

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL CONSOLIDATING
INFORMATION**

YEARS ENDED DECEMBER 31, 2020 AND 2019

WITH INDEPENDENT AUDITORS' REPORT



CLAconnect.com

WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
TABLE OF CONTENTS
DECEMBER 31, 2020 AND 2019**

	<u>Page</u>
Independent Auditors’ Report	1
Consolidated Financial Statements:	
Statements of Financial Position.....	3
Statement of Activities - Year Ended December 31, 2020.....	4
Statement of Activities - Year Ended December 31, 2019.....	5
Statement of Functional Expenses - Year Ended December 31, 2020.....	6
Statement of Functional Expenses - Year Ended December 31, 2019.....	8
Statements of Cash Flows.....	10
Notes to Consolidated Financial Statements.....	12
Supplemental Consolidating Information:	
Schedule I - Consolidating Statement of Financial Position - December 31, 2020.....	40
Schedule II - Consolidating Statement of Activities and Changes in Member’s Equity Year Ended December 31, 2020.....	41
Schedule III - Consolidating Statement of Financial Position - December 31, 2019.....	42
Schedule IV - Consolidating Statement of Activities and Changes in Member’s Equity Year Ended December 31, 2019.....	43



INDEPENDENT AUDITORS' REPORT

Board of Directors

Young Men's Christian Association of Orange County and Subsidiary

We have audited the accompanying consolidated financial statements of the Young Men's Christian Association of Orange County and subsidiary (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note 21 to the consolidated financial statements, certain errors in applying accounting principles generally accepted in the United States of America in the prior year were discovered by management of the Organization. Accordingly, an adjustment has been made to opening net assets. Our opinion is not modified with respect to this matter.

Other Matters

The financial statements as of and for the year ended December 31, 2019, were audited by White Nelson Diehl Evans LLP, whose partners and professional staff joined CliftonLarsonAllen LLP as of November 1, 2020, and has subsequently ceased operations. White Nelson Diehl Evans LLP's report dated May 14, 2020, expressed an unmodified opinion on those statements.

Report on Supplemental Consolidating Information

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



CliftonLarsonAllen LLP

Irvine, California
June 15, 2021

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Current Assets:		
Cash and cash equivalents (Note 5)	\$ 3,101,391	\$ 4,983,378
Investments (Notes 6 and 10)	11,358,639	11,937,055
Receivables:		
Accounts receivable, net (Note 7)	1,488,259	950,612
Contribution receivable, current	93,172	93,172
Pledges receivable, net	10,000	23,738
Prepaid expenses and other current assets	317,114	589,107
Total Current Assets	16,368,575	18,577,062
Property Held under Capital Leases, Net	-	32,956
Property and Equipment, Net (Note 8)	18,469,065	19,794,942
Other Assets:		
Deposits	2,200	84,654
Endowment investments	168,444	168,444
Contribution receivable, non-current	1,397,575	1,490,747
Total Other Assets	1,568,219	1,743,845
Total Assets	\$ 36,405,859	\$ 40,148,805

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 636,578	\$ 500,785
Accrued payroll and employee benefits	2,190,526	1,871,043
Program fees received in advance	1,036,614	664,751
Accrued expenses	310,657	132,295
Deferred Santa Ana project funding, current portion (Note 8)	-	250,000
Current maturities of obligations held under capital leases (Note 16a)	3,158	30,880
Notes payable, current portion (Note 11)	673,790	166,493
Total Current Liabilities	4,851,323	3,616,247
Long-Term Liabilities:		
Deposits payable	34,788	29,890
Notes payable, less current portion (Note 11)	4,017,965	4,105,417
Total Long-Term Liabilities	4,052,753	4,135,307
Total Liabilities	8,904,076	7,751,554
Net Assets (Note 14):		
Without donor restrictions	24,234,215	28,939,243
With donor restrictions	3,267,568	3,458,008
Total Net Assets	27,501,783	32,397,251
Total Liabilities and Net Assets	\$ 36,405,859	\$ 40,148,805

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Total	Without Donor Restrictions	With Donor Restrictions
<u>Operations</u>			
Support, Revenue, and Gains:			
Fundraising Support:			
Contributions	\$ 985,339	\$ 779,590	\$ 205,749
Total Fundraising Support	985,339	779,590	205,749
Program Revenue:			
Childcare fees	11,938,655	11,938,655	-
Membership fees	4,036,276	4,036,276	-
Health and fitness fees	767,060	767,060	-
Adventure guides fees	884,879	884,879	-
Government assistance	1,876,576	1,876,576	-
Donated use of facilities/land	-	-	-
Camp	376,865	376,865	-
Community programs fees	375,149	375,149	-
Facility fees	103,278	103,278	-
Total Program Revenue	20,358,738	20,358,738	-
Contributions from other YMCAs	2,806	2,806	-
Other Income	2,193,527	2,193,527	-
Rental Income	267,275	267,275	-
Net Assets Released from Restrictions	-	396,189	(396,189)
Total Support, Revenue, and Gains	23,807,685	23,998,125	(190,440)
Operating Expenses:			
Program Services:			
Child and youth development	12,460,654	12,460,654	-
Health and fitness	6,312,163	6,312,163	-
Adventure guides activities	865,310	865,310	-
Camp	266,229	266,229	-
Other community services	2,611,782	2,611,782	-
Total Program Services	22,516,138	22,516,138	-
Supporting Services:			
Administrative and general	5,159,437	5,159,437	-
Fundraising	276,841	276,841	-
Total Supporting Services	5,436,278	5,436,278	-
Tipper, LLC	572,038	572,038	-
Total Operating Expenses	28,524,454	28,524,454	-
Operating Margin	(4,716,769)	(4,526,329)	(190,440)
<u>Nonoperating</u>			
Investment Income, Net (Note 6)	(138,906)	(138,906)	-
Loss on Disposal of Capital Assets	(39,793)	(39,793)	-
Total Nonoperating	(178,699)	(178,699)	-
Decrease in Net Assets	(4,895,468)	(4,705,028)	(190,440)
Net Assets, Beginning of Year	32,397,251	28,939,243	3,458,008
Net Assets, End of Year	\$ 27,501,783	\$ 24,234,215	\$ 3,267,568

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

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

	Total	Without Donor Restrictions	With Donor Restrictions
<u>Operations</u>			
Support, Revenue, and Gains:			
Fundraising Support:			
Contributions	\$ 1,264,274	\$ 1,113,129	\$ 151,145
Special events, net of direct costs of \$124,076	135,651	135,651	-
Total Fundraising Support	1,399,925	1,248,780	151,145
Program Revenue:			
Childcare fees	23,033,517	23,033,517	-
Membership fees	7,616,968	7,616,968	-
Health and fitness fees	3,086,898	3,086,898	-
Adventure guides fees	1,866,607	1,866,607	-
Government assistance	2,248,585	2,248,585	-
Camp	1,483,458	1,483,458	-
Community programs fees	1,087,752	1,087,752	-
Facility fees	322,018	322,018	-
Total Program Revenue	40,745,803	40,745,803	-
Contributions from other YMCAs	1,657,679	229,097	1,428,582
Other Income	381,480	381,480	-
Rental Income	216,434	216,434	-
Net Assets Released from Restrictions	-	310,250	(310,250)
Total Support, Revenue, and Gains	44,401,321	43,131,844	1,269,477
Operating Expenses:			
Program Services:			
Child and youth development	17,348,448	17,348,448	-
Health and fitness	10,773,814	10,773,814	-
Adventure guides activities	1,868,341	1,868,341	-
Camp	766,644	766,644	-
Other community services	3,804,277	3,804,277	-
Total Program Services	34,561,524	34,561,524	-
Supporting Services:			
Administrative and general	6,301,276	6,301,276	-
Fundraising	319,484	319,484	-
Total Supporting Services	6,620,760	6,620,760	-
Tipper, LLC	611,699	611,699	-
Total Operating Expenses	41,793,983	41,793,983	-
Operating Margin	2,607,338	1,337,861	1,269,477
<u>Nonoperating</u>			
Investment Income, Net (Note 6)	1,852,755	1,852,755	-
Loss on Disposal of Capital Assets	(15,482)	(15,482)	-
Total Nonoperating	1,837,273	1,837,273	-
Increase in Net Assets	4,444,611	3,175,134	1,269,477
Net Assets, Beginning of Year	26,275,549	25,764,109	511,440
Prior-period Adjustment	1,677,091	-	1,677,091
Net Assets, Beginning of Year, as Restated	27,952,640	25,764,109	2,188,531
Net Assets, End of Year	<u>\$ 32,397,251</u>	<u>\$ 28,939,243</u>	<u>\$ 3,458,008</u>

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services					Subtotal
	Child and Youth Development	Health and Fitness	Adventure Guides Activities	Camp	Other Community Services	
Salaries and wages	\$ 7,364,446	\$ 2,712,220	\$ 139,941	\$ 74,081	\$ 1,664,461	\$ 11,955,149
Employee benefits	683,515	179,410	16,344	3,756	139,641	1,022,666
Payroll taxes	903,196	273,335	16,793	7,375	184,012	1,384,711
Activity admissions	60,976	1,383	421,682	400	67,194	551,635
Bad debt expense	55,709	44,101	2,275	-	4,873	106,958
Credit card and bank fees	628,176	246,444	33,892	3,977	37,480	949,969
Depreciation	257,507	932,496	263	95,174	15,149	1,300,589
Employee and travel expense	13,091	4,278	1,823	53	8,557	27,802
Equipment	122,711	81,871	5,812	2,359	29,717	242,470
Fair share	164,090	82,256	10,508	2,765	23,430	283,049
Insurance	321,179	142,223	19,395	8,763	63,978	555,538
Interest	54	779	-	-	17	850
Meetings, training, and conferences	51,170	32,164	3,091	507	23,304	110,236
Occupancy	800,327	1,206,943	24,454	40,984	59,314	2,132,022
Postage	2,755	1,678	170	507	881	5,991
Printing and promotion	118,917	50,216	7,311	367	22,620	199,431
Professional fees	121,278	40,245	5,420	1,345	28,580	196,868
Program materials	417,397	136,643	149,202	9,080	154,624	866,946
Recruitment and relocation	100	-	-	-	-	100
Supplies	61,486	88,184	509	1,838	12,894	164,911
Telephone	285,709	53,830	6,252	5,505	52,108	403,404
Vehicle expense	26,865	1,464	173	7,393	18,948	54,843
Total Functional Expenses	<u>\$ 12,460,654</u>	<u>\$ 6,312,163</u>	<u>\$ 865,310</u>	<u>\$ 266,229</u>	<u>\$ 2,611,782</u>	<u>\$ 22,516,138</u>

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

	Supporting Services				Total
	Administrative and General	Fundraising	Subtotal	Tipper, LLC	
Salaries and wages	\$ 2,485,943	\$ 79,646	\$ 2,565,589	\$ -	\$ 14,520,738
Employee benefits	242,476	4,097	246,573	-	1,269,239
Payroll taxes	255,325	9,727	265,052	-	1,649,763
Activity admissions	-	-	-	-	551,635
Bad debt expense	-	80,773	80,773	-	187,731
Credit card and bank fees	454,692	19,824	474,516	10	1,424,495
Depreciation	69,131	36	69,167	220,467	1,590,223
Employee and travel expense	4,089	437	4,526	-	32,328
Equipment	39,739	2,965	42,704	-	285,174
Fair share	2,174	7,613	9,787	-	292,836
Fundraising campaign	-	39,628	39,628	-	39,628
Insurance	117,466	257	117,723	-	673,261
Interest	38,169	-	38,169	108,343	147,362
Meetings, training, and conferences	81,153	2,194	83,347	-	193,583
Occupancy	54,541	2,062	56,603	234,037	2,422,662
Postage	13,114	188	13,302	587	19,880
Printing and promotion	1,000	11,607	12,607	-	212,038
Professional fees	1,148,275	12,967	1,161,242	3,184	1,361,294
Program materials	-	-	-	-	866,946
Recruitment and relocation	64,315	-	64,315	-	64,415
Supplies	14,397	1,098	15,495	2,730	183,136
Telephone	68,040	1,689	69,729	2,680	475,813
Vehicle expense	5,398	33	5,431	-	60,274
	<u>\$ 5,159,437</u>	<u>\$ 276,841</u>	<u>\$ 5,436,278</u>	<u>\$ 572,038</u>	<u>\$ 28,524,454</u>

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

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

	Program Services					Subtotal
	Child and Youth Development	Health and Fitness	Adventure Guides Activities	Camp	Other Community Services	
Salaries and wages	\$ 10,321,624	\$ 5,389,764	\$ 209,067	\$ 303,977	\$ 2,379,224	\$ 18,603,656
Employee benefits	1,456,181	520,492	38,209	35,169	186,346	2,236,397
Payroll taxes	722,504	412,068	15,078	22,649	251,881	1,424,180
Activity admissions	467,789	-	1,173,008	50,378	174,916	1,866,091
Bad debt expense	58,538	34,914	516	142	510	94,620
Credit card and bank fees	349,041	243,799	37,725	12,328	11,078	653,971
Depreciation	281,054	942,726	189	92,924	9,936	1,326,829
Employee and travel expense	27,894	13,980	6,118	197	9,772	57,961
Equipment	243,112	61,542	3,950	7,142	34,354	350,100
Fair share	247,802	122,368	4,200	6,234	28,466	409,070
Insurance	71,034	38,236	5,689	1,981	13,461	130,401
Interest	-	6,015	-	-	-	6,015
Meetings, training, and conferences	175,746	103,473	19,704	3,912	36,270	339,105
Occupancy	994,082	2,118,791	35,351	85,781	50,659	3,284,664
Postage	3,050	7,639	746	371	340	12,146
Printing and promotion	317,852	118,546	17,597	3,696	24,990	482,681
Professional fees	127,208	37,564	5,911	2,122	14,362	187,167
Program materials	885,969	362,268	285,377	75,718	454,633	2,063,965
Recruitment and relocation	-	-	-	-	85	85
Supplies	116,383	175,374	1,249	7,435	18,220	318,661
Telephone	275,661	64,018	8,620	7,886	42,450	398,635
Vehicle expense	205,924	237	37	46,602	62,324	315,124
Total Functional Expenses	<u>\$ 17,348,448</u>	<u>\$ 10,773,814</u>	<u>\$ 1,868,341</u>	<u>\$ 766,644</u>	<u>\$ 3,804,277</u>	<u>\$ 34,561,524</u>

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

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

	Supporting Services				
	Administrative and General	Fundraising	Subtotal	Tipper, LLC	Total
Salaries and wages	\$ 2,871,711	\$ 122,381	\$ 2,994,092	\$ -	\$ 21,597,748
Employee benefits	324,172	15,423	339,595	-	2,575,992
Payroll taxes	173,220	9,352	182,572	-	1,606,752
Activity admissions	-	-	-	-	1,866,091
Bad debt expense	-	1,461	1,461	-	96,081
Credit card and bank fees	41,383	6,697	48,080	10	702,061
Depreciation	84,681	-	84,681	219,314	1,630,824
Employee and travel expense	5,614	513	6,127	-	64,088
Equipment	121,706	284	121,990	-	472,090
Fair share	3,208	8,719	11,927	-	420,997
Fundraising campaign	-	108,731	108,731	-	239,132
Income taxes	-	-	-	(800)	5,215
Insurance	414,641	-	414,641	-	753,746
Interest	66,625	-	66,625	120,206	3,471,495
Meetings, training, and conferences	191,010	5,227	196,237	20	208,403
Occupancy	10,265	186	10,451	229,687	722,819
Postage	15,770	2,510	18,280	224	205,671
Printing and promotion	3,233	19,232	22,465	5,688	2,092,118
Professional fees	1,661,389	16,010	1,677,399	28,728	1,706,212
Program materials	-	-	-	-	318,661
Recruitment and relocation	167,899	-	167,899	-	566,534
Supplies	62,107	1,214	63,321	5,977	384,422
Telephone	74,011	1,542	75,553	2,645	78,198
Vehicle expense	8,631	2	8,633	-	8,633
Total Functional Expenses	\$ 6,301,276	\$ 319,484	\$ 6,620,760	\$ 611,699	\$ 41,793,983

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ (4,895,468)	\$ 4,444,611
Noncash Reconciling Items:		
Depreciation	1,590,223	1,630,824
Occupancy expense for donated property and building	93,172	93,172
Amortization of deferred financing costs	1,175	1,174
Realized and unrealized (gain) loss on investments	505,866	(1,474,626)
Loss on disposal of property and equipment	39,793	15,482
Deferred Santa Ana project funding amortization	(250,000)	(250,000)
Allowance for doubtful accounts	10,843	7,347
Allowance for uncollectable pledges	(2,150)	1,461
Changes in:		
Accounts receivable	(548,490)	(170,034)
Pledges receivable	15,888	1,442
Prepaid expenses and other current assets	271,993	(130,554)
Deposits	82,454	(65,954)
Accounts payable	135,793	(1,085,344)
Accrued payroll and employee benefits	319,483	(177,293)
Program fees received in advance	371,863	(63,549)
Accrued expenses	178,362	(139,203)
Deposits payable	4,898	13,811
Net Cash and Cash Equivalents Provided by (Used in) Operating Activities	(2,074,302)	2,652,767
Cash Flows from Investing Activities:		
Purchases of property and equipment	(308,988)	(689,095)
Proceeds from sale of property and equipment	37,805	46,225
Sales of investments	3,114,327	5,425,973
Purchases of investments	(3,041,777)	(5,977,449)
Net Cash and Cash Equivalents Used in Investing Activities	(198,633)	(1,194,346)
Cash Flows from Financing Activities:		
Principal payments on capital leases	(27,722)	(57,963)
Principal payments on notes payable	(82,425)	(166,851)
Proceeds from borrowing on notes payable	501,095	-
Net Cash and Cash Equivalents Provided by (Used in) Financing Activities	390,948	(224,814)
Net Increase(Decrease) in Cash and Cash Equivalents	(1,881,987)	1,233,607
Cash and Cash Equivalent, Beginning of Year	4,983,378	3,749,771
Cash and Cash Equivalents, End of Year	\$ 3,101,391	\$ 4,983,378

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Supplemental Disclosures:		
Interest paid	<u>\$ 147,362</u>	<u>\$ 192,846</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

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

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 1: Organization and Nature of Services

Organization

At the Young Men's Christian Association of Orange County (the YMCA or Y), strengthening community is its cause. With a focus on youth development, healthy living, and social responsibility, the Y serves Orange County, Riverside County, Pomona Valley, and East San Gabriel Valley through five Health & Wellness locations, two program centers, an aquatics and soccer complex, numerous community services and youth programs, and 81 Before & After School Program centers. YMCA programs celebrate and honor common values of respect, responsibility, honesty, and caring by infusing character development into the foundation and practice of all programs; from youth sports and group exercise classes to parent/child programs and community services - Y programs build healthy spirit, mind, and body for all. The YMCA of Orange County is a nonprofit, charitable organization that serves the entire community.

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

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

Nature of Services

The Y provides services for the following program areas:

- Child and Youth Development: The Y provides a safe and inclusive before-and-after-school care program, which supports the needs and priorities of the child, the family, and the school. YMCA programs facilitate the development of the whole child through meaningful experiences, programs, and collaborations that build relationships and a sense of community. Currently, the Y delivers curriculum-based programming at 81 locations throughout Orange County, Riverside County, and Pomona Valley. In addition, the Y provides year-round experiences through day camps and enrichment clubs. Youth experience curriculum through a variety of content areas, hands-on activities, clubs, service learning projects, and enrichment centers.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 1: Organization and Nature of Services (Continued)

Nature of Services (Continued)

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

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

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 1: Organization and Nature of Services (Continued)

Nature of Services (Continued)

- Other Community Services (Continued)

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

The Y is a proud supporter of the After School Education & Safety (ASES) Program for students. This program supports low-income families by providing a safe and educational after-school environment through state grants. The Y currently operates 17 ASES sites, 9 in Los Angeles County and 8 in Orange County. ASES students receive homework assistance and snacks and participate in activities that support Science, Technology, Engineering, Arts, Math (known as S.T.E.A.M.), leadership, sports, and other enrichment opportunities.

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

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

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

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 2: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include petty cash funds, bank checking accounts used for operating purposes, and investments with maturities of three months or less from the original purchase dates.

Investments

Investments consist of debt and equity securities plus time certificates of deposits held by the Organization with a maturity over 90 days. Debt securities are carried at fair value with changes in fair value recognized in changes in net assets. Equity securities consisting of common stocks, mutual funds, exchange-traded products, and real estate investment trusts with readily determinable fair values are measured at fair value, with changes in fair value recognized in earnings. For equity investments that do not have readily determinable fair values the securities will be carried at cost and remeasured at fair value either upon the occurrence of an observable input of an observable price change or upon identification of an impairment.

Accounts Receivable

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

Property and Equipment

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

Long-Lived Assets and Asset Impairment

The Organization accounts for impairment and disposition of long-lived assets in accordance with the FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires that impairment losses be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. For the years ended December 31, 2020 and 2019, there was no impairment of the value of such assets.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 2: Summary of Significant Accounting Policies (Continued)

Donated Materials, Services, and Facilities

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

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

Donated use of facilities/land during each of the years ended December 31, 2020 and 2019, included 3.57 acres of land from the U.S. Army, a 20,455 square-foot building, and 23,655 square feet of land from the City of Laguna Niguel. In addition, the Organization occupies 4 acres of land, as well as a 27,327 square-foot building donated by the City of Mission Viejo. The donated use of facilities/land for the Laguna Niguel and Fullerton locations is considered an exchange transaction. The donated use of the Mission Viejo location resulted in a contribution receivable as of January 1, 2019.

Accrued Vacation

As of December 31, 2020 and 2019, the accrued vacation liability was \$498,893 and \$554,156, respectively, and is included as a component of accrued payroll and employee benefits in the accompanying consolidated statements of financial position.

Revenue Recognition

Contributions

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received, including donated use of facilities and land, are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions (Continued)

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

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization does not have any cost-reimbursable grants that have been recognized at December 31, 2021 because qualifying expenditures have not been incurred.

Exchange Transactions

The Organization recognizes revenue from contracts with customers in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 establishes new revenue recognition guidance (ASC 606), which replaces the current revenue recognition guidance and applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records exchange transaction revenue in its consolidated statements of activities for the years ended December 31, 2020 and 2019, as stated below.

- Childcare: For childcare, the performance obligation is the delivery of childcare services to the customer. Most childcare contracts are month to month with revenue recognized over the length of the contract. The transaction price is established by the Organization. Fees include program supplies, meals, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Exchange Transactions (Continued)

- Membership: For membership, the performance obligation is providing access to health and fitness facilities and classes to members. Most memberships are month to month with revenue recognized over the monthly membership contract. The transaction price is established by the Organization. Fees include program supplies, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation.
- Health and Fitness: For health and fitness, the performance obligation is providing health and fitness services to members. Revenue is recognized over the period of time when the purchased services are provided. The transaction price is established by the Organization based on individual services provided. As each item is individually priced, no allocation of the transaction price is necessary.
- Adventure Guides: For Adventure Guides, the performance obligation is the delivery of Adventure Guide programs to the customer. Adventure Guide programs are for one calendar-year period with revenue recognized evenly throughout the period. The transaction price is established by the Organization. Fees include program supplies, meals, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation. In addition, the Adventure Guide program includes events with transaction prices established by the Organization. Adventure Guide event revenue is recognized over the period of time an event occurs. As each event is individually priced, no allocation of the transaction price is necessary.
- Camp: For camp, the performance obligation is holding the camp. Revenue is recognized over the period of time a camp is held. The transaction price is established by the Organization. Fees include program supplies, meals, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation.
- Community-Based Programs: For community-based programs, the performance obligation is the delivery of community programs to program participants. Revenue is recognized over time as programs are held. The transaction price is established by the Organization. Fees include program supplies, meals, staffing, and facility costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 2: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Exchange Transactions (Continued)

- Special Fundraising Event Revenue: The Y conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component) and a portion represents a contribution to the Y. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Y. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Y, are recorded as costs of direct donor benefits in the consolidated statements of activities.

The performance obligation is holding the event, which is usually accompanied by a presentation. The event fees are set by the Y. ASC 606 requires allocation of the transaction price to the performance obligation. Accordingly, the Y separately presents in its notes to consolidated financial statements the exchange and contribution components of the gross proceeds from special events. Special event fees collected by the Y in advance of the events are initially recognized as liabilities (deferred income) and are recognized as special event revenue after the event. For special event fees received before year-end, for an event to occur after year-end, the Y follows American Institute of Public Accounting guidance (if this is the case) where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Facility Fees and Rental Income

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

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 2: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

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

Use of Estimates

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

Income Taxes

The YMCA is recognized as tax exempt under Section 501(c)(3) of the Internal Revenue Code and the corresponding state code as a charitable organization whereby only unrelated business income is subject to income tax. The YMCA had no unrelated business income during the years ended December 31, 2020 and 2019. Accordingly, there is no provision for income taxes in the accompanying consolidated financial statements.

In accordance with FASB ASC 740-10-25, *Income Taxes*, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not that the position will be sustained. The YMCA does not believe that there are any material uncertain tax positions, and accordingly, it has not recognized any liability for unrecognized tax benefits or any related interest or penalties at December 31, 2020 and 2019. The YMCA's tax years from 2017 to 2020 are open to review for federal tax purposes, and tax years from 2016 to 2020 are open to review for state income tax purposes.

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

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 2: Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements – Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, with subsequently issued improvements and corrections. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021; however, early adoption is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its consolidated financial statements.

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

Note 3: Revenue from Contracts with Customers

The following table disaggregates the Organization’s revenue based on the timing of satisfaction of performance obligations for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied over time:		
Special events - exchange component	\$ -	\$ 137,755
Childcare fees	11,938,655	23,033,517
Membership fees	4,036,276	7,616,968
Health and fitness fees	767,060	3,086,898
Adventure guide fees	884,879	1,866,607
Government assistance	1,876,576	2,248,585
Camp	376,865	1,483,458
Community programs fees	375,149	1,087,752
Other income	<u>2,193,527</u>	<u>381,480</u>
Total Revenue from Contracts with Customers	<u>\$ 22,448,987</u>	<u>\$ 40,943,020</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 4: Liquidity

The Organization's financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the consolidated statement of financial position date, are as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,101,391	\$ 4,983,378
Investments	11,358,639	11,937,055
Accounts receivable	1,488,259	950,612
Pledges receivable	<u>10,000</u>	<u>23,738</u>
 Total Financial Assets Available to Meet General Expenditures within One Year	 <u>\$ 15,958,289</u>	 <u>\$ 17,894,783</u>

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

Note 5: Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Petty cash	\$ 1,519	\$ 2,076
Demand deposits	2,245,893	3,598,329
Money market accounts	827,542	1,335,750
Trust account	<u>26,437</u>	<u>47,223</u>
 Total Cash and Cash Equivalents	 <u>\$ 3,101,391</u>	 <u>\$ 4,983,378</u>

The Organization maintains cash and cash equivalent balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000. The Organization has deposits with banks in excess of federally insured limits of \$2,200,015 and \$4,150,141 at December 31, 2020 and 2019, respectively.

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

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 6: Investments

The fair value of investments at December 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Equity securities	\$ 4,822,177	\$ 4,787,559
Corporate bonds	1,691,694	2,137,545
Mutual funds	3,184,437	3,037,415
Exchange-traded products	254,311	623,059
Real estate income trust	1,384,798	1,332,972
Certificates of deposit	<u>189,666</u>	<u>186,949</u>
 Total Investments	 <u>\$ 11,527,083</u>	 <u>\$ 12,105,499</u>

Investment income (loss), net consists of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 405,262	\$ 421,827
Net realized losses	(320,258)	(79,062)
Net unrealized gains (losses)	(185,608)	1,553,688
Management fees	<u>(38,302)</u>	<u>(43,698)</u>
 Investment Income (Loss), Net	 <u>\$ (138,906)</u>	 <u>\$ 1,852,755</u>

Note 7: Accounts Receivable

Accounts receivable are composed of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Grants (governmental/foundation)	\$ 451,853	\$ 258,887
Program	1,044,095	695,637
Other	14,296	7,230
Less: Allowance for doubtful accounts	<u>(21,985)</u>	<u>(11,142)</u>
 Total Accounts Receivable, Net	 <u>\$ 1,488,259</u>	 <u>\$ 950,612</u>

The Organization has a contribution receivable balance from the City of Mission Viejo related to the use of donated land and building through April 2037. The balance of the contribution receivable as of December 31, 2020 and 2019, is \$1,490,747 and \$1,583,919, respectively.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 8: Property and Equipment

Property and equipment consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 7,123,743	\$ 7,123,743
Buildings and improvements	23,678,312	23,916,881
Furniture and equipment	4,357,894	4,213,729
Vehicles	361,753	411,976
Construction in process	<u>9,527</u>	<u>54,157</u>
	35,531,229	35,720,486
Less: Accumulated depreciation	<u>(17,062,164)</u>	<u>(15,925,544)</u>
Property and Equipment, Net	<u>\$ 18,469,065</u>	<u>19,794,942</u>

Depreciation expense for the years ended December 31, 2020 and 2019, was \$1,557,267 and \$1,572,751, respectively, not inclusive of depreciation expense on capital leases.

The Organization completed a project in Santa Ana in November 2010, which was the site of a new YMCA facility. The project included two recreational pools, a soccer arena, sports field, a health and nutrition modular facility, and an office modular, along with an Olympic-size pool with lockers and shower facilities on the Segerstrom High School campus that is adjacent to the YMCA site. The majority of the project was funded by the Children and Families Commission of Orange County (the Commission). The grant is considered to be an exchange transaction pursuant to the YMCA contract with the Commission to provide certain community services at the site over a specified 10-year period. Accordingly, the Commission funding is not recognized as revenue upon incurrence of the related construction costs. Funding from the Commission is recorded as deferred revenue to be recognized ratably over the 10-year service period stipulated in the contract with the Commission. Revenue recognition commenced January 2012 and continued through December 2020 at a rate of \$250,000 per year. Deferred Santa Ana project funding as of December 31, 2020 and 2019, was \$0 and \$250,000, respectively.

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 9: Lease Rental Income

Tipper leases office space to various tenants under rental lease agreements expiring in years through 2024. Rental income during the years ended December 31, 2020 and 2019, totaled \$267,238 and \$216,434, respectively.

Minimum future lease payments to be received as of December 31, 2020, are as follows:

2021	\$ 214,812
2022	155,060
2023	57,722
2024	<u>22,572</u>
Total	<u>\$ 450,166</u>

Note 10: Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 10: Fair Value Measurements (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

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

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

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

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

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 10: Fair Value Measurements (Continued)

The following table provides fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31, 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities:				
Consumer discretionary	\$ 539,347	\$ 539,347	\$ -	\$ -
Consumer goods	867,849	867,849	-	-
Energy	521,975	521,975	-	-
Financials	954,430	954,430	-	-
Health care	450,209	450,209	-	-
Industrials	516,411	516,411	-	-
Information technology	580,498	580,498	-	-
Utilities	391,459	391,459	-	-
Corporate bonds	1,691,694	-	1,691,694	-
Mutual funds	3,184,436	3,184,437	-	-
Exchange-traded products	254,311	254,311	-	-
Real estate investment trusts	<u>1,384,798</u>	<u>-</u>	<u>1,384,798</u>	<u>-</u>
	11,337,417	<u>\$ 8,260,925</u>	<u>\$ 3,076,492</u>	<u>\$ -</u>
Certificates of deposit ⁽¹⁾	<u>189,666</u>			
Total Investments	<u>\$ 11,527,083</u>			

⁽¹⁾ Not subject to fair value hierarchy measurements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 10: Fair Value Measurements (Continued)

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

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

Note 11: Notes Payable

YMCA has a note payable of \$2,300,000 with Bank of America, N.A. The note payable bears a fixed interest rate of 4.43%, with monthly payments of \$12,856 due through maturity, and an estimated \$1,261,914 balloon payment due at maturity on January 1, 2022. This note is secured by the Fullerton Family YMCA facility. The outstanding balance as of December 31, 2020 and 2019, is \$1,382,964 and \$1,443,229, respectively.

Tipper has a note payable of \$3,000,000 with HomeStreet Bank. The note payable bears a fixed interest rate of 4.08%, with monthly payments of \$16,063 due through maturity, with an estimated \$2,167,201 balloon payment due at maturity on October 1, 2027. The note is guaranteed by the assets of the YMCA and is secured by the Tustin building. The outstanding balance as of December 31, 2020 and 2019, is \$2,807,696 and \$2,837,878, respectively.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 11: Notes Payable (Continued)

In April 2020, the Organization entered into an agreement providing a credit line on a margin account with a financial institution. The credit line provides for borrowings up to 50% of the Organization's eligible investment balance with the financial institution. Monthly interest payments are made at 0.75% above the federal funds rate. The line of credit is collateralized by the Organization's investments with the financial institution and has an open maturity date. At December 31, 2020, the balance borrowed against the investment account was \$501,095.

The loan agreements for YMCA and Tipper, noted above, contain certain financial and nonfinancial covenants. At December 31, 2020, the Organization was in compliance with these financial covenants.

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

	<u>Principal Payments</u>	<u>Deferred Financing Costs</u>	<u>Total</u>
2021	\$ 674,965	\$ (1,175)	\$ 673,790
2022	1,371,981	(1,175)	1,370,806
2023	86,629	(1,175)	85,454
2024	89,983	(1,175)	88,808
2025	94,075	(1,175)	92,900
Thereafter	<u>2,382,144</u>	<u>(2,147)</u>	<u>2,379,997</u>
Total	<u>\$ 4,699,777</u>	<u>\$ (8,022)</u>	<u>\$ 4,691,755</u>

Note 12: Endowment Funds

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

The Organization has interpreted the State of California Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted endowment funds (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund.

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 12: Endowment Funds (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

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

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

The following are the investment objectives of the Organization:

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

The following is the endowment net asset composition by type of fund as of December 31, 2020:

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

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 12: Endowment Funds (Continued)

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

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

Changes in the endowment fund net assets for the years ended December 31, 2020 and 2019, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment fund net assets, December 31, 2018	\$ -	\$ 90,000	\$ 90,000
Contributions	-	78,444	78,444
Investment return	-	24	24
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(24)</u>	<u>(24)</u>
Endowment fund net assets, December 31, 2019	-	168,444	168,444
Contributions	-	-	-
Investment return	-	1,918	1,918
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(1,918)</u>	<u>(1,918)</u>
Endowment Fund Net Assets, December 31, 2020	<u>\$ -</u>	<u>\$ 168,444</u>	<u>\$ 168,444</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2020 and 2019. The Organization has interpreted the SPMIFA and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 13: Net Assets Released from Restrictions

Net assets released from restrictions for the years ended December 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Satisfaction of time restriction	\$ 186,748	\$ 151,084
Satisfaction of purpose restriction	<u>209,441</u>	<u>159,166</u>
Total Net Assets Released from Restrictions	<u>\$ 396,189</u>	<u>\$ 310,250</u>

Note 14: Net Assets

Net assets consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net Assets without Donor Restrictions:		
Investment in property and equipment, net of related debt	\$ 13,774,152	\$ 15,525,108
Available for operations	<u>10,460,063</u>	<u>13,414,135</u>
Total net assets without donor restrictions	<u>24,234,215</u>	<u>28,939,243</u>
Net Assets with Donor Restrictions:		
Subject to expenditures for specific purposes:		
Childcare program activities	-	15,000
Adventure guide activities	75,147	-
Health and wellness program activities	-	49,431
Camping	10,827	335
Program activities - Orange service area	1,402,293	1,428,582
All program activities	-	251
Building and maintenance:		
Camp Elk	-	110,897
Capital projects:		
Yorba Linda/Placentia	<u>-</u>	<u>7,573</u>
Total purpose restrictions	<u>1,488,267</u>	<u>1,612,069</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 14: Net Assets (Continued)

	2020	2019
Subject to passage of time:		
Use of donated land and facilities	\$ 1,490,747	\$ 1,583,919
Campaign donations	120,110	93,576
Total time restrictions	1,610,857	1,677,495
Endowment:		
Subject to endowment spending policy and appropriation: Program activities	168,444	168,444
Total net assets with donor restrictions	3,267,568	3,458,008
Total Net Assets	\$ 27,501,783	\$ 32,397,251

Note 15: Deferred Income

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

	Santa Ana Project Funding	Adventure Guides	Other	Total
Balance - December 31, 2018	\$ 500,000	\$ 366,362	\$ 361,938	\$ 1,228,300
Revenue recognized	(250,000)	(1,615,966)	(4,460,449)	(6,326,415)
Payments received for future performance obligations	-	1,538,884	4,473,982	6,012,866
Balance - December 31, 2019	250,000	289,280	375,471	914,751
Revenue recognized	(250,000)	(1,414,510)	(3,008,806)	(4,783,316)
Payments received for future performance obligations	-	1,299,664	3,530,303	4,252,961
Balance - December 31, 2020	\$ -	\$ 174,434	\$ 896,968	\$ 1,071,402

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 16: Commitments and Contingencies

a) Obligations Held under Capital Leases

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

The following is a summary of property held under capital leases at December 31, 2020 and 2019:

	2020	2019
Machinery and equipment	\$ 584,208	\$ 739,748
Less: Accumulated depreciation	(584,208)	(706,792)
Property Held under Capital Leases, Net	\$ -	\$ 32,956

Depreciation of assets held under capital leases charged to expense for the years ended December 31, 2020 and 2019, totaled \$32,956 and \$58,073, respectively.

Minimum future lease payments under capital leases as of December 31, 2020, are as follows:

Total minimum lease payments	\$ 3,174
Less: Amount representing interest	(16)
Current Maturities of Obligation Held under Capital Leases	\$ 3,158

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

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

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

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 16: Commitments and Contingencies (Continued)

b) Operating Leases

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

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

	<u>Facility</u>	<u>Equipment</u>	<u>Total</u>
2021	\$ 557,187	\$ 140,170	\$ 697,357
2022	34,893	96,631	131,524
2023	<u>11,100</u>	<u>18,831</u>	<u>29,931</u>
Total	<u>\$ 603,180</u>	<u>\$ 255,632</u>	<u>\$ 858,812</u>

Total rental expense for the operating leases described above was \$933,683 and \$1,018,312 for the years ended December 31, 2020 and 2019, respectively.

c) Employment Agreement

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

d) Litigation

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

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 17: Related-Party Transactions

The Organization is a member of the National Council of Young Men's Christian Association of the United States of America (National Council). The Organization must meet annual certification requirements to remain a member. Support related to the National Council totaled \$293,551 and \$420,997, respectively, for the years ended December 31, 2020 and 2019.

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

In accordance with the Retirement Fund agreement, a percentage of the participating employee's qualified compensation is paid for by the Organization and is to be remitted to the Retirement Fund monthly. Total contributions made by the Organization that are charged to retirement costs for the years ended December 31, 2020 and 2019, aggregated \$467,543 and \$1,271,323, respectively. Unpaid contributions were \$7,337 and \$112,711, respectively, at December 31, 2020 and 2019, which represent December contributions.

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

The Organization has a money market account Farmers & Merchants Bank at December 31, 2020 and 2019. There is an Organization board member who is an employee of Farmers & Merchants Bank. This board member abstains from decisions made concerning matters that would be a conflict of interest.

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

In June 2015, the Organization paid \$5,500 to become a member of Y Purchasing Group, LLC (YPG). Membership in YPG requires the Organization to make certain purchases of supplies and equipment through YPG. The Organization's chief executive officer is a board member of YPG. In June 2015, the Organization guaranteed a line of credit for YPG. As of December 31, 2020, there is no outstanding balance; the total amount of credit available is \$350,000.

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 18: Special Events

The YMCA has various operating branches, each of which organizes its own special event activities.

Special events held by the various branches for the year ended December 31, 2019, were as follows:

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

Note 19: Concentration of Risk and Uncertainties

For the years ended December 31, 2020 and 2019, the Organization received approximately 34% and 37%, respectively, of its total support and revenues (excluding capital campaign, endowment, and other) from childcare fees associated with childcare services performed on the premises of facilities owned by the Capistrano Unified School District (CUSD). The Organization relies heavily upon these childcare fees to continue the related child and youth development programs. If the Organization’s relationship with CUSD were to be terminated, it would likely cause a significant reduction in the Organization’s operations.

In March 2020, the World Health Organization declared the spread of coronavirus (COVID-19) a worldwide pandemic. The pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management is actively monitoring the global situation on the Organization’s financial condition, liquidity, operations, industry, and workforce. Management believes that the Organization is taking the appropriate actions to mitigate the negative impact of the pandemic. The full impact however of COVID-19 is unknown and cannot be reasonably estimated as of the date of this report.

Note 20: Contribution from Other YMCAs

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

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 21: Prior-Period Adjustment

During the year ended December 31, 2020, the Organization discovered that previously issued financial statements included an error in applying U.S. GAAP. As a result, the correction increased net assets by \$1,677,091 as of January 1, 2019. Had the error not occurred, the prior-year beginning receivable balance would have increased by \$1,677,091.

Based upon management's review, it has been determined that these errors were inadvertent and unintentional. The errors relate to the following areas:

In-kind rent revenue and rent expense received from a city was incorrectly recorded at the time the rental agreement was executed. The transaction should have been recorded as contribution revenue and contribution receivable at inception. The value of the receivable has been calculated as of January 1, 2019, and accordingly, it has been restated and recorded as a receivable and net assets with donor restrictions. The value of the annual rent to be expensed totals \$93,172 and has been reflected in the operating expenses as of December 31, 2020 and 2019, respectively. Additionally, \$93,172 has been released from net assets with restrictions annually.

The following sets forth the previously reported and restated amounts of selected items within the consolidated balance sheet as of December 31, 2019:

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Change</u>
Contributions receivable as of:			
January 1, 2019	\$ -	\$ 1,677,091	\$ 1,677,091
Occupancy expense for 2019	<u>-</u>	<u>(93,172)</u>	<u>(93,172)</u>
Contributions receivable as of:			
December 31, 2019	-	1,583,919	1,583,919
Net Assets:			
With donor restrictions	1,874,089	3,458,008	1,583,919

The following sets forth the previously reported and restated amounts of selected items within the consolidated statement of activities as of December 31, 2019:

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Change</u>
Program Revenue			
Donated use of facilities/land	\$ 944,896	\$ -	\$ 944,896
Operating Expenses			
Health and fitness	11,625,538	10,773,814	(851,724)

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 21: Prior-Period Adjustment (Continued)

The following sets forth the previously reported and restated amounts of selected items within the consolidated statement of functional expenses as of December 31, 2019:

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>Change</u>
Program Services, Health and Fitness Occupancy	\$ 2,970,515	\$ 2,118,791	\$ (851,724)

Note 22: Subsequent Events

In February 2021, the Organization sold the Santa Ana YMCA location for total consideration of \$4,500,000. After selling fees and commissions, the net sale proceeds for the sale was approximately \$4,216,000.

In March 2021, the Organization entered into a 90-day escrow for the sale of the Maple Hill YMCA location in Diamond Bar. Total consideration for the sale is \$1,950,000. The purchase is in escrow and has not closed as of the report date.

In March 2021, the Organization received a loan from the Paycheck Protection Program in the amount for \$4,748,475. The loan bears interest at a rate of 1.0% and matures in March 2026.

Events occurring after December 31, 2020, have been evaluated for possible adjustment to the consolidated financial statements or disclosure as of June 15, 2021, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTAL CONSOLIDATING INFORMATION

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
SCHEDULE 1 - CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

	YMCA	Tipper, LLC	Eliminations	Total
Current Assets:				
Cash and cash equivalents (Note 5)	\$ 3,067,221	\$ 34,170	\$ -	\$ 3,101,391
Investments (Notes 6 and 10)	11,358,639	-	-	11,358,639
Receivables:				
Accounts receivable, net (Note 7)	1,488,239	20	-	1,488,259
Contribution receivable, current	93,172	-	-	93,172
Pledges receivable, net	10,000	-	-	10,000
Prepaid expense and other current assets	317,114	-	-	317,114
Total Current Assets	16,334,385	34,190	-	16,368,575
Property and Equipment, Net (Note 8)	13,559,522	4,909,543		18,469,065
Other Assets:				
Deposits	2,200	-	-	2,200
Deficit in subsidiary	(373,298)	-	373,298	-
Endowment investments	168,444	-	-	168,444
Contribution receivable, non-current	1,397,575	-	-	1,397,575
Due to YMCA	2,474,547	(2,474,547)	-	-
Total Other Assets	3,669,468	(2,474,547)	373,298	1,568,219
Total Assets	\$ 33,563,375	\$ 2,469,186	\$ 373,298	\$ 36,405,859

LIABILITIES AND NET ASSETS

Current Liabilities:				
Accounts payable	\$ 636,578	\$ -	\$ -	\$ 636,578
Accrued payroll and employee benefits	2,190,526	-	-	2,190,526
Program fees received in advance	1,036,614	-	-	1,036,614
Accrued expenses	310,657	-	-	310,657
Current maturities of obligations held under capital leases (Note 16a)	3,158	-	-	3,158
Notes payable, current portion (Note 11)	595,203	78,587	-	673,790
Total Current Liabilities	4,772,736	78,587	-	4,851,323
Long-Term Liabilities:				
Deposits payable	-	34,788	-	34,788
Notes payable, less current portion (Note 11)	1,288,856	2,729,109	-	4,017,965
Total Long-Term Liabilities	1,288,856	2,763,897	-	4,052,753
Total Liabilities	6,061,592	2,842,484	-	8,904,076
Net Assets (Deficit) (Note 14):				
Without donor restrictions	24,234,215	(373,298)	373,298	24,234,215
With donor restrictions	3,267,568	-	-	3,267,568
Total Net Assets (Deficit)	27,501,783	(373,298)	373,298	27,501,783
Total Liabilities and Net Assets	\$ 33,563,375	\$ 2,469,186	\$ 373,298	\$ 36,405,859

See accompanying independent auditors' report.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY AND SUBSIDIARY
SCHEDULE II - CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN MEMBER'S EQUITY
YEAR ENDED DECEMBER 31, 2020

	YMCA	Tipper, LLC	Eliminations	Total
<u>Operations</u>				
Support, Revenue, and Gains:				
Fundraising Support:				
Contributions	\$ 985,339	\$ -	\$ -	\$ 985,339
Total Fundraising Support	985,339	-	-	985,339
Program Revenue:				
Childcare fees	11,938,655	-	-	11,938,655
Membership fees	4,036,276	-	-	4,036,276
Health and fitness fees	767,060	-	-	767,060
Adventure guides fees	884,879	-	-	884,879
Government assistance	1,876,576	-	-	1,876,576
Camp	376,865	-	-	376,865
Community programs fees	375,149	-	-	375,149
Facility fees	103,278	-	-	103,278
Total Program Revenue	20,358,738	-	-	20,358,738
Contributions from other YMCAs	2,806	-	-	2,806
Other Income	2,203,127	-	(9,600)	2,193,527
Rental Income	-	496,645	(229,370)	267,275
Total Support, Revenue, and Gains	23,550,010	496,645	(238,970)	23,807,685
Operating Expenses:				
Program Services:				
Child and youth development	12,460,654	-	-	12,460,654
Health and fitness	6,312,163	-	-	6,312,163
Adventure guides activities	865,310	-	-	865,310
Camp	266,229	-	-	266,229
Other community services	2,611,782	-	-	2,611,782
Total Program Services	22,516,138	-	-	22,516,138
Supporting Services:				
Administrative and general	5,388,807	-	(229,370)	5,159,437
Fundraising	276,841	-	-	276,841
Total Supporting Services	5,665,648	-	(229,370)	5,436,278
Tipper, LLC	-	581,638	(9,600)	572,038
Total Operating Expenses	28,181,786	581,638	(238,970)	28,524,454
Operating Margin	(4,631,776)	(84,993)	-	(4,716,769)
<u>Nonoperating</u>				
Investment Loss, Net (Note 6)	(223,899)	-	84,993	(138,906)
Loss on Disposal of Capital Assets	(39,793)	-	-	(39,793)
Total Nonoperating	(263,692)	-	84,993	(178,699)
Decrease in Net Assets	(4,895,468)	(84,993)	84,993	(4,895,468)
Net Assets (Deficit), Beginning of Year	32,397,251	(288,305)	288,305	32,397,251
Net Assets (Deficit), End of Year	\$ 27,501,783	\$ (373,298)	\$ 373,298	\$ 27,501,783

See accompanying independent auditors' report.

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

ASSETS

	YMCA	Tipper, LLC	Eliminations	Total
Current Assets:				
Cash and cash equivalents (Note 5)	\$ 4,920,422	\$ 62,956	\$ -	\$ 4,983,378
Investments (Notes 6 and 10)	11,937,055	-	-	11,937,055
Receivables:				
Accounts receivable, net (Note 7)	950,612	-	-	950,612
Contribution receivable, current	93,172	-	-	93,172
Pledges receivable, net	23,738	-	-	23,738
Prepaid expense and other current assets	585,716	3,391	-	589,107
Total Current Assets	18,510,715	66,347	-	18,577,062
Property Held under Capital Leases, Net	32,956	-	-	32,956
Property and Equipment, Net (Note 8)	14,675,135	5,119,807	-	19,794,942
Other Assets:				
Deposits	84,654	-	-	84,654
Deficit in subsidiary	(288,305)	-	288,305	-
Endowment investments	168,444	-	-	168,444
Contribution receivable, non-current	1,490,747	-	-	1,490,747
Due to YMCA	2,615,888	(2,615,888)	-	-
Total Other Assets	4,071,428	(2,615,888)	288,305	1,743,845
Total Assets	\$ 37,290,234	\$ 2,570,266	\$ 288,305	\$ 40,148,805

LIABILITIES AND NET ASSETS

Current Liabilities:				
Accounts payable	\$ 500,785	\$ -	\$ -	\$ 500,785
Accrued payroll and employee benefits	1,871,043	-	-	1,871,043
Program fees received in advance	664,751	-	-	664,751
Accrued expenses	132,295	-	-	132,295
Deferred Santa Ana project funding, current portion (Note 8)	250,000	-	-	250,000
Current maturities of obligations held under capital leases (Note 16a)	30,880	-	-	30,880
Notes payable, current portion (Note 11)	91,109	75,384	-	166,493
Total Current Liabilities	3,540,863	75,384	-	3,616,247
Long-Term Liabilities:				
Deposits payable	-	29,890	-	29,890
Notes payable, less current portion (Note 11)	1,352,120	2,753,297	-	4,105,417
Total Long-Term Liabilities	1,352,120	2,783,187	-	4,135,307
Total Liabilities	4,892,983	2,858,571	-	7,751,554
Net Assets (Deficit) (Note 14):				
Without donor restrictions	28,939,243	(288,305)	288,305	28,939,243
With donor restrictions	3,458,008	-	-	3,458,008
Total Net Assets (Deficit)	32,397,251	(288,305)	288,305	32,397,251
Total Liabilities and Net Assets	\$ 37,290,234	\$ 2,570,266	\$ 288,305	\$ 40,148,805

See accompanying independent auditors' report.

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

	YMCA	Tipper, LLC	Eliminations	Total
<u>Operations</u>				
Support, Revenue, and Gains:				
Fundraising Support:				
Contributions	\$ 1,264,274	\$ -	\$ -	\$ 1,264,274
Special events, net of direct costs of \$137,755	135,651	-	-	135,651
Total Fundraising Support	1,399,925	-	-	1,399,925
Program Revenue:				
Childcare fees	23,033,517	-	-	23,033,517
Membership fees	7,616,968	-	-	7,616,968
Health and fitness fees	3,086,898	-	-	3,086,898
Adventure guides fees	1,866,607	-	-	1,866,607
Government assistance	2,248,585	-	-	2,248,585
Camp	1,483,458	-	-	1,483,458
Community programs fees	1,087,752	-	-	1,087,752
Facility fees	322,018	-	-	322,018
Total Program Revenue	40,745,803	-	-	40,745,803
Contributions from other YMCAs	1,657,679	-	-	1,657,679
Other Income	391,080	-	(9,600)	381,480
Rental Income	-	491,677	-	491,677
Total Support, Revenue, and Gains	44,194,487	491,677	(9,600)	44,676,564
Operating Expenses:				
Program Services:				
Child and youth development	17,348,448	-	-	17,348,448
Health and fitness	10,773,814	-	-	10,773,814
Adventure guides activities	1,868,341	-	-	1,868,341
Camp	766,644	-	-	766,644
Other community services	3,804,277	-	-	3,804,277
Total Program Services	34,561,524	-	-	34,561,524
Supporting Services:				
Administrative and general	6,576,519	-	(275,243)	6,301,276
Fundraising	319,484	-	-	319,484
Total Supporting Services	6,896,003	-	(275,243)	6,620,760
Tipper, LLC	-	621,299	(9,600)	611,699
Total Operating Expenses	41,457,527	621,299	(284,843)	41,793,983
Operating Margin	2,736,960	(129,622)	275,243	2,882,581
<u>Nonoperating</u>				
Investment Income, Net (Note 6)	1,723,133	-	129,622	1,852,755
Loss on Disposal of Capital Assets	(15,482)	-	-	(15,482)
Total Nonoperating	1,707,651	-	129,622	1,837,273
Increase (Decrease) in Net Assets	4,444,611	(129,622)	404,865	4,719,854
Net Assets (Deficit), Beginning of Year	26,275,549	(158,683)	158,683	26,275,549
Prior-period adjustment	1,677,091	-	-	1,677,091
Net Assets (Deficit), Beginning of Year, as Restated	27,952,640	(158,683)	158,683	27,952,640
Net Assets (Deficit), End of Year	\$ 32,397,251	\$ (288,305)	\$ 563,548	\$ 32,672,494

See accompanying independent auditors' report.

