

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

Financial Statements

June 30, 2007
(with summarized financial information for 2006)

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

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Independent Auditors' Report

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, 2007, 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 2006 financial statements, and in our report thereon, dated September 15, 2006, 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. 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 2007 financial statements referred to above present fairly, in all material respects, the financial position of the YMCA as of June 30, 2007, 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.

J. H. Cohn LLP

San Diego, California
October 11, 2007

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

Statement of Financial Position

June 30, 2007

(With comparative financial information for 2006)

Assets	2007	2006
Cash and cash equivalents	\$ 15,667,000	\$ 9,425,000
Pledges and accounts receivable (note 4)	11,641,000	11,218,000
Investments (note 5)	23,365,000	24,249,000
Investments whose uses are limited (note 5)	5,062,000	5,328,000
Prepaid expenses and other assets	920,000	726,000
Beneficial interest in charitable remainder trusts (note 2)	7,569,000	7,636,000
Land, buildings, and equipment, net (note 6)	79,321,000	73,330,000
Total assets	\$ 143,545,000	\$ 131,912,000
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,234,000	\$ 11,979,000
Deferred revenue (note 7)	7,968,000	7,897,000
Other liabilities (note 8)	453,000	391,000
Total liabilities	19,655,000	20,267,000
Commitments and contingencies (notes 11 and 12)		
Net assets:		
Unrestricted	105,115,000	94,993,000
Temporarily restricted (note 2)	15,668,000	13,642,000
Permanently restricted (note 3)	3,107,000	3,010,000
Total net assets	123,890,000	111,645,000
Total liabilities and net assets	\$ 143,545,000	\$ 131,912,000

See accompanying notes to financial statements.

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

Statement of Activities

Year ended June 30, 2007

(With summarized financial information for 2006)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>	
				<u>2007</u>	<u>2006</u>
Revenue:					
Public support:					
Annual support	\$ 5,003,000			\$ 5,003,000	\$ 4,634,000
Direct contributions	8,250,000	\$ 3,665,000	\$ 97,000	12,012,000	5,661,000
Special events, net of expenses of approximately \$2,900,000 in fiscal 2007	1,457,000			1,457,000	1,431,000
Total public support	<u>14,710,000</u>	<u>3,665,000</u>	<u>97,000</u>	<u>18,472,000</u>	<u>11,726,000</u>
Other revenue:					
Program service fees	43,460,000			43,460,000	40,986,000
Government funded programs	35,169,000			35,169,000	36,809,000
Membership dues	21,529,000			21,529,000	19,953,000
Investment income	3,008,000	(147,000)		2,861,000	900,000
Net merchandise sales	367,000			367,000	344,000
Total other revenue	<u>103,533,000</u>	<u>(147,000)</u>	<u>-</u>	<u>103,386,000</u>	<u>98,992,000</u>
Total public support and other revenue	<u>118,243,000</u>	<u>3,518,000</u>	<u>97,000</u>	<u>121,858,000</u>	<u>110,718,000</u>
Net assets released from restrictions	<u>1,492,000</u>	<u>(1,492,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>119,735,000</u>	<u>2,026,000</u>	<u>97,000</u>	<u>121,858,000</u>	<u>110,718,000</u>
Expenses:					
Program services	<u>102,030,000</u>	<u>-</u>	<u>-</u>	<u>102,030,000</u>	<u>98,025,000</u>
Supporting services:					
Management and general	6,024,000			6,024,000	5,489,000
Fund-raising	1,559,000			1,559,000	1,681,000
Total supporting services	<u>7,583,000</u>	<u>-</u>	<u>-</u>	<u>7,583,000</u>	<u>7,170,000</u>
Total program and supporting services expenses	<u>109,613,000</u>	<u>-</u>	<u>-</u>	<u>109,613,000</u>	<u>105,195,000</u>
Change in net assets	10,122,000	2,026,000	97,000	12,245,000	5,523,000
Net assets at beginning of year	<u>94,993,000</u>	<u>13,642,000</u>	<u>3,010,000</u>	<u>111,645,000</u>	<u>106,122,000</u>
Net assets at end of year	<u>\$ 105,115,000</u>	<u>\$ 15,668,000</u>	<u>\$ 3,107,000</u>	<u>\$ 123,890,000</u>	<u>\$ 111,645,000</u>

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, 2007
(With summarized financial information for 2006)

	Program services	Supporting services			Total expenses	
		Management and general	Fund raising	Total supporting services	2007	2006
Personnel costs:						
Salaries	\$ 42,388,000	\$ 3,693,000	\$ 937,000	\$ 4,630,000	\$ 47,018,000	\$ 44,934,000
Health and retirement	4,658,000	565,000	111,000	676,000	5,334,000	5,150,000
Payroll taxes and other	3,729,000	344,000	119,000	463,000	4,192,000	4,139,000
Total personnel costs	50,775,000	4,602,000	1,167,000	5,769,000	56,544,000	54,223,000
Contracted services	24,396,000	258,000	25,000	283,000	24,679,000	24,803,000
National dues	246,000	-	-	-	246,000	231,000
Supplies	5,942,000	58,000	214,000	272,000	6,214,000	5,655,000
Telephone and postage	1,232,000	165,000	10,000	175,000	1,407,000	1,316,000
Rents	3,945,000	246,000	-	246,000	4,191,000	4,117,000
Care of buildings and grounds	2,024,000	-	-	-	2,024,000	2,109,000
Utilities	2,333,000	-	-	-	2,333,000	2,113,000
Transportation	1,056,000	51,000	11,000	62,000	1,118,000	1,216,000
Staff training	850,000	181,000	74,000	255,000	1,105,000	931,000
Insurance	881,000	114,000	-	114,000	995,000	938,000
Printing and promotion	1,429,000	145,000	47,000	192,000	1,621,000	1,425,000
Rental, maintenance, and purchase of minor equipment items	1,157,000	62,000	-	62,000	1,219,000	1,365,000
Miscellaneous	1,330,000	66,000	11,000	77,000	1,407,000	1,287,000
Provision for doubtful receivables	100,000	-	-	-	100,000	(38,000)
Depreciation and amortization	3,741,000	76,000	-	76,000	3,817,000	3,504,000
Loss on disposal of assets	593,000	-	-	-	593,000	-
Total program and supporting services including depreciation	\$ 102,030,000	\$ 6,024,000	\$ 1,559,000	\$ 7,583,000	\$ 109,613,000	\$ 105,195,000

See accompanying notes to financial statements.

YMCA OF SAN DIEGO COUNTY
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Statement of Cash Flows

Year ended June 30, 2007

(With comparative financial information for 2006)

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ 12,245,000	\$ 5,523,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(1,403,000)	(59,000)
Depreciation and amortization	3,817,000	3,504,000
Loss on disposal of assets	593,000	
Net discount amortization	144,000	149,000
Provision for losses on (recoveries of) receivables	100,000	(38,000)
Contributions restricted for capital projects and endowment	(3,451,000)	(2,029,000)
(Increase) decrease in beneficial interest in charitable remainder trusts	67,000	(1,309,000)
(Increase) decrease in pledges and accounts receivable	(596,000)	4,644,000
(Increase) decrease in prepaid expenses and other assets	(194,000)	(172,000)
Increase (decrease) in accounts payable and accrued expenses	(745,000)	(3,964,000)
Increase (decrease) in deferred revenue	71,000	849,000
Net cash provided by operating activities	10,648,000	7,098,000
Cash flows from investing activities:		
Purchases and construction of land, buildings, and equipment	(10,401,000)	(9,048,000)
Purchases of investments	(16,409,000)	(13,720,000)
Proceeds from the sale or maturity of investments	18,867,000	13,682,000
Net cash used in investing activities	(7,943,000)	(9,086,000)
Cash flows from financing activities:		
Net gift annuities issued	86,000	202,000
Contributions restricted for capital projects and endowment	3,451,000	2,029,000
Net cash provided by financing activities	3,537,000	2,231,000
Increase in cash and cash equivalents	6,242,000	243,000
Cash and cash equivalents, beginning of year	9,425,000	9,182,000
Cash and cash equivalents, end of year	\$ 15,667,000	\$ 9,425,000

See accompanying notes to financial statements.

YMCA OF SAN DIEGO COUNTY
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Notes to Financial Statements

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

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.

(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.

(c) Basis of Accounting

The YMCA classifies its net assets and its revenues, gains and other support, and expenses 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.

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Notes to Financial Statements

(e) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or, if donated, at fair value at date of donation. Major renewals 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 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 interest	Lesser of 20 years or remaining life of the lease
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.

(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, 2007, the YMCA had issued 29 annuity contracts entered into with 21 separate donors. The present value of the life annuities associated with these contracts is recorded as other liabilities (see note 8).

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 market value (see note 5). The difference between the fair market 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.

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Notes to Financial Statements

The YMCA is the beneficiary in six 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 is included in temporarily restricted contributions on the statement of activities.

The YMCA estimates fair value of split interest agreements by using net present value calculations with a discount rate of 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 in the year in which they are earned and specific program fees are recognized as revenue in the year in which the related services are provided.

(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. With the exception of volunteer time contributed for construction of two large playgrounds in fiscal year 2007, these 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 annually fulfill certain conditions. 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 \$2,213,000 for the year ended June 30, 2007.

(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.

YMCA OF SAN DIEGO COUNTY
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Notes to Financial Statements

(l) Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense totaled \$887,000 for the year ended June 30, 2007.

(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.

(o) Promises to give

The YMCA records promises to give cash and other assets by donors at fair market 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 a current risk-free interest rate, which range from 2% to 5%. Accretion of discount on long-term unconditional promises to give is included in contribution revenue.

(p) 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, 2006, 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 2007 and temporarily restricted net asset balances as of June 30, 2007 were \$1,492,000 and \$15,668,000 respectively. \$7,316,000 of the temporarily restricted net assets balance relates to the construction and acquisition of property and equipment, \$783,000 relates to time restriction on a land gift and \$7,569,000 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, 2007 consist of the following:

Corporate and branch capital development program	\$ 4,180,000
Less discount to recognize pledges at present value	(145,000)
	4,035,000
Notes receivable	71,000
Government program receivables	6,434,000
Program receivables and other pledges	1,210,000
	7,715,000
Less allowance for uncollectible amounts	(109,000)
Net receivables	\$ 11,641,000

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Notes to Financial Statements

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, 2007.

Of the corporate and branch capital development program receivables, approximately \$1,609,000 is due within one year and the balance of approximately \$2,571,000 within two to five years at June 30, 2007. 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, 2007, 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.

(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 other than land held-for-sale are recorded at fair value, which is determined based on quoted market prices. Land held-for-sale is recorded at the estimated realizable value based on the purchase price of a contract in escrow at June 30, 2007. Investments as of June 30, 2007 consist of the following:

Certificates of deposit	\$ 6,464,000
Common stocks	10,785,000
Fixed income securities	4,927,000
Land held for sale	1,189,000
	\$ 23,365,000

Investments whose uses are limited as of June 30, 2007, consist of the following:

Pooled income fund (see note 1g)	\$ 1,179,000
Gift annuity reserve (see note 1g)	597,000
Payment bond held by the City of San Diego for Mission Valley Branch construction project performance	1,032,000
Treasury notes held by the California State Treasurer for workers' compensation self-insurance collateralization requirements (see note 12d)	2,075,000
Money market account compensating balance for letter of credit (see note 12c)	179,000
	\$ 5,062,000

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.

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Investment income as presented on the statement of activities is comprised of net unrealized gains of \$1,092,000, net realized gains of \$311,000, and interest and dividend income of \$1,458,000. Net unrealized gains include a \$219,000 write-down of land held for sale, which reflects an updated estimate of the fair market value of these assets. \$147,000 of this write-down relates to temporarily restricted net assets.

(6) Land, Buildings, and Equipment

The carrying values as of June 30, 2007 were as follows:

Land	\$ 15,990,000
Buildings and machinery	57,074,000
Furniture, fixtures, and equipment	10,019,000
Buses and other vehicles	813,000
Leasehold interest	15,344,000
Leasehold improvements	2,881,000
Construction in progress	6,398,000
	108,519,000
Less accumulated depreciation and amortization	(29,198,000)
Net land, buildings, and equipment	\$ 79,321,000

(7) Deferred Revenue

At June 30, 2007, deferred revenue consists of the following:

Program revenues	\$ 5,061,000
Pooled income fund (see note 1g)	702,000
Membership dues	1,465,000
Other	740,000
	\$ 7,968,000

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

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Notes to Financial Statements

(8) Other Liabilities

Other liabilities at June 30, 2007 consist of the following:

Gift annuities payable (see note 1g)	\$ 392,000
Notes payable with the Redevelopment Agency of the City of San Diego, due December 24, 2012	61,000
	\$ 453,000

Future maturities are as follows:

2008	\$ 57,000
2009	57,000
2010	57,000
2011	55,000
2012	48,000
Thereafter	179,000
	\$ 453,000

(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, 2007, the YMCA held cash in excess of FDIC-insured limits in accounts 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 to protect against substantial investment losses.

The YMCA had approximately 62 government contracts in fiscal year 2007 from federal, state, and local sources. The largest contracts were for the state-funded alternative payment child care programs totaling approximately \$23,110,000 in fiscal year 2007.

(10) Retirement Plan

The YMCA participates in a defined contribution, individual account, money purchase, retirement plan which is administered by the YMCA Retirement Fund (the Retirement Fund). This plan is for the benefit of substantially all employees.

The Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

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Notes to Financial Statement

In accordance with the agreement with the Retirement Fund, the YMCA contributes monthly 12% of wages for exempt and nonexempt staff who have met participant requirements, as defined in the Retirement Fund agreement. Participants may make voluntary contributions as allowed by existing tax law. Contributions by the YMCA to the Retirement Fund amounted to approximately \$3,240,000 for the year ended June 30, 2007.

(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, 2007. Annual rent expense under these leases amounted to approximately \$1,643,000 in fiscal year 2007.

Minimum future obligations under noncancelable operating leases as of June 30, 2007 are as follows:

Year Ending June 30:	
2008	\$ 1,757,000
2009	1,003,000
2010	517,000
2011	413,000
2012	258,000
Thereafter	348,000
	<u>\$ 4,296,000</u>

At June 30, 2007, the YMCA has \$3,263,000 remaining under construction contracts scheduled to be completed in 2008.

(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 or the YMCA's legal counsel, should exceed the YMCA's insurance limits or have a material effect on the financial position of the YMCA.

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Notes to Financial Statement

(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.

<u>Project</u>	<u>Received in fiscal year</u>	<u>Use restriction period</u>	<u>Grant amount</u>
Mission Valley YMCA expansion	1994	20 years	\$ 300,000
South Bay YMCA Teen Center	2000	10 years	519,000
Youth & Family Services Meade Street Teen Center	2003	10 years	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
(A California Nonprofit Public Benefit Corporation)

Notes to Financial Statement

(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 has deposited a \$2,100,000 US Treasury Note with a fair value of \$2,075,000 at June 30, 2007, with the State Treasurer. While the Treasury Note remains the property of the YMCA, if necessary, the State may sell it and draw down on the proceeds to pay YMCA workers' compensation claims. The YMCA employs a professional third-party administrator to manage workers' compensation claims incurred. As of June 30, 2007, the YMCA has accrued approximately \$937,000 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.