



**YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

**Report on Audit of Financial Statements  
and Supplementary Information  
June 30, 2018  
(With summarized comparative totals for June 30, 2017)**

**Together with  
Independent Auditors' Report  
and Single Audit Reports**

# YOUNG MEN’S CHRISTIAN ASSOCIATION OF SILICON VALLEY

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June 30, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Young Men's Christian Association of Silicon Valley

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Young Men's Christian Association of Silicon Valley (a California public benefit corporation, the "Association"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

To the Board of Directors of  
Young Men's Christian Association of Silicon Valley

### **Auditors' Responsibility (Continued)**

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Association's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### *Other Information*

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

To the Board of Directors of  
Young Men's Christian Association of Silicon Valley

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Robert Lee + Associates, LLP".

San Jose, California  
December 17, 2018

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## Statements of Financial Position

June 30, 2018

(With summarized comparative totals for June 30, 2017)

	June 30,	
	2018	2017 <i>(Comparative)</i>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 8,589,043	\$ 6,224,157
Accounts receivable, net of allowance of \$165,572 and \$215,303 for 2018 and 2017, respectively	3,054,377	3,659,140
Annual giving campaign receivables, net of allowance of \$698,281 and \$247,936 for 2018 and 2017, respectively	604,027	766,591
Pledges receivable, current portion	-	112,725
Prepaid expenses and other current assets	153,406	461,384
Total current assets	12,400,853	11,223,997
Investments	15,973,761	15,394,009
Pledges receivable, non-current portion, net	-	5,162
Land, buildings and equipment, net	63,107,212	64,121,242
Other non-current assets	48,194	36,000
Total assets	\$ 91,530,020	\$ 90,780,410
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 1,539,614	\$ 1,103,105
Accrued expenses	5,370,240	5,037,593
Notes payable	439,815	424,074
Capital lease obligations	41,910	-
Deferred revenue	4,235,821	3,952,543
Total current liabilities	11,627,400	10,517,315
Accrued expenses	73,194	61,000
Notes payable	11,915,266	12,352,149
Capital lease obligations	66,836	-
Total liabilities	23,682,696	22,930,464
Commitments and contingencies (Note 12)		
Net assets:		
Unrestricted:		
Board designated for maintenance and equipment reserve	1,856,416	1,856,416
Board designated for quasi-endowment	2,711,431	2,634,743
Endowment investment loss	(9,278)	(11,666)
Undesignated	53,972,580	53,774,136
Total unrestricted net assets	58,531,149	58,253,629
Temporarily restricted	4,266,964	4,649,256
Permanently restricted	5,049,211	4,947,061
Total net assets	67,847,324	67,849,946
Total liabilities and net assets	\$ 91,530,020	\$ 90,780,410

The accompanying notes are an integral part of these financial statements

## YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

### Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2018 (with summarized comparative totals for 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	(Comparative) Totals
Support and revenues:				
Program, camp and child care fees	\$ 30,259,441	\$ -	\$ -	\$ 30,805,702
Membership dues	28,452,411	-	-	27,759,464
Fees and grants from government agencies	11,446,668	20,000	-	10,723,984
Contributions	4,750,862	2,127,241	102,150	6,406,298
Investment gains (losses), net	467,750	463,822	-	1,413,000
Gain on disposal of buildings and equipment	17,850	-	-	24,450
Miscellaneous revenue	483,467	-	-	597,729
Net assets released from restrictions	2,993,355	(2,993,355)	-	-
Total support and revenues	<u>78,871,804</u>	<u>(382,292)</u>	<u>102,150</u>	<u>77,730,627</u>
Expenses:				
Program services:				
Healthy living	28,928,387	-	-	27,654,491
Child youth development and families	34,861,503	-	-	33,876,991
Total program services	<u>63,789,890</u>	<u>-</u>	<u>-</u>	<u>61,531,482</u>
Supporting services:				
Management and general	8,832,714	-	-	10,686,751
Fundraising	2,127,447	-	-	1,814,627
Total supporting services	<u>10,960,161</u>	<u>-</u>	<u>-</u>	<u>12,501,378</u>
Total expenses before depreciation and amortization	<u>74,750,051</u>	<u>-</u>	<u>-</u>	<u>74,032,860</u>
Change in net assets before depreciation and amortization	4,121,753	(382,292)	102,150	3,697,767
Depreciation and amortization expense	3,844,233	-	-	3,683,525
Change in net assets	277,520	(382,292)	102,150	14,242
Net assets, beginning of year	58,253,629	4,649,256	4,947,061	67,835,704
Net assets, end of year	<u>\$ 58,531,149</u>	<u>\$ 4,266,964</u>	<u>\$ 5,049,211</u>	<u>\$ 67,849,946</u>

The accompanying notes are an integral part of these financial statements

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## Statements of Functional Expenses

For the Year Ended June 30, 2018 (with summarized comparative totals for 2017)

2018

	Program Services			Supporting Services			Total Supporting Services	Total	2017 (Comparative) Totals
	Healthy Living	Child, Youth Development and Families	Total Program Services	Management and General	Fundraising	Total			
Staff compensation	\$ 19,972,459	\$ 22,892,377	\$ 42,864,836	\$ 5,383,479	\$ 1,312,832	\$ 6,696,311	\$ 49,561,147	\$ 47,773,233	
Facilities	5,815,396	3,345,066	9,160,462	372,105	2,570	374,675	9,535,137	8,716,877	
Office and program supplies	784,160	5,601,700	6,385,860	127,613	143,209	270,822	6,656,682	6,594,156	
Contractual services	36,275	1,018,589	1,054,864	1,282,168	23,188	1,305,356	2,360,220	3,874,271	
Interest and bank fees	791,234	329,676	1,120,910	462,447	56,355	518,802	1,639,712	1,607,320	
Equipment rental, repairs and maintenance	663,004	302,583	965,587	35,393	17,602	52,995	1,018,582	1,326,782	
Vehicle and transportation	49,038	741,783	790,821	44,325	3,384	47,709	838,530	878,593	
Telephone	228,711	127,937	356,648	15,141	16,352	31,493	388,141	630,057	
Membership dues	44,307	15,666	59,973	544,391	9,406	553,797	613,770	512,828	
Conference and travel	198,370	172,856	371,226	120,732	19,473	140,205	511,431	506,601	
Printing and public relations	53,508	144,437	197,945	254,066	71,372	325,438	523,383	478,698	
Bad debt	78,765	17,178	95,943	-	432,825	432,825	528,768	452,969	
Insurance	185,401	87,234	272,635	58,105	13,243	71,348	343,983	341,784	
Recruitment and other	16,013	44,968	60,981	77,377	800	78,177	139,158	235,308	
Postage and shipping	11,746	19,453	31,199	55,372	4,836	60,208	91,407	103,383	
Total expenses before depreciation and amortization	28,928,387	34,861,503	63,789,890	8,832,714	2,127,447	10,960,161	74,750,051	74,032,860	
Depreciation and amortization	2,690,487	953,598	3,644,085	200,148	-	200,148	3,844,233	3,683,525	
Total expenses	\$ 31,618,874	\$ 35,815,101	\$ 67,433,975	\$ 9,032,862	\$ 2,127,447	\$ 11,160,309	\$ 78,594,284	\$ 77,716,385	

The accompanying notes are an integral part of these financial statements

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## Statements of Cash Flows

For the Year Ended June 30, 2018

(With summarized comparative totals for June 30, 2017)

	2018	2017 <i>(Comparative)</i>
Cash flows from operating activities:		
Change in net assets	\$ (2,622)	\$ 14,242
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,844,233	3,683,525
Loss on cancellation of construction-in-progress	50,522	-
Loss on disposal of equipment	-	24,450
Realized and unrealized (gains) losses on investments	(433,471)	(1,097,818)
Change in allowance for uncollectible accounts receivable	49,731	(11,828)
Change in allowance for uncollectible pledges	(450,345)	1,523
Amortization of original issue discount, notes payable	2,900	2,900
Changes in operating assets and liabilities:		
Accounts receivable	555,032	(1,613,258)
Annual giving campaign receivables	612,909	(24,551)
Prepaid expenses and other current assets	307,978	(184,700)
Other non-current assets	(12,194)	53,030
Accounts payable	436,509	(1,853,510)
Accrued expenses	344,841	(65,220)
Deferred revenue	283,278	(375,223)
Net cash (used) provided by operating activities	<u>5,589,301</u>	<u>(1,446,438)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	1,260,395	4,037,595
Purchases of investments	(1,406,676)	(4,167,279)
Proceeds from sale of equipment	-	13,914
Purchases of land, buildings and equipment	(2,096,419)	(366,426)
Purchases of assets placed into construction-in-progress	(654,826)	(1,659,503)
Net cash used by investing activities	<u>(2,897,526)</u>	<u>(2,141,699)</u>
Cash flows from financing activities:		
Payments on note payable	(424,042)	(564,411)
Payments on capital lease obligations	(20,734)	-
Proceeds received from capital campaign contributions	117,887	1,249,570
Net cash provided (used) by financing activities	<u>(326,889)</u>	<u>685,159</u>
(Decrease) increase in cash and cash equivalents	2,364,886	(2,902,978)
Cash and cash equivalents, beginning of year	<u>6,224,157</u>	<u>9,127,135</u>
Cash and cash equivalents, end of year	<u>\$ 8,589,043</u>	<u>\$ 6,224,157</u>

The accompanying notes are an integral part of these financial statements

# **YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2018

### **Note 1 - Organization and operations:**

#### **Description of Organization**

The Young Men's Christian Association of Silicon Valley (the "Association" or the "Y") is a nonprofit organization committed to strengthening our community by improving the quality of life and inspiring individuals and families to develop their fullest potential in spirit, mind and body. Key areas of focus are youth development, healthy living and social responsibility. The Y nurtures the potential of every child and teen, improves the health and well-being of community members, and provides opportunities to give back and support its neighbors. Integral to all Y activities are its core values of caring, honesty, respect and responsibility. The Y serves people of all backgrounds, ages, capabilities and income levels, providing financial assistance to those in need.

The Association has received a determination letter from the Internal Revenue Service that it is exempt from federal taxation under Section 501(c)(3) of the U.S. Internal Revenue Code. The Association is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

#### **Description of Programs**

Healthy Living - The Y offers a wide range of programs and services to enable people to live healthier lifestyles. These wellness-based programs focus on exercise, nutrition, stress management, health education, therapeutic activities, avoidance of drug and alcohol abuse, chronic disease prevention and management and other specialized needs. A lifelong progression of health related activities, experiences, and education is offered for all ages and abilities, and also encourages participants to give back and help strengthen their community. In a welcoming environment, more than 173,000 members and participants receive support to live a healthier lifestyle.

Child Development - It is critical for the healthy development of children to have physically, emotionally and educationally stimulating activities available in a safe environment before and after school. The Y delivers family-centered, values-based activities to more than 9,800 children every day through early learning, licensed, and grant funded after school and special programs focusing on education, health and nutrition, in collaboration with school districts and community organizations. A highly trained staff delivers enriching and affordable programming in a nurturing environment. Children are encouraged and given opportunities to serve their community.

Camping Programs / Youth, Teen and Family Programs / Project Cornerstone - Youth and teen programs foster the development of self-esteem, social skills, social responsibility, physical fitness, character and values, healthy habits, positive attitude and teamwork.

# **YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2018

### **Note 1 - Organization and operations (continued):**

#### **Description of Programs (continued)**

Camping Programs / Youth, Teen and Family Programs / Project Cornerstone (continued) - The Y offers sports, parent-child, leadership and development, and tutoring programs. The Y also trains over 4,000 volunteers to develop social-emotional skills by volunteering monthly in classrooms delivering the Project Cornerstone curriculum. Day, resident, and specialty camps provide a wide range of opportunities for growth, learning, relationship building and healthy fun. Nearly 157,000 youth are served. Families come together to form stronger bonds and healthier lifestyles. For those in need, financial assistance is provided.

### **Note 2 - Summary of significant accounting policies:**

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - The Association presents information regarding its financial position and activities according to three classes of net assets:

- *Unrestricted net assets* - the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use of management and the Board of Directors for facility maintenance and general operations. Unrestricted net assets also include those expendable resources that have been designated for special use by the Board of Directors.
- *Temporarily restricted net assets* - the portion of net assets for which the use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association.
- *Permanently restricted net assets* - the portion of net assets for which the use is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of the Association.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include the allowance for doubtful accounts, the discount for present value on pledges receivable, the useful lives of property and equipment and the allocation of expenses by function. Actual results could differ from these estimates.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## **Notes to Financial Statements**

June 30, 2018

### **Note 2 - Summary of significant accounting policies (continued):**

Revenue recognition - Contributed support is recognized as revenue when received or unconditionally promised. The Association reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Promises to give, that are expected to be collected in future years, are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, is included in contribution revenue. Conditional promises to give, if any, are not included as support until the conditions are substantially met.

Program, camp, and child care fees and membership dues are deferred upon receipt and recognized as revenue ratably over the membership period or in the period (month) that services are delivered, and are recognized net of financial aid and discounts granted.

Contributed property and services - Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Contributed services, which require a specialized skill and which the Association would have paid for if not contributed, is recorded at their estimated fair market value. The Association received \$594,898 and \$474,832 in contributions-in-kind during the years ended June 30, 2018 and 2017, which is included in miscellaneous income on the statements of activities and changes in net assets. In addition, a substantial number of volunteers have contributed significant amounts of time in promoting the Association's programs. The value of contributed volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not require specialized skills.

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated, based on estimates of time, space, and other factors, among the classifications.

Cash and cash equivalents - For purposes of reporting cash flows, the Association considers all highly liquid investments with a maturity of 90 days or less at the date of purchase to be cash equivalents. Cash balances held in managed investment accounts are excluded from cash and cash equivalents.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## **Notes to Financial Statements**

June 30, 2018

### **Note 2 - Summary of significant accounting policies (continued):**

Accounts receivable and allowance for doubtful accounts - Accounts receivable consist of receivables relating to program revenue, foundation grants and government agency grants. Accounts receivable are carried at invoice amounts less an estimate made for doubtful receivables. The Association uses the allowance method to determine uncollectible trade receivables. The allowance is based on prior years' experience and management's analysis of specific receivables. The financial statements reflect these receivables net of the allowance reserve.

Annual giving campaign receivables and allowance for doubtful accounts - The annual giving campaigns receivables are the result of annual campaigns carried by each branch in support of the Association's mission in the local community and have not been collected at year end. The Association uses the allowance method to determine uncollectible annual giving campaign receivables. The allowance is based on prior years' experience and management's analysis of specific receivables. The financial statements reflect these receivables net of the discount, if any, and allowance reserve. Management expects all annual giving campaign receivables outstanding at June 30, 2018 to be paid by June 30, 2019.

Pledges receivable and allowance for doubtful accounts - Pledges receivable are unconditional multi-year commitments towards specific projects covering capital improvements, programs, and other initiatives, supporting the projects. Unconditional promises to give are promises that depend only on the passage of time or the demand by the promisor for performance. A conditional promise to give is a promise that depends on the occurrence of a specified future and uncertain event to bind the promisor. Conditional promises to give are not included as support until the conditions are substantially met. There were no conditional promises to give at June 30, 2018 and 2017.

Pledges are predominantly associated with capital campaigns for construction and renovation to certain of the Association's facilities and funding of specific projects. Pledges that are expected to be collected after one year are reported at fair value using discounted cash flow methodology. Discount rates used are the Association's borrowing rate of interest applicable at the date of the pledge.

The Association uses the allowance method to estimate potentially uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made. The financial statements reflect these pledges net of the discount and allowance reserve.

Prepaid expenses and other assets - Prepaid expenses and other assets include payments for lease deposits, contracts and program related activities.

# **YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2018

### **Note 2 - Summary of significant accounting policies (continued):**

Investments - All investments are valued in accordance with Generally Accepted Accounting Principles ("GAAP"), including Fair Value Measurements.

*Publicly traded* - The Association invests primarily in marketable securities and bonds. All debt securities and equity securities are carried at quoted market prices as of the last trading date of the Association's fiscal year. The Association's Board of Directors has established an investment policy and has engaged the services of an outside investment advisor to assist in such matters. Contributions of investments are recorded at estimated fair value at the date of donation and are sold as soon as reasonably possible. Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from the sales or maturities are the differences between the investment's cost basis and the sale or maturity settlement of the investment. Dividend and interest income are accrued when earned. The Association may have risk associated with its concentration of investments in one geographic region and in certain industries.

*Privately managed futures fund* - This fund invests in publicly traded investments and is included at quoted market prices as described above. The Association's investment within this fund is carried at estimated fair values as determined by the investment manager of these securities after giving consideration to operating results, financial condition, recent sales prices of issuers' securities and other pertinent information. These investments are valued at the Association's percentage interest owned in this fund. Because of the inherent uncertainty of valuations, however, the estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

Fair value of financial instruments - Financial instruments included in the Association's statement of financial position as of June 30, 2018 and 2017 include cash and cash equivalents, receivables, investments, and accounts payable and accrued expenses, note payable and deferred revenue. For cash and cash equivalents, receivables, accounts payable and accrued expenses, note payable and deferred revenue, the carrying amounts represent a reasonable estimate of the corresponding fair values. Investments are reflected in the accompanying Statement of Financial Position at their estimated fair values using methodologies described above.

Land, buildings, equipment, depreciation and amortization - Land, buildings and equipment are stated at cost. Acquisitions of items in excess of \$5,000 are capitalized. Significant donated items are recorded at estimated fair value at the date of receipt. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of land, buildings and equipment are recorded as unrestricted support.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## **Notes to Financial Statements**

June 30, 2018

### **Note 2 - Summary of significant accounting policies (continued):**

Land, buildings, equipment, depreciation and amortization (continued) - Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful lives or the term of the applicable lease. Property under capital leases is amortized over the lives of the respective leases or the estimated useful lives of the assets, whichever is shorter.

Long-lived assets - The Association reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable. No such impairments have been identified to date.

Construction-in-progress - Construction-in-progress represents assets acquired and not yet placed into service.

Asset retirement obligation - The Association records an asset and related liability for costs associated with its retirement when an unconditional legal obligation to effect the retirement exists. The Association is not aware of any specific legal obligation which individually or in the aggregate, is material to the Association's financial position.

Endowment accounting and interpretation of relevant law - The Association's endowment consists of fifty-five individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by the Board to function as endowments. 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.

#### *Interpretation of relevant law*

The Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies this endowment as permanently restricted net assets at (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 the accumulation is added to the fund.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## **Notes to Financial Statements**

June 30, 2018

### **Note 2 - Summary of significant accounting policies (continued):**

Endowment accounting and interpretation of relevant law (continued) -

*Interpretation of relevant law* (continued) - The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

Concentration of credit risk - Financial instruments that potentially subject the Association to credit risk consist primarily of cash and cash equivalents, receivables, and investments. The Association maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments, and money market funds. These accounts are insured up to \$250,000 per depositor by an agency of the federal government. At times, such amounts may exceed Federal Deposit Insurance Corporation ("FDIC") limits.

The credit risk associated with receivables is mitigated by the fact that generally the receivables are made by local Association members and donors and the receivables are evaluated by the Association based on the knowledge of the individuals. Additionally, any receivables that are expected to be collected after one year have been discounted and are reflected in the financial statements at their net present value. The Association's investments have been placed with high quality financial institutions. The Association monitors these investments and has not experienced significant credit losses. It is the Association's opinion that it is not exposed to any significant credit risks.

Advertising - Advertising costs are expensed as incurred. Advertising, promotion, and marketing expense for the years ended June 30, 2018 and 2017 were approximately \$207,000 and \$232,000, respectively.

Accounting for uncertainty in income taxes - The Association evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2018 and 2017 management did not identify any uncertain tax positions.

The Association is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is June 30, 2015 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2014 and forward.

# **YOUNG MEN’S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2018

### **Note 2 - Summary of significant accounting policies (continued):**

Comparative totals - The statements of activities and changes in net assets and the statement of functional expenses include certain prior year summarized comparative information in total but not by net asset class and fund as presented for the current year. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with the Association’s financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. These reclassifications have no effect on previously reported change in unrestricted net assets.

Recent accounting pronouncements - In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2014-09 “Revenue from Contracts with Customers (Topic 606).” The ASU provides guidance over the core principle of recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. ASU 2014-09 will supersede the revenue recognition requirements in FASB Accounting Standard Codification (ASC) 605, "Revenue Recognition," and most industry-specific guidance throughout the Industry Topics of the FASB ASC. The purpose of the new standard is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). In August 2015, the FASB issued ASU 2015-14 “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date” which will defer the effective date of ASU No. 2014-09 "Revenue from Contracts with Customers" for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08 “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations. The ASU improves operability and understandability of Topic 606 in principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10 “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing.” The ASU expands on Topic 606 with clarification over identifying performance obligations and licensing. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted under several options, the earliest for a year beginning after December 15, 2016 and interim periods within that year. Various retrospective application methods are available. Management has not determined the impact on the financial statements.

# **YOUNG MEN’S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2018

### **Note 2 - Summary of significant accounting policies (continued):**

Recent accounting pronouncements (continued) - In February 2016, the FASB issued FASB ASU No. 2016-02 “Leases.” The ASU is intended to increase transparency and comparability between organizations recognizing lease assets and liabilities by recognizing lease assets and lease liabilities on the balance sheet and increasing the related disclosures. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted. Management has not determined the impact of this pronouncement.

In August 2016, the issued FASB Accounting Standard Update (“ASU”) No. 2016-14 “Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities.” The ASU is intended to improve identified issues about the current financial reporting for Not-for-Profits. This ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application is permitted. Management has not determined the impact of this pronouncement.

In June 2018, the FASB issued ASU No. 2018-08 “Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.” The new standard provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction based on whether a resource provider is receiving value in return for the resources transferred. Further, the ASU provides additional guidance to help determine whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date of this amendment is for fiscal years beginning after December 15, 2018. Management has not determined the impact of this pronouncement.

Subsequent events - Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued and it has been determined that no material subsequent events that require an estimate to be recorded or disclosed as of June 30, 2018.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## Notes to Financial Statements

June 30, 2018

### Note 3 - Supplemental cash flow information:

	For the Years Ended	
	June 30,	
	2018	2017
<u>Supplemental disclosure of cash flow information</u>		
Cash paid during the year for interest	\$ 463,976	\$ 481,400
<u>Supplemental disclosure of non-cash transactions</u>		
Capital assets acquired under issuance of capital leases	\$ 129,480	\$ -
Transfer of assets from CIP to land, buildings and equipment	\$ 83,690	\$ 3,674,738

### Note 4 - Investments:

The Association follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority.

The Association uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Association measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. At June 30, 2018 and 2017, the Association was invested in Level 1 investments and had no investment in Level 2 and Level 3 inputs.

All of the endowment assets, which are further discussed in Note 11, are held within the below investments. The Association's investments were measured using quoted prices in active markets for identical assets (Level 1).

The fair values of the Association's investments were as follows at June 30, 2018:

	2018	2017
Cash and cash equivalents	\$ 359,363	\$ 49,123
Equity securities	9,299,704	8,710,104
U.S. treasury bonds	2,487,319	2,391,164
Municipal bonds	1,816,156	1,881,198
Certificate of deposits	1,924,629	1,808,508
Miscellaneous investment assets	86,590	553,912
Total investments	<u>\$ 15,973,761</u>	<u>\$ 15,394,009</u>

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## Notes to Financial Statements

June 30, 2018

### Note 4 - Investments (continued):

The following schedule summarizes the investment returns for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Dividends and interest income	\$ 498,101	\$ 315,182
Realized gains	145,543	141,652
Unrealized gains (losses), net	287,928	956,166
Total investment gains (losses), net	<u>\$ 931,572</u>	<u>\$ 1,413,000</u>

Investment consulting fees for the years ended June 30, 2018 and 2017 were \$30,066 and \$30,138, respectively, and included in Contractual Services on the statement of functional expenses.

### Note 5 - Land, buildings and equipment:

Land, buildings and equipment, including equipment under capital leases, consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 93,516,691	\$ 92,212,328
Furniture, equipment, and vehicles	9,810,468	8,996,817
Capitalized interest	146,262	146,262
Capitalized finance charges	222,894	222,894
Total buildings and equipment	103,696,315	101,578,301
Less: accumulated depreciation and amortization	<u>(52,915,762)</u>	<u>(49,071,529)</u>
Buildings and equipment, net	50,780,553	52,506,772
Construction-in-progress	654,826	134,212
Land	7,229,447	7,229,447
Land improvements	4,442,386	4,250,811
Land, buildings and equipment, net	<u>\$ 63,107,212</u>	<u>\$ 64,121,242</u>

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 were approximately \$3,844,000 and \$3,684,000, respectively.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## Notes to Financial Statements

June 30, 2018

### Note 6 - Accrued expenses:

Accrued expenses consisted of the following at June 30:

	2018	2017
Current accrued expenses:		
Accrued vacation	\$ 2,221,146	\$ 2,026,907
Accrued salaries, wages and related taxes withheld	1,993,910	1,873,165
Accrued program expenses	530,345	645,339
Accrued credit card expenses	405,994	291,543
Accrued retirement	153,703	150,326
Accrued interest	37,231	38,503
Other accrued expenses	27,911	11,810
Total current accrued expenses	5,370,240	5,037,593
Non-current accrued expenses:		
Slonaker trust	36,000	36,000
Tenant deposit	25,000	25,000
Deferred compensation	12,194	-
Total non-current accrued expenses	73,194	61,000
Total accrued expenses	\$ 5,443,434	\$ 5,098,593

### Note 7 - Note payable:

	2018	2017
Note agreement with a bank to purchase property in the city of Santa Clara, California, perform building improvements and refinance of their line of credit. The note requires monthly payments of approximately \$74,000, including interest of 3.65% per annum, maturing January 31, 2038.	\$ 12,410,181	\$ 12,834,223
Less: original issue discount	(55,100)	(58,000)
Less: current portion of notes payable	(439,815)	(424,074)
Long-term notes payable	\$ 11,915,266	\$ 12,352,149

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## Notes to Financial Statements

June 30, 2018

### Note 7 - Note payable (continued):

At June 30, 2018, the future principal payments are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 439,815
2020	454,959
2021	473,024
2022	490,581
2023	508,790
Thereafter	<u>10,043,012</u>
Total notes payable	12,410,181
Less: original issue discount	(55,100)
Less: current portion, net	<u>(439,815)</u>
Non-current portion, net	<u>\$ 11,915,266</u>

### Note 8 - Capital lease obligations:

In November 2017, the Organization entered into a capital lease arrangements for equipment with an aggregate cost of approximately \$129,000 and related accumulated depreciation of \$21,000. The lease expires in January 2021; requires monthly payments of approximately \$3,900, and bear interest of approximately 4.91% per annum.

At June 30, 2018, future minimum annual obligations under the agreements were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 46,501
2020	46,501
2021	<u>23,266</u>
Total payments	116,268
Less amounts representing interest	<u>(7,522)</u>
Present value of minimum lease	108,746
Less portion due within one year	<u>(41,910)</u>
Portion due after one year	<u>\$ 66,836</u>

# **YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2018

### **Note 9 - Temporarily restricted net assets:**

Temporarily restricted net assets are restricted by donors for facility renovation, construction, specific programs and endowment earnings. Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Capital campaigns	\$ 971,511	\$ 1,509,078
Grants and contributions for projects	1,233,278	1,285,548
Endowment earnings	<u>2,062,175</u>	<u>1,854,630</u>
Total	<u>\$ 4,266,964</u>	<u>\$ 4,649,256</u>

### **Note 10 - Net assets released from restrictions:**

Net assets, originally restricted by donors, were released as they were expended in accordance with donor restrictions for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Capital campaigns	\$ 1,120,117	\$ 112,571
Grants and contributions for projects	1,616,961	1,335,260
Endowments	<u>256,277</u>	<u>302,631</u>
Total	<u>\$ 2,993,355</u>	<u>\$ 1,750,462</u>

### **Note 11 - Permanently restricted net assets:**

Permanently restricted net assets consist of endowment fund investments that represent the principal amounts of gifts accepted with donor stipulation that the principal be maintained intact in perpetuity. Income generated from these investments can be utilized for a variety of programs as directed by donors. Permanently restricted net assets available at June 30, 2018 and 2017 were \$5,049,211 and \$4,947,061 respectively.

### **Note 12 - Endowment:**

The endowment consists of fifty-five individual funds comprising permanently restricted net assets, temporarily restricted net assets, and Board designated (quasi) endowments. The permanently restricted net assets represent the principal amounts of gifts accepted with donor stipulation that the principal be maintained intact in perpetuity. Temporarily restricted net assets consist of the income generated from the endowment investments which can be utilized for a variety of programs as directed by donors.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## Notes to Financial Statements

June 30, 2018

### Note 12 - Endowment (continued):

The quasi-endowments consists of Board designated unrestricted net assets. The unrestricted endowment investment loss consists of the cumulative fair value adjustments of the permanently restricted endowment investments. The unrestricted quasi-endowment investment gain (loss) consists of the cumulative fair value adjustment of the Board designated quasi-endowment investments. The current and prior year losses resulted, in most cases, in significant decreases in the values of these endowment funds, reducing the values below the original principal amounts. As a result, the Association has recorded these losses as part of the unrestricted net assets and has shown them separately in the tables below.

The endowment is recorded by the different classifications of net assets in the financial statements for the year ended June 30, 2018 as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 2,062,175	\$ 4,999,211	\$ 7,061,386
Board designated endowment funds	2,711,432	-	-	2,711,432
Funds with deficiencies				
endowment investment loss	<u>(9,278)</u>	<u>-</u>	<u>-</u>	<u>(9,278)</u>
Total	<u>\$ 2,702,154</u>	<u>\$ 2,062,175</u>	<u>\$ 4,999,211</u>	<u>\$ 9,763,540</u>

The endowment is recorded by the different classifications of net assets in the financial statements for the year ended June 30, 2017 as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 1,854,630	\$ 4,947,061	\$ 6,801,691
Board designated endowment funds	2,634,743	-	-	2,634,743
Funds with deficiencies				
endowment investment loss	<u>(11,666)</u>	<u>-</u>	<u>-</u>	<u>(11,666)</u>
Total	<u>\$ 2,623,077</u>	<u>\$ 1,854,630</u>	<u>\$ 4,947,061</u>	<u>\$ 9,424,768</u>

## YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

### Notes to Financial Statements

June 30, 2018

#### Note 12 - Endowment (continued):

For the year ended June 30, 2018, the Association had the following endowment-related activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets July 1, 2017	\$ 2,623,077	\$ 1,854,630	\$ 4,947,061	\$ 9,424,768
Investment return:				
Interest and dividend income	101,467	252,749	-	354,216
Realized and unrealized gains and losses, net	84,720	211,073	-	295,793
Investment consulting fees	(19,753)	-	-	(19,753)
Total investment return	166,434	463,822	-	630,256
Contributions	16,007	-	52,150	68,157
Appropriation of endowment net assets for expenditure	(103,364)	(256,277)	-	(359,641)
Endowment net assets June 30, 2018	<u>\$ 2,702,154</u>	<u>\$ 2,062,175</u>	<u>\$ 4,999,211</u>	<u>\$ 9,763,540</u>

For the year ended June 30, 2017, the Association had the following endowment-related activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets July 1, 2016	\$ 2,205,687	\$ 1,580,169	\$ 4,790,007	\$ 8,575,863
Investment return:				
Interest and dividend income	57,000	134,972	-	191,972
Realized and unrealized gains and losses, net	246,773	585,156	-	831,929
Investment consulting fees	(5,506)	(13,081)	-	(18,587)
Total investment return	298,267	707,047	-	1,005,314
Contributions	37,160	-	157,054	194,214
Appropriation of endowment net assets for expenditure	(103,707)	(246,916)	-	(350,623)
Reclassification	185,670	(185,670)	-	-
Endowment net assets June 30, 2017	<u>\$ 2,623,077</u>	<u>\$ 1,854,630</u>	<u>\$ 4,947,061</u>	<u>\$ 9,424,768</u>

# **YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2018

### **Note 12 - Endowment (continued):**

Funds with deficiencies: 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 UPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$9,278 and \$11,666 as of June 30, 2018 and 2017, respectively.

Return objectives and risk parameters: The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the association must hold in perpetuity or for a donor-specified period as well as Board-designated funds. Under this policy, as approved by the Association's Investment Committee, the endowment assets are invested in a manner that is intended to provide a moderate average annual real return in excess of inflation. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policies and how the investment objectives relate to spending policy: The Association has a policy of appropriating for distribution each year between 3.5 to 4.5 percent of its endowment funds' average fair value over the previous 12 quarters, proceeding the fiscal year in which the distribution is planned. For the years ended June 30, 2018 and 2017, \$359,641 and \$350,623, respectively, was distributed from the endowment. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to grow each fiscal year. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### **Note 13 - Commitments and contingencies:**

Lease commitments: The Association is obligated under non-cancelable operating leases for facilities and office equipment, which expire at various dates through September 2019. Under the terms of these leases, the Association is responsible for maintaining liability and property damage insurance and for paying certain allocable operating expenses. Some of these leases provide for a period of free rent and scheduled rent increase over the term of the lease. Rent expense is being recorded on the straight-line method over the terms of the lease.

# YOUNG MEN’S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## Notes to Financial Statements

June 30, 2018

### Note 13 - Commitments and contingencies (continued):

Sub-lease commitments: The Association also leases its property and a related office facility to an unrelated third party under a non-cancellable lease, which expires during April 2020.

Future minimum lease payments and lease rental income under non-cancelable leases are approximately as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Minimum Lease</u> <u>Payment</u>	<u>Minimum Lease</u> <u>Income</u>	<u>Net Lease</u> <u>Payments</u>
2019	\$ 125,117	\$ (150,000)	\$ (24,883)
2020	106,429	(112,500)	(6,071)
2021	100,200	-	100,200
2022	25,050	-	25,050
Total	<u>\$ 356,796</u>	<u>\$ (262,500)</u>	<u>\$ 94,296</u>

The Association has also entered into various month-to-month leases for space at its after school program sites. Net rental expense under both non-cancelable operating and month-to-month leases was \$1,875,797 and \$1,713,307 for the years ended June 30, 2018 and 2017, respectively.

The Association and the El Camino Hospital District (the “District”) have constructed a building on land owned by the District. The land under the Association’s portion of the building is leased from the District pursuant to a non-assignable 50-year lease at \$1 per year. In exchange, the District’s employees will get priority use of the facilities and the Association is responsible for a percentage of the building costs. The lease ends on June 30, 2049 and the facilities must be returned to the District. The Association may not assign, sublet or mortgage its interest in the land or improvements.

The Association entered into a 55-year lease agreement with the City of East Palo Alto (the “City”) in May of 2001. The Association constructed a facility on the premises, which was completed and placed into operations during 2007. The lease payment due under this agreement is \$1 per year. In exchange, the Association must provide use of the facilities to the City and make funds available for financial assistance for residents of the City. The lease ends on May 1, 2056 and the facilities must be returned to the City of East Palo Alto.

The Association has determined that both the District and City leases are exchange transactions. As such, these do not meet the requirements of recording the leases as contributions under GAAP.

# **YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2018

### **Note 13 - Commitments and contingencies (continued):**

Contingencies: The Association purchases liability insurance to cover various claims. These claims include both known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to members. From time to time, the Association reports certain incidences to its insurance companies. Some of these reports serve as information only and some result in the involvement of the insurance carrier or carriers. The Association believes that it is adequately insured for any circumstances that may arise related to performance of services.

### **Note 14 - Employee benefits:**

The Association participates in a defined contribution plan (the "Plan") under Section 401(a) of the Internal Revenue Code, which is administered by the YMCA Retirement Fund (the "Fund"). The Fund is operated as a church pension plan and is a not-for-profit, tax exempt, New York State Corporation (1922). Participation is available to all duly organized and reorganized YMCAs in the United States. The Plan is for the benefit of all eligible employees of the Association who qualify under the participation requirements. In accordance with the Fund agreement, employer contributions are approximately 12% of the participating employee's salary, which are paid by the Association and are remitted to the Fund monthly. The Association's contributions under the Plan were approximately \$2,684,000 and \$2,558,000 for the years ended 2018 and 2017, respectively.

### **Note 15 - Deferred compensation program:**

The Association has a deferred compensation program ("457(f)" Plan) for the benefit of highly-compensated employees and certain other eligible employees. The 457(f) plans provide benefits separate and apart from any benefits that may be available under the Fund agreement (described in Note 14). The 457(f) is a nonqualified, unfunded plan in compliance with terms of Sections 457 of the Internal Revenue Code. The Association has created a Trust with an outside third-party, of the type generally known as a "rabbi trust" to act as direct trustee of the Plan. The principal and earnings on the Trust are held separate and apart from other funds of the Association and shall be used exclusively for the purposes of the plan participants. The Plan does not permit voluntary deferral of additional compensation by the Participants. The participant rights to receive 100% of any deferred compensation credited and adjusted for earnings and losses, shall become vested and nonforfeitable on the one year anniversary date of the Deferred Compensation being credited to the account. Upon retirement, all payments under the deferred compensation program may be paid from the general assets of the Association. The liability is recorded in non-current accrued expenses in the statement of financial position.

The Association made contributions into the 457 Plan of approximately \$12,000 for the fiscal years ended June 30, 2018.

# **YOUNG MEN’S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2018

### **Note 16 - Related-party transactions:**

A member of the Board of Directors is affiliated with a general contractor that provided approximately \$1,318,000 of services to the Association during the year ended June 30, 2017. During the year ended June 30, 2018, the general contractor did not provide services to the Association. During the years ended June 30, 2018 and 2017, other immaterial amounts of services or goods were provided to the Association by other members of the branch boards of managers.

The volunteer members of the Board of Directors of the Association and branches are active in oversight of fundraising events, activities, and in making private contributions. Contributions received from the Board of Directors and branch boards of managers, or from companies with which the Board of Directors or boards of managers are affiliated, were approximately \$532,000 and \$445,000 for the years ended June 30, 2018 and 2017, respectively.

The Association is a member of the National Council of Young Men’s Christian Associations of the United States of America (“National”). The Association is a separate independent legal entity and maintains membership in the National Association. The Association made payments to National of approximately \$479,000 and \$468,000 for association dues and other contributions for the years ended June 30, 2018 and 2017, respectively.

### **Note 17 - City of Morgan Hill Senior Nutrition Grant:**

The Association has contracted with the County of Santa Clara to receive funding for the Y Senior Nutrition Program. The Senior Nutrition Program provides balanced hot meals to senior residents five times a week. Statistical data detailing certain demographics of the program are submitted quarterly to the County of Santa Clara. The maximum funding under the grant for the years ended June 30, 2018 and 2017 was \$360,888 and \$330,292, respectively.

The following amounts were reported in the accompanying financial statements as fees and grants from the government agencies and as program services for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Grant support received	\$ 360,888	\$ 330,292
Personnel cost	\$ 308,461	\$ 290,459
Program expenses	224,891	245,731
Total contract expenses	<u>\$ 533,352</u>	<u>\$ 536,190</u>

**SUPPLEMENTARY INFORMATION**



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

To the Board of Directors of  
Young Men's Christian Association of Silicon Valley  
Santa Clara, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Young Men's Christian Association of Silicon Valley (the "Association"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2018.

**Internal Control over Financial Reporting**

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

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

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

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

To the Board of Directors of  
Young Men's Christian Association of Silicon Valley  
Santa Clara, California

**Compliance and Other Matters**

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

**Purpose of this Report**

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

 Robert Lee & Associates, LLP

San Jose, California  
December 17, 2018



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

To the Board of Directors of  
Young Men's Christian Association of Silicon Valley  
Santa Clara, California

**Report on Compliance for Each Major Federal Program**

We have audited Young Men's Christian Association of Silicon Valley's (the "Association", a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2018. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

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

To the Board of Directors of  
Young Men's Christian Association of Silicon Valley  
Santa Clara, California

**Opinion on Each Major Federal Program**

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

To the Board of Directors of  
Young Men's Christian Association of Silicon Valley  
Santa Clara, California

**Report on Internal Control over Compliance (Continued)**

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

*Robert Lee & Associates, LLP*

San Jose, California  
December 17, 2018

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

**Single Audit Reports**

**Schedule of Expenditures of Federal Awards**

For the Year Ended June 30, 2018

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA number</b>	<b>Pass-through entity identifying number</b>	<b>Federal Program Expenditures</b>
<b><u>EXPENDITURES OF FEDERAL AWARDS:</u></b>			
<b>U.S. Department of Education:</b>			
Passed-through Programs from California Department of Education:			
21st Century After School Grant	84.287	43-14349-Z493-8A (7/1/16 - 12/31/17)	\$ 44,656
21st Century After School Grant	84.287	43-14349-Z493-8A (7/1/17 - 6/30/18)	56,889
21st Century After School Grant	84.287	43-14349-Z493-8B (7/1/17 - 6/30/18)	454,407
Passed-through Programs from Redwood City School District:			
21st Century After School Grant	84.287	PO 151717	203,022
Passed-through Programs from Gilroy Unified School District:			
21st Century After School Grant	84.287	PCA 14349	363,643
Total 21st Century After School Grant*			<u>1,122,617</u>
<b>Total U.S. Department of Education</b>			<b><u>1,122,617</u></b>
<b>U.S. Department of Agriculture:</b>			
Passed-through Programs from California Department of Education:			
Child and Adult Care Food Program Child Nutrition Cluster	10.558	04116-CACFP-43- NP-SOIC	1,997,410
Summer Food Service Program Total Child Nutrition Cluster	10.559	04116-SFSP-43	158,836
			<u>2,156,246</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>2,156,246</u></b>
<b>U.S. Department of Health &amp; Human Services</b>			
Passed-through Programs from the County of Santa Clara:			
Aging Cluster			
Senior Nutrition Program: Title III	93.045	PO 4300009000	64,274
Senior Nutrition Program: NSIP	93.053	PO 4300009000	25,515
Total Aging Cluster			<u>89,789</u>
Passed-through Program from California Department of Public Health:			
California Arthritis Partnership Program - Enhance Fitness Program	93.945	17-10433	2,016
<b>Total U.S. Department of Health &amp; Human Services</b>			<b><u>91,805</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 3,370,668</u></b>

\* Denotes a major program

The accompanying notes are an integral part of this schedule

# **YOUNG MEN’S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

## **Single Audit Reports**

### **Notes to the Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2018

#### **Note 1 - Organization and operations:**

##### **Description of Organization**

The Young Men’s Christian Association of Silicon Valley (the “Association” or “Y”) is a nonprofit organization committed to strengthening our community by improving the quality of life and inspiring individuals and families to develop their fullest potential in spirit, mind and body. Key areas of focus are youth development, healthy living and social responsibility. The Y nurtures the potential of every child and teen, improves the health and well-being of community members, and provides opportunities to give back and support its neighbors. Integral to all Y activities are its core values of caring, honesty, respect and responsibility. The Y serves people of all backgrounds, ages, capabilities and income levels, providing financial assistance to those in need.

The Association has received a determination letter from the Internal Revenue Service that it is exempt from federal taxation under Section 501(c)(3) of the U.S. Internal Revenue Code. The Association is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

#### **Note 2 - Summary of significant accounting policies:**

Basis of accounting - Expenditures in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Association has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The information in the accompanying Schedule of Expenditures of Federal Awards (“SEFA”) includes the federal grant and loan activity of the Association under programs of the federal government for the year ending June 30, 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the financial statements. Although the Association is required to match certain grants, as defined by the grants, no such matching has been included as expenditures in the SEFA.

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

**Single Audit Reports**

**Schedule of Findings and Questioned Costs**

Year Ended June 30, 2018

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Young Men's Christian Association of Silicon Valley.
2. No significant deficiencies relating to the audit of the financial statements are reported in the basic financial statements.
3. No instances of noncompliance material to the financial statements of the Association were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the financial statements.
5. The auditors' report on compliance for the major federal award programs for the Association expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the Association is reported in Part C of this Schedule below.
7. The programs tested as major programs include:

<u>Major Program</u>	<u>CFDA #</u>	<u>Expenditures</u>
21 <sup>st</sup> Century After School Grant	84.287	<u>1,122,617</u>
Total Major Program Expenditures		\$ <u>1,122,617</u>
Total Federal Award Expenditures		\$ <u>3,370,668</u>
Percent of Total Federal Award Expenditures		<u>33%</u>

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Association was determined to be a low risk auditee.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY**

**Single Audit Reports**

**Schedule of Findings and Questioned Costs (continued)**

June 30, 2018

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**Current Year Findings**

No financial statements audit findings noted in the current year.

**Prior Year Findings**

No financial statements audit findings noted in the prior year.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM  
AUDIT**

**Current Year Findings**

There are no current year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**Prior Year Findings**

There are no prior year findings that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.