

**YMCA OF SAN DIEGO COUNTY**  
(A California Nonprofit Public Benefit Corporation)

Financial Statements  
and Supplementary Information in Accordance  
with Office of Management and Budget Circular A-133

June 30, 2008  
(with summarized financial information for 2007)

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## Report of Independent Public Accountants

To the Board of Directors  
YMCA of San Diego County

We have audited the accompanying statement of financial position of the YMCA of San Diego County (a California nonprofit public benefit corporation) (the YMCA) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the YMCA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the YMCA's 2007 financial statements, and in our report dated October 11, 2007, we expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of the YMCA as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2008 on our consideration of the YMCA's internal control over financial reporting and 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is not a require

ed part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

 J.H. Cohn LLP

San Diego, California  
October 21, 2008

**YMCA OF SAN DIEGO COUNTY**  
(A California Nonprofit Public Benefit Corporation)

Statement of Financial Position

June 30, 2008  
(With comparative financial information for 2007)

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Cash and cash equivalents	\$ 9,437,000	\$ 15,667,000
Pledges and accounts receivable (note 4)	12,031,000	11,641,000
Investments (note 5)	37,666,000	23,365,000
Investments whose uses are limited (note 5)	2,394,000	5,062,000
Prepaid expenses and other assets	444,000	920,000
Beneficial interest in charitable remainder trusts (note 2)	5,258,000	7,569,000
Land, buildings, and equipment, net (note 6)	83,712,000	79,321,000
Total assets	<u>\$ 150,942,000</u>	<u>\$ 143,545,000</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 12,847,000	\$ 11,234,000
Deferred revenue (note 7)	7,686,000	7,968,000
Other liabilities (note 8)	789,000	453,000
Total liabilities	<u>21,322,000</u>	<u>19,655,000</u>
Commitments and contingencies (notes 11 and 12)		
Net assets:		
Unrestricted	112,809,000	105,115,000
Temporarily restricted (note 2)	13,252,000	15,668,000
Permanently restricted (note 3)	3,559,000	3,107,000
Total net assets	<u>129,620,000</u>	<u>123,890,000</u>
Total liabilities and net assets	<u>\$ 150,942,000</u>	<u>\$ 143,545,000</u>

See accompanying notes to financial statements.

**YMCA OF SAN DIEGO COUNTY**  
(A California Nonprofit Public Benefit Corporation)

Statement of Activities

Year ended June 30, 2008  
(With summarized financial information for 2007)

	Unrestricted	Temporarily restricted	Permanently restricted	Total	
				2008	2007
Revenue:					
Public support:					
Annual support	\$ 5,127,000	\$ —	\$ —	\$ 5,127,000	\$ 5,003,000
Direct contributions	3,179,000	6,458,000	452,000	10,089,000	12,012,000
Special events, net of expenses of approximately \$1,612,000 in fiscal 2008	1,197,000	—	—	1,197,000	1,457,000
Total public support	9,503,000	6,458,000	452,000	16,413,000	18,472,000
Other revenue:					
Program service fees	45,221,000	—	—	45,221,000	43,460,000
Government funded programs	40,829,000	—	—	40,829,000	35,169,000
Membership fees	22,770,000	—	—	22,770,000	21,529,000
Investment income	273,000	—	—	273,000	2,861,000
Net merchandise sales	339,000	—	—	339,000	367,000
Total other revenue	109,432,000	—	—	109,432,000	103,386,000
Total public support and other revenue	118,935,000	6,458,000	452,000	125,845,000	121,858,000
Net assets released from restrictions	8,874,000	(8,874,000)	—	—	—
Total revenue	127,809,000	(2,416,000)	452,000	125,845,000	121,858,000
Expenses:					
Program services	111,730,000	—	—	111,730,000	102,030,000
Supporting services:					
Management and general	6,567,000	—	—	6,567,000	6,024,000
Fund-raising	1,818,000	—	—	1,818,000	1,559,000
Total supporting services	8,385,000	—	—	8,385,000	7,583,000
Total program and supporting services expenses	120,115,000	—	—	120,115,000	109,613,000
Change in net assets	7,694,000	(2,416,000)	452,000	5,730,000	12,245,000
Net assets at beginning of year	105,115,000	15,668,000	3,107,000	123,890,000	111,645,000
Net assets at end of year	\$ 112,809,000	\$ 13,252,000	\$ 3,559,000	\$ 129,620,000	\$ 123,890,000

See accompanying notes to financial statements.

**YMCA OF SAN DIEGO COUNTY**  
(A California Nonprofit Public Benefit Corporation)

Statement of Functional Expenses

Year ended June 30, 2008  
(With summarized financial information for 2007)

	Program services	Supporting services			Total expenses	
		Management and general	Fund raising	Total supporting services	2008	2007
Personnel costs:						
Salaries	\$ 46,592,000	\$ 3,981,000	\$ 1,026,000	\$ 5,007,000	\$ 51,599,000	\$ 47,018,000
Health and retirement	5,073,000	587,000	129,000	716,000	5,789,000	5,334,000
Payroll taxes and other	3,930,000	375,000	134,000	509,000	4,439,000	4,192,000
Total personnel costs	55,595,000	4,943,000	1,289,000	6,232,000	61,827,000	56,544,000
Contracted services						
National dues	26,776,000	342,000	132,000	474,000	27,250,000	24,679,000
Supplies	256,000	—	—	—	256,000	246,000
Telephone and postage	7,953,000	73,000	224,000	297,000	8,250,000	6,214,000
Rents	1,321,000	164,000	19,000	183,000	1,504,000	1,407,000
Care of buildings and grounds	4,036,000	263,000	—	263,000	4,299,000	4,191,000
Utilities	1,751,000	—	—	—	1,751,000	2,024,000
Transportation	2,349,000	9,000	—	9,000	2,358,000	2,333,000
Staff training	1,274,000	60,000	1,000	61,000	1,335,000	1,118,000
Insurance	935,000	220,000	82,000	302,000	1,237,000	1,105,000
Printing and promotion	483,000	54,000	—	54,000	537,000	995,000
Rental, maintenance, and purchase of minor equipment items	1,345,000	145,000	59,000	204,000	1,549,000	1,621,000
Miscellaneous	2,062,000	75,000	—	75,000	2,137,000	1,219,000
Provision for doubtful receivables	1,306,000	62,000	12,000	74,000	1,380,000	1,407,000
Depreciation and amortization	171,000	—	—	—	171,000	100,000
Loss on disposal of assets	4,072,000	157,000	—	157,000	4,229,000	3,817,000
	45,000	—	—	—	45,000	593,000
Total program and supporting services including depreciation	\$ 111,730,000	\$ 6,567,000	\$ 1,818,000	\$ 8,385,000	\$ 120,115,000	\$ 109,613,000

See accompanying notes to financial statements.

**YMCA OF SAN DIEGO COUNTY**  
(A California Nonprofit Public Benefit Corporation)

Statement of Cash Flows

Year ended June 30, 2008  
(With comparative financial information for 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,730,000	\$ 12,245,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	1,312,000	(1,403,000)
Depreciation and amortization	4,229,000	3,817,000
Loss on disposal of assets	45,000	593,000
Net discount amortization	(54,000)	144,000
Provision for doubtful receivables	171,000	100,000
Contributions restricted for capital projects & endowment	(4,147,000)	(3,451,000)
(Increase) decrease in beneficial interest in charitable remainder trusts	2,311,000	67,000
(Increase) decrease in pledges and accounts receivable	(601,000)	(596,000)
(Increase) decrease in prepaid expenses and other assets	476,000	(194,000)
Increase (decrease) in accounts payable and accrued expenses	1,613,000	(745,000)
Increase (decrease) in deferred revenue	(282,000)	71,000
Net cash provided by operating activities	<u>10,803,000</u>	<u>10,648,000</u>
Cash flows from investing activities:		
Purchases and construction of land, buildings, and equipment	(8,674,000)	(10,401,000)
Purchases of investments	(39,216,000)	(16,409,000)
Proceeds from the sale of equipment	9,000	—
Proceeds from the sale or maturity of investments	<u>26,252,000</u>	<u>18,867,000</u>
Net cash used in investing activities	<u>(21,629,000)</u>	<u>(7,943,000)</u>
Cash flows from financing activities:		
Net gift annuities issued	449,000	86,000
Contributions restricted for capital projects & endowment	<u>4,147,000</u>	<u>3,451,000</u>
Net cash provided by financing activities	<u>4,596,000</u>	<u>3,537,000</u>
(Decrease) increase in cash and cash equivalents	(6,230,000)	6,242,000
Cash and cash equivalents, beginning of year	<u>15,667,000</u>	<u>9,425,000</u>
Cash and cash equivalents, end of year	<u>\$ 9,437,000</u>	<u>\$ 15,667,000</u>

See accompanying notes to financial statements.

**YMCA OF SAN DIEGO COUNTY**  
(A California Nonprofit Public Benefit Corporation)

Notes to Financial Statements

(1) **Summary of Significant Accounting Policies**

(a) ***Nature of Operations***

The YMCA of San Diego County (a California nonprofit public benefit corporation) (the YMCA) is dedicated to improving the quality of human life and to helping all people realize their fullest potential as children of God through development of the spirit, mind, and body.

Programs of the YMCA of San Diego County include the following:

- **Active Older Adults** – active older adult council, recreational trips, instructional classes, and health and well being seminars
- **Aquatics** – swimming lessons, recreational and fitness swimming, competitive swimming, SCUBA diving, Aquatics for special populations (arthritis), national lifeguard certification, and water exercise.
- **Camping** – environmental education, family camp, day camping, intersession programs for year-round schools, resident camping, teen adventure programs, and teen caravans
- **Child Development** – infant/toddler, preschool and before/after school child care, and child care information and referral
- **Family Life** – parent/child programs and family activities
- **Health Enhancement** – youth fitness, mind/body fitness, cardiovascular fitness and strength training, wellness and healthful living training, active older adult fitness, and personal training
- **Leadership Development** – volunteer training, leadership development skills in youth, and board and committee training
- **Social Services** (Intervention, Diversion) – gang/abuse prevention, counseling, crisis shelter, literacy, school outreach, and technology training
- **Sports and Skill Development** – youth sports leagues, camp, recreation, instruction, adult sports, martial arts and gymnastics
- **Teens** – leaders in training, junior lifeguard training, teen clubs, Youth & Government, and Teen Council

(b) ***Method of Reporting***

The financial statements of the YMCA were prepared in conformity with the *AICPA Audit and Accounting Guide, Not-For-Profit Organizations*, and include the accounts of its Corporate Office, all of its branches in San Diego County, and other associated units. All significant inter-entity transactions and balances have been eliminated.



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Notes to Financial Statements

**(c) Basis of Accounting**

The YMCA classifies its net assets and its revenues, gains and other support based on the existence or absence of donor-imposed restrictions. Temporarily restricted net assets result from contributions whose use is limited by donor stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the YMCA pursuant to those stipulations. Permanently restricted net assets result from contributions whose use is limited by donor stipulations that do not expire. Unrestricted net assets represent resources over which the board of directors has discretionary control.

The YMCA reports contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, the related temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted income which is received and expended in the current year is recorded as unrestricted income.

**(d) Cash and Cash Equivalents**

The YMCA considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

**(e) Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost or, if donated, at fair value at date of donation. Major renovations and improvements are capitalized, while maintenance and repairs that do not extend the lives of the assets are charged to operations when incurred. When assets are sold or retired, the cost and accumulated depreciation are removed from the respective accounts and any profit or loss on the disposition is credited or charged to revenue. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	30 years
Furniture, fixtures, and equipment	5 to 10 years
Buses and vans	5 years
Leasehold improvements	Lesser of 3 to 25 years or remaining life of the lease

The YMCA reports contributions of property as unrestricted support unless explicit donor stipulations specify how the donated property must be used. Contributions of property with explicit restrictions that specify how the property is to be used and contributions of cash and other assets that must be used for property additions are reported as restricted support. In the absence of explicit donor stipulations about how the property must be maintained, the YMCA reports expirations of donor restrictions when the donated or acquired property is placed in service.

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Notes to Financial Statements

**(f) Leases**

Leases that transfer substantially all of the benefits and risks of ownership of leased property are accounted for as capital leases. Other leases are accounted for as operating leases.

**(g) Split Interest Agreements**

The YMCA is licensed by the State of California Department of Insurance as a Grants and Annuities Society. As such, the YMCA may issue charitable gift annuity contracts. As of June 30, 2008, the YMCA had issued 32 annuity contracts entered into with 23 separate donors. The present value of the life annuities associated with these contracts is recorded as other liabilities (see note 8). The current year change in the valuation of charitable gift annuities amounted to \$139,760 and is included in permanently restricted contributions on the statement of activities.

The YMCA is the beneficiary of assets held in an irrevocable split interest agreement pooled income fund administered by a bank trustee. The assets of the pooled income fund are recorded in investments at fair value (see note 5). The difference between the fair value of the assets in the pooled income fund and the present value of estimated future contributions to be received has been recorded as deferred revenue (see note 7). The amortization of discount and changes in actuarial assumptions are reflected within the direct contribution line item in the statement of activities. The current year change in the valuation of the pooled income fund amounted to \$11,391 and is included in permanently restricted contributions on the statement of activities.

The YMCA is the beneficiary in five irrevocable charitable trusts, for which the YMCA is not the trustee. Each trust names the YMCA as a residual beneficiary following the death of one or more life income beneficiaries. The fair value of the assets to be received under each trust, discounted for the estimated time until receipt, has been recorded in beneficial interest in charitable remainder trusts and in temporarily restricted net assets. The current year change in the valuation of beneficial interest in charitable remainder trusts amounted to \$2,311,625 and is included in temporarily restricted contributions on the statement of activities. The YMCA's interest in one previously recorded irrevocable charitable trust, valued at \$2,351,000 at June 30, 2007, was realized in fiscal year 2008 when the assets of the trust were dispersed to beneficiaries after the donor's death. The YMCA received \$2,340,000 in fiscal year 2008 from liquidation of this trust.

The YMCA estimates fair value of split interest agreements by using net present value calculations with discount rates of 4.5%-6% and estimated life expectancies based upon the mortality rate tables published by the IRS.

**(h) Public Support and Revenue**

All public support and revenue is considered available for unrestricted use, unless specifically restricted by the donor or the terms of a grant. General membership fees are reported as unrestricted revenue over the period of membership and specific program fees are recognized as revenue in the year in which the related services are provided. Deferred revenue is recorded for membership fees applicable to future years and for program fees applicable to future services.

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Notes to Financial Statements

**(i) Donated Services**

Contributed services are reflected in the accompanying financial statements at the fair value of the services received, if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased if not provided by donation.

A substantial number of corporations and volunteers have donated significant amounts of time and services in the YMCA's program operations and in its fund-raising campaigns. Contributed services are not reflected in the accompanying financial statements, as they generally do not meet the criteria described above.

**(j) Use of Certain Facilities**

Nominal rentals are paid by the YMCA under the terms of various long-term lease agreements with local municipalities. The leases require the YMCA to fulfill certain conditions annually. As such conditions are satisfied the YMCA recognizes contribution revenue and a corresponding expense in an amount approximating the annual fair-value rental of the leased properties. Such amount totaled \$2,321,000 for the year ended June 30, 2008.

**(k) Functional Expenses**

Amounts for program services shown in the statement of functional expenses include expenses of branches and other units. Management and general expenses are expenses of the Corporate Office.

**(l) Advertising Expenses**

Advertising costs are expensed as incurred. Advertising expense totaled \$781,000 for the year ended June 30, 2008.

**(m) Income Taxes**

The YMCA, a California nonprofit public benefit corporation, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, and the Revenue and Taxation Code of the State of California.

**(n) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

**YMCA OF SAN DIEGO COUNTY**  
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Notes to Financial Statements

**(o) *Promises to give***

The YMCA records promises to give cash and other assets by donors at fair value in the period in which there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional promises to give are recognized when the conditions are substantially met in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. The allowance for uncollectible amounts is estimated based upon historical collection rates and specific identification of uncollectible accounts. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using the current risk-free interest rates, which range from 2% to 5%. Accretion of discount on long-term unconditional promises to give is included in contribution revenue.

**(p) *Fair value of financial instruments***

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments," requires disclosure of an estimate of fair value of certain financial instruments. The YMCA's significant financial instruments are cash and cash equivalents, pledges and accounts receivable, investments, beneficial interests in charitable remainder trusts and accounts payable and accrued expenses.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued expenses are equal to their carrying value based upon their liquidity and short-term maturity.

The carrying value of pledges receivable and beneficial interest in charitable remainder trusts approximate fair value as such assets are recorded based on the present value of amounts expected to be received using interest rates appropriate in the circumstances. Investments are carried at fair value, generally based on quoted market prices as of June 30, 2008.

**(q) *Summarized Information***

The accompanying financial statements include certain prior year summarized information in total but not by net asset class. 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 organization's financial statements as of and for the year ended June 30, 2007, from which the summarized information was derived.

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Notes to Financial Statements

**(2) Temporarily Restricted Net Assets**

Net assets are released from donor restrictions primarily by incurring expenses which satisfy the restricted purposes. Net assets released from restriction during fiscal year 2008 and temporarily restricted net asset balances as of June 30, 2008 were \$8,874,000 and \$13,252,000 respectively. \$7,994,000 of the temporarily restricted net assets balance relates to the construction and acquisition of property & equipment and \$5,258,000 relates to the YMCA's beneficial interest in charitable remainder trusts.

**(3) Permanently Restricted Net Assets**

The YMCA's permanently restricted net assets consist of permanent endowment funds. The endowment funds are subject to donor restrictions requiring that the principal be invested in perpetuity and that only the income be utilized in support of operations. Accordingly, income derived from such funds is reported as unrestricted investment income.

**(4) Pledges and Accounts Receivable**

Pledges and accounts receivable at June 30, 2008 consist of the following:

Corporate and branch capital development program	\$ 3,098,000
Less discount to recognize pledges at present value	<u>(105,000)</u>
	<u>2,993,000</u>
Notes receivable	70,000
Government program receivables	7,812,000
Program receivables and other pledges	<u>1,271,000</u>
	<u>9,153,000</u>
Less allowance for uncollectible amounts	<u>(115,000)</u>
Net receivables	<u>\$ 12,031,000</u>

The YMCA receives pledges from individuals, foundations, government entities, and corporations. A range of discount rates from 2.5% - 4.9% was used to calculate the estimated present value of capital pledges for the year ended June 30, 2008.

Of the Corporate and branch capital development program receivables, approximately \$1,319,000 is due within one year and the balance of approximately \$1,779,000 within two to five years at June 30, 2008. The program receivables and other pledges are due within one year.

One conditional promise to give in the amount of \$2,500,000 was received by the YMCA in 2005. This pledge is conditioned upon the construction of a new YMCA facility. As of June 30, 2008, this condition had not yet been met; therefore, the pledge has not yet been recognized as an asset or revenue in the YMCA's financial statements.

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Notes to Financial Statements

**(4) Pledges and Accounts Receivable (concluded)**

Subsequent to June 30, 2008, a conditional promise to give in the amount of \$3,000,000 was received by the YMCA. The funds are to be used for the replacement of a YMCA facility. The collection of this pledge is conditioned upon the YMCA attaining a one-to-one match within a defined time period and commencement of construction by June, 2011.

**(5) Investments**

Investment funds include endowments and other funds earmarked for specific purposes to further the YMCA's mission. These investments other than permanently restricted endowments are held until used for capital expansion and program development as determined by the board of directors.

All investments are recorded at fair value other than land held-for-sale, which is determined based on quoted market prices. Land held-for-sale is recorded at the estimated realizable value based on the listing price at June 30, 2008. Investments as of June 30, 2008 consist of the following:

Certificates of deposit	\$ 8,256,000
Common Stocks	12,441,000
Fixed income securities	16,956,000
Land held-for-sale	13,000
	<u>\$ 37,666,000</u>

Investments whose uses are limited:

Pooled income fund (see note 1g)	\$ 1,170,000
Gift annuity reserve (see note 1g)	1,045,000
Money market account compensating balance for letter of credit (see note 12c)	179,000
	<u>\$ 2,394,000</u>

Fixed income securities consist of investments in U.S. government securities, corporate bonds, and government agency securities, which are held by major brokerage firms. Certificates of deposit and money market accounts are held at major financial institutions. Investments in common stocks are managed by professional investment managers under guidelines approved by the board of directors.

Investment income as presented on the statement of activities is comprised of net unrealized losses of \$1,631,000, net realized gains of \$319,000, and interest and dividend income of \$1,585,000.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.



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Notes to Financial Statements

**(5) Investments (concluded)**

Subsequent to June 30, 2008, conditions in the worldwide debt and equity markets have deteriorated significantly. These conditions have had a negative effect on the fair value of the YMCA's investments since June 30, 2008. The total net return on investments for the three months ended September 30, 2008, based upon the latest information received from the YMCA's investment advisor, was approximately -3%. However from September 30, 2008 through October 21, 2008, the worldwide debt and equity markets declined further.

**(6) Land, Buildings, and Equipment**

The carrying values as of June 30, 2008 were as follows:

Land	\$ 15,990,000
Buildings & improvements	61,483,000
Furniture, fixtures, and equipment	11,448,000
Buses and other vehicles	999,000
Leasehold improvements	18,652,000
Construction in progress	8,286,000
	<u>116,858,000</u>
Less accumulated depreciation and amortization	(33,146,000)
Net land, buildings, and equipment	<u><u>\$ 83,712,000</u></u>

**(7) Deferred Revenue**

At June 30, 2008, deferred revenue consists of the following:

Program revenues	\$ 5,115,000
Pooled income fund (see note 1g)	683,000
Membership fees	1,405,000
Other	483,000
	<u><u>\$ 7,686,000</u></u>

Deferred program revenues consist primarily of advance payments for summer camp programs.

**YMCA OF SAN DIEGO COUNTY**  
(A California Nonprofit Public Benefit Corporation)

Notes to Financial Statements

**(8) Other Liabilities**

Other liabilities at June 30, 2008 consist of the following:

Gift annuities payable (see note 1g)	\$ 728,000
Notes payable with the Redevelopment Agency of the City of San Diego, due December 24, 2012	61,000
	<u>\$ 789,000</u>

Future maturities are as follows:

2009	\$ 98,000
2010	98,000
2011	98,000
2012	155,000
2013	89,000
Thereafter	251,000
	<u>\$ 789,000</u>

**(9) Concentration of Credit Risk**

Financial instruments which potentially subject the YMCA to concentrations of credit risk consist principally of cash, investments, and grant receivables.

At June 30, 2008, the YMCA had cash and cash equivalents which exceeded insured limits at certain financial institutions.

The YMCA's investment policy includes risk management provisions such as credit quality restrictions, security marketability/liquidity, and asset allocation parameters.

With respect to the broker-dealers with which YMCA conducts business, management has evaluated the market, credit, and counterparty risk. Management believes that the Securities and Exchanges Commission's customer protection rule which requires a broker-dealer to safeguard client securities and cash from its non-customer business activities, as well as the insurance provided by the Securities Investor Protection Corporation, reduces such risk.

The YMCA had approximately 57 government contracts in fiscal year 2008 from federal, state, and local sources. The largest contracts were for the state-funded alternative payment child care programs totaling approximately \$23,750,000 in fiscal year 2008.



**YMCA OF SAN DIEGO COUNTY**  
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Notes to Financial Statements

**(10) Retirement Plan**

The YMCA participates in The YMCA Retirement Fund Retirement Plan which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended and The YMCA Retirement Fund Tax-Deferred Savings Plan which is a retirement income account plan as defined in section 403(b)(9) of the Code. Both Plans are sponsored by The Young Men's Christian Association Retirement Fund (Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs through-out the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

In accordance with the agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the YMCA. The YMCA has no obligation or liability to the Fund beyond the agreed upon contributions. Total contributions charged to retirement costs in this fiscal year aggregated \$3,082,000 of which nothing was unpaid at June 30, 2008.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the YMCA Retirement Fund. There is no matching employer contribution in this plan.

**(11) Commitments**

The YMCA leases land, buildings, and equipment under cancelable and noncancelable operating leases. Several renewable options exist which the YMCA has not exercised as of June 30, 2008. Annual rent expense under these leases amounted to approximately \$1,999,000 in fiscal year 2008.

Minimum future obligations under noncancelable operating leases as of June 30, 2008 are as follows:

Year Ending June 30:	
2009	\$ 1,585,000
2010	999,000
2011	884,000
2012	739,000
2013	413,000
Thereafter	333,000
	<u>\$ 4,953,000</u>

At June 30, 2008, the YMCA has \$3,464,000 remaining under construction contracts scheduled to be completed in 2009.

**YMCA OF SAN DIEGO COUNTY**  
(A California Nonprofit Public Benefit Corporation)

Notes to Financial Statements

**(12) Contingencies**

**(a) Legal Matters**

The YMCA is involved in various claims and lawsuits arising from the normal course of its programs and activities, none of which, in the opinion of management, should exceed the YMCA's insurance limits or have a material effect on the financial position of the YMCA.

**(b) Various Grant Contingencies**

In 1994, 2000 and 2003, the YMCA received three separate grants from the California Youth Authority to acquire or improve property as noted below. Each of these three grants included conditions for a specified number of years that the property ownership would revert to the State if the YMCA does not use the facilities acquired for the express purposes agreed to in the grant documents.

<b>Project</b>	<b>Received in fiscal year</b>	<b>Grant Amount</b>
Mission Valley YMCA expansion	1994	\$ 300,000
South Bay YMCA Teen Center	2000	519,000
Youth & Family Services Meade Street Teen Center	2003	803,000

Also in 2003, the YMCA purchased an apartment building for use in the Youth and Family Services Temporary Living Program. A total of \$310,000 of the \$653,000 purchase price was funded by a City of San Diego Community Development Block Grant. If the YMCA discontinues use of the property as specified in the grant documents, it must repay the grant proceeds in full.

Management fully intends to continue using each of these facilities in a manner which is consistent with the grant terms.

**(c) Letters of Credit**

On July 1, 2003, the YMCA entered into a contract for workers compensation insurance that required the YMCA to post a \$1,565,000 direct pay standby letter of credit payable to The Travelers Indemnity Company (Travelers) as collateral for potential workers compensation claims liabilities. The letter of credit, underwritten by Citibank, may be drawn upon only if the YMCA fails to timely reimburse the beneficiary for workers compensation claims paid, and it requires the YMCA to immediately reimburse the bank for any drawings by the beneficiary. Under the terms of the 2003 and 2004 insurance contracts with Travelers, the YMCA reduced the face amount of the letter of credit to \$179,000 in April 2007, to collateralize potential remaining future claims incurred within these contract years.

**YMCA OF SAN DIEGO COUNTY**  
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Notes to Financial Statements

**(d) *Self-Insurance***

On July 1, 2004, the YMCA was approved by the State of California Department of Industrial Relations to become a self-insured employer for workers' compensation claims. As such the YMCA is responsible for timely payment of all workers' compensation claims incurred after July 1, 2004. The YMCA carries an excess workers' compensation liability policy that includes a \$750,000 self-insured reserve per claim. To satisfy claims collateralization requirements of California State law, the YMCA is a participant in the California Self Insurer's Security Fund. The YMCA employs a professional third-party administrator to manage workers' compensation claims incurred. As of June 30, 2008, the YMCA has accrued approximately \$898,000 as an estimate of workers' compensation claims incurred, but not yet paid or reported as of year-end. This liability is reflected in accounts payable and accrued expenses on the accompanying statement of financial position.

## **SUPPLEMENTARY INFORMATION**

**YMCA OF SAN DIEGO COUNTY**  
(A California Nonprofit Public Benefit Corporation)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Federal grantor/pass-through grantor/program title	CFDA number	Pass-Through Grantor	Contract number	program expenditures
<b>U.S. Department of Agriculture:</b>				
National School Lunch and Breakfast Program (OZ SD)	10.553		37-343719011040-01	\$ 8,701
National School Lunch and Breakfast Program (OZ NC)	10.555		37-34371900725301	6,714
Child Care Food Program (31)	10.558		L803-37-2400-9-A	37,017
Child Care Food Program (16)	10.558		H945-37-2863-9A	11,945
Child Care Food Program (42)	10.558		H945-37-3014-02	50,736
Child Care Food Program (22)	10.558		H945-37-3138-0-A	19,099
				118,797
<b>Subtotal USDA</b>				<b>134,212</b>
<b>U.S. Department of Housing and Urban Development:</b>				
Davis Block Grant (childcare)	14.218	City of La Mesa		5,154
Family Stress Block Grant	14.218	City of Chula Vista		16,026
OZ North Coast Block Grant	14.218	City of Oceanside		11,800
OZ North Coast Block Grant	14.218	City of Encinitas		5,300
OZ North Coast Block Grant	14.218	City of Carlsbad		5,000
South Bay Block Grant (Camp, CC)	14.218	City of Chula Vista		6,000
				49,280
Turning Point Transitional Living	14.235		CA16B601009	178,739
East County Renovations EDI-SP grant	14.246		B03-SP-CA-0091	201,184
Palomar Aquatics Center EDI-SP grant	14.246		B03-SP-CA-0109	2,431
Palomar Aquatics Center EDI-SP grant	14.246		B04-SP-CA-0112	2,102
				205,717
<b>Subtotal HUD</b>				<b>433,736</b>
<b>U.S. Department of Health and Human Services:</b>				
Drug-Free Communities Support	93.243		5H79-SP12301-05	87,180
Independent Living Skills	93.674	County of San Diego	45898	35,116
Independent Living Skills	93.674	County of San Diego	45953	171,142
				206,258
Title III Family Caregiver Support	93.052	County of San Diego	519930	50,000
Transitional Living	93.550	CA State Dept of Education	09CX5035/05	200,000
CalWORKs AP/Stage 2	93.575	CA State Dept of Education	C2AP-7052	9,111,952
CCD Fund-Initiative Project	93.575	CA State Dept of Education	CCIP-7047	43,733
CCDF AP/Stage 3	93.575	CA State Dept of Education	C3AP-7053	5,413,324
CCDF Health & Safety	93.575	CA State Dept of Education	CHST-7047	70,668
Federal Block Grant - Center	93.575	CA State Dept of Education	CCTR-7341	534,312
Federal Block Grant AP	93.575	CA State Dept of Education	CAPP7058	9,225,085
Exempt Care outreach & Training	93.575	CA State Dept of Education	CECT-7047	43,196
Centralized Eligibility List	93.575	CA State Dept of Education	CCEL-7035	432,220
Conituing Special Needs Training	93.575	CA State Dept of Education	CICD-5036	114,249
R&R Block Grant	93.575	CA State Dept of Education	CRRP-7048	1,147,893
Instruction Materials	93.575	CA State Dept of Education	CIMS-7531	3,464
School Age Resources	93.575	CA State Dept of Education	CSCC-7235	4,371
				26,144,467
Mentoring Children of Prisoners	93.616		90CV0350/01	139,517
OZ North Coast (FYSBY)	93.623	City of Oceanside		96,471
Runaway Youth Program	93.623		09CY5165/01	132,610
				229,081
<b>Subtotal HHS</b>				<b>27,056,503</b>
<b>Total Federal awards</b>				<b>\$ 27,624,451</b>

See accompanying notes to schedule of expenditures of Federal awards.  
See report of independent public accountants.

**YMCA OF SAN DIEGO COUNTY**  
(A California Nonprofit Public Benefit Corporation)

Notes to Schedule of Expenditures of Federal Awards

**(1) Basis of Presentation**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the YMCA of San Diego County, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**(2) Relationship to Financial Statements and Federal Financial Reports**

Information reported in the accompanying schedule agrees with the amounts reported in both the financial statements and the related Federal financial reports in all material respects.

**(3) County of San Diego Findings for fiscal year June 30, 2007**

On October 6, 2008, the Organization received a report from the auditor of the County of San Diego (the "County") indicating that three County programs were not included in the Schedule of Expenditures and Federal Awards ("SEFA") for the year ended June 30, 2007. Prior to October 6, 2008 the County had not informed the YMCA of the amounts and CFDA designates for the contact in question. The following are the amounts received under the respective CFDA numbers, which were improperly excluded from the SEFA for the year ended June 30, 2007:

CFDA number	Contract Number		Amount
93.674	45898	\$	208,794
93.674	45953	\$	42,830
93.052	514047	\$	40,629

The Organization properly included the above contracts and applicable amounts in the SEFA for the year ended June 30, 2008. Management believes that the SEFA is complete and accurate, to the best of management's knowledge, for the year ended June 30, 2008.

**Report of Independent Public Accountants 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  
YMCA of San Diego County

We have audited the financial statements of the YMCA of San Diego County (a California nonprofit public benefit corporation) (the YMCA) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 21, 2008. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the YMCA's internal control over financial reporting as a basis for designing our auditing procedures 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 YMCA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the YMCA's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management and the Audit Committee of the YMCA in a separate letter dated October 21, 2008.

This report is intended solely for the information and use of the Board of Directors, the Audit Committee, management, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of J.H. Cohn LLP in black ink.

San Diego, California  
October 21, 2008



**Report of Independent Public Accountants on Compliance with  
Requirements Applicable to Each Major Program and on Internal  
Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors  
YMCA of San Diego County

**Compliance**

We have audited the compliance of the YMCA of San Diego County (the YMCA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major Federal program for the year ended June 30, 2008. The YMCA's major Federal program is identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the YMCA's management. Our responsibility is to express an opinion on the YMCA's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 YMCA'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. Our audit does not provide a legal determination on the YMCA's compliance with those requirements.

In our opinion, the YMCA complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended June 30, 2008.

**Internal Control over Compliance**

The management of the YMCA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the YMCA's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 YMCA's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, the Audit Committee, management, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*J.H. Cohen LLP*

San Diego, California  
October 21, 2008

**YMCA OF SAN DIEGO COUNTY**  
(A California Nonprofit Public Benefit Corporation)  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

**(1) Summary of Auditors' Results**

- (a) The type of report issued on the financial statements: **Unqualified opinion on the financial statements**
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **None reported** Material weaknesses: **No**
- (c) Noncompliance, which is material to the financial statements: **No**
- (d) Reportable conditions in internal control over major programs: **None reported** Material weaknesses: **No**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings, which are required to be reported under Section .510(a) of OMB Circular A-133: **No**
- (g) Major program: **Child Care Development Block Grant (93.575) \$26,144,000**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$829,000**
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **Yes**

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**(3) Summary of Current Year Findings and Questioned Costs Relating to Federal Awards**

None