \$160,545 | (70,812) | 89,733 |
| Golf tournaments | 61,979 | (27,202) | 34,777 |
| 5/10K runs | 30,831 | (17,705) | 13,126 |
| Sports tournament | <u>4,429</u> | <u>(3,586)</u> | <u>843</u> |
| Totals | <u>\$257,784</u> | <u>(119,305)</u> | <u>138,479</u> |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY

Notes to Financial Statements

(Continued)

(13) Self Insurance Liability

The general liability and directors, officers, and trustees liability insurance policies obtained by the YMCA each include a self-insured retention component. The self-insured limit for the general liability insurance has been established at \$25,000 for each claim with no annual aggregate limit. The self-insured limit for the directors, officers and trustees liability insurance has been established at \$100,000 for each claim with no annual aggregate limit.

The YMCA has established a claims liability under the self-insured retention. The balance of this liability at December 31, 2011 and 2010 was \$172,622 and \$162,976, respectively.

(14) Concentration of Risk

The YMCA receives approximately 49% of its total support and revenues (excluding capital campaign, endowment and other) from child care fees associated with child care services performed on the premises of facilities owned by the Capistrano Unified School District (CUSD). The YMCA relies heavily on these child care fees to continue the related child care programs. If the YMCA's relationship with CUSD were to be terminated, it would likely cause a significant reduction in the YMCA's operations.

(15) Deposits Payable

In an effort to decrease the obesity rate, CalOptima has teamed up with the YMCA's of Orange County, Anaheim and Orange to provide healthy programs to selected CalOptima clients. CalOptima selects from their database who will get a voucher that can be redeemed at one of the three Y's. Once the voucher has been redeemed, then that YMCA has a right to the funds and revenue. Until then, the funds are only on deposit with the YMCA of Orange County in a segregated account. As of December 31, 2011, only 6% of the total funds had been earned, the remaining funds are treated as a deposit liability since there is no certainty as to when or which Y will earn the revenue; if the program is not successful CalOptima may request the funds be returned. The balance of deposits payable at December 31, 2011 and 2010 was \$746,675 and \$775,364, respectively.

(16) Custodial Funds Payable

The YMCA acts as a custodian for several affiliated groups' treasury accounts. As custodian, the YMCA receives funds generated by these groups, to be used at their discretion at some future date. At December 31, 2011 and 2010, custodial funds payable relating to these accounts was \$58,081 and \$23,708, respectively.

SUPPLEMENTAL SCHEDULE

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
Child Care and Development Block Grant Reconciliation - Revenue and Expenses
Year ended December 31, 2011

| | Child Care & Development Block Grant Activity | | | | | Total Organization |
|--|---|---|----------------------------------|--------------------------------------|-----------------------------------|-----------------------|
| | CDE Program Audit For FYE | (Less) July 1, 2010 to Dec, 31 2010 | July, 1, 2011 to Dec, 31 2011 | Fiscal Year Ended Dec, 31 2011 | Other Organization Activity | |
| | June 30, 2011 | Dec, 31 2010 | Dec, 31 2011 | Dec, 31 2011 | Activity | |
| <u>Operations</u> | | | | | | |
| Support, revenue and gains: | | | | | | |
| Fundraising support: | | | | | | |
| Contributions (cash) | \$ - | - | - | - | 1,587,649 | 1,587,649 |
| Contributions (in-kind) | - | - | - | - | 54,726 | 54,726 |
| Special events - net of direct costs | - | - | - | - | 203,730 | 203,730 |
| Total fundraising support | - | - | - | - | 1,846,105 | 1,846,105 |
| Program revenue: | | | | | | |
| Child care fees | 189,942 | (105,441) | 159,008 | 243,509 | 13,721,380 | 13,964,889 |
| Membership fees | - | - | - | - | 4,958,387 | 4,958,387 |
| Health and fitness fees | - | - | - | - | 1,645,181 | 1,645,181 |
| Adventure Guides fees | - | - | - | - | 1,765,592 | 1,765,592 |
| Government assistance | 200,686 | (92,105) | 92,768 | 201,349 | 1,320,810 | 1,522,159 |
| Use of facilities/land | - | - | - | - | 907,100 | 907,100 |
| Camp fees | - | - | - | - | 600,155 | 600,155 |
| Community programs fees | - | - | - | - | 1,006,445 | 1,006,445 |
| Facility fees | - | - | - | - | 274,629 | 274,629 |
| Total program revenue | 390,628 | (197,546) | 251,776 | 444,858 | 26,199,679 | 26,644,537 |
| Other income | - | - | - | - | 165,626 | 165,626 |
| Total support, revenue & gains | 390,628 | (197,546) | 251,776 | 444,858 | 28,211,410 | 28,656,268 |
| Operating expenses: | | | | | | |
| Program expenses: | | | | | | |
| Child care | 363,144 | (189,318) | 246,196 | 420,022 | 11,046,956 | 11,466,978 |
| Health & fitness | - | - | - | - | 7,779,248 | 7,779,248 |
| Adventure Guides | - | - | - | - | 1,734,145 | 1,734,145 |
| Camping | - | - | - | - | 330,133 | 330,133 |
| Other community services | - | - | - | - | 2,222,145 | 2,222,145 |
| Total program expenses | 363,144 | (189,318) | 246,196 | 420,022 | 23,112,627 | 23,532,649 |
| Supporting services: | | | | | | |
| Administration and general costs | - | - | - | - | 3,238,168 | 3,238,168 |
| Fundraising | - | - | - | - | 330,622 | 330,622 |
| Total supporting services | - | - | - | - | 3,568,790 | 3,568,790 |
| Total expenses | 363,144 | (189,318) | 246,196 | 420,022 | 26,681,417 | 27,101,439 |
| Operating margin | 27,484 | (8,228) | 5,580 | 24,836 | 1,529,993 | 1,554,829 |
| <u>Capital campaign, endowment & other</u> | | | | | | |
| Capital campaign - net | - | - | - | - | (36,507) | (36,507) |
| Investment income | - | - | - | - | 4,929 | 4,929 |
| Increase (decrease) in fair value of interest rate swap | - | - | - | - | (37,515) | (37,515) |
| Disposal of capital assets | - | - | - | - | (117,011) | (117,011) |
| Capital campaign, endowment & other - net | - | - | - | - | (186,104) | (186,104) |
| Increase (decrease) in net assets | 27,484 | (8,228) | 5,580 | 24,836 | 1,343,889 | 1,368,725 |

See accompanying notes to financial statements.