



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

**Report on Audit of Financial Statements  
and Supplementary Information**

**June 30, 2017**

**(With summarized comparative totals for June 30, 2016)**

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

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

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June 30, 2017

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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 February 5, 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 black ink that reads 'Robert Lee &amp; Associates, LLP'. The signature is written in a cursive, flowing style.

San Jose, California  
February 5, 2018

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

## **Statements of Financial Position**

June 30, 2017

(With summarized comparative totals for June 30, 2016)

	June 30,	
	2017	2016 (Comparative)
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 6,224,157	\$ 9,127,135
Accounts receivable, net of allowance of \$215,303 and \$203,000 for 2017 and 2016, respectively	3,659,140	2,045,882
Annual giving campaign, net of allowance of \$247,936 and \$249,459 for 2017 and 2016, respectively	766,591	742,040
Pledges receivable, current portion	112,725	1,185,395
Prepaid expenses and other current assets	461,384	276,684
Total current assets	11,223,997	13,377,136
Investments	15,394,009	14,166,507
Pledges receivable, non-current portion, net	5,162	171,757
Land, buildings and equipment, net	64,121,242	65,817,202
Other non-current assets	36,000	89,030
Total assets	\$ 90,780,410	\$ 93,621,632
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,201,698	\$ 8,120,428
Current portion of notes payable	424,074	564,454
Deferred revenue	3,952,543	4,327,766
Total current liabilities	10,578,315	13,012,648
Notes payable	12,352,149	12,773,280
Total liabilities	22,930,464	25,785,928
Commitments and contingencies (Note 12)		
Net assets:		
Unrestricted:		
Board designated for maintenance and equipment reserve	1,856,416	3,458,507
Board designated for quasi-endowment	2,634,743	2,231,512
Endowment investment loss	(11,666)	(25,824)
Undesignated	53,774,136	53,469,412
Total unrestricted net assets	58,253,629	59,133,607
Temporarily restricted	4,649,256	3,912,090
Permanently restricted	4,947,061	4,790,007
Total net assets	67,849,946	67,835,704
Total liabilities and net assets	\$ 90,780,410	\$ 93,621,632

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, 2017 (with summarized comparative totals for 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	<i>Comparative Totals</i>
Revenue:					
Program fees	\$ 30,805,702	\$ -	\$ -	\$ 30,805,702	\$ 31,487,696
Membership dues	27,759,464	-	-	27,759,464	26,620,178
Fees and grants from government agencies	10,672,231	51,753	-	10,723,984	9,215,399
Contributions	4,521,779	1,727,465	157,054	6,406,298	6,728,664
Investment gain (loss), net	704,590	708,410	-	1,413,000	(117,168)
Gain on disposal of buildings and equipment	24,450	-	-	24,450	-
Miscellaneous revenue	597,729	-	-	597,729	441,286
Net assets released from restrictions	1,750,462	(1,750,462)	-	-	-
Total revenue	76,836,407	737,166	157,054	77,730,627	74,376,055
Expenses:					
Program services:					
Healthy living	27,654,491	-	-	27,654,491	25,844,989
Child youth development and families	33,876,991	-	-	33,876,991	32,625,536
Total program services	61,531,482	-	-	61,531,482	58,470,525
Supporting services:					
Management and general	10,686,751	-	-	10,686,751	10,622,628
Fundraising	1,814,627	-	-	1,814,627	1,728,173
Total supporting services	12,501,378	-	-	12,501,378	12,350,801
Total expenses before depreciation and amortization	74,032,860	-	-	74,032,860	70,821,326
Change in net assets before depreciation and amortization	2,803,547	737,166	157,054	3,697,767	3,554,729
Depreciation and amortization expense	3,683,525	-	-	3,683,525	3,549,461
Change in net assets	(879,978)	737,166	157,054	14,242	5,268
Net assets, beginning of year	59,133,607	3,912,090	4,790,007	67,835,704	67,830,436
Net assets, end of year	\$ 58,253,629	\$ 4,649,256	\$ 4,947,061	\$ 67,849,946	\$ 67,835,704

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, 2017 (with summarized comparative totals for 2016)

	2017								2016 Comparative Totals
	Program Services			Supporting Services			Total		
	Healthy Living	Child, Youth Development and Families	Total Program Services	Management and General	Fundraising	Total Supporting Services			
Staff compensation	\$ 18,866,862	\$ 21,953,760	\$ 40,820,622	\$ 5,824,827	\$ 1,127,784	\$ 6,952,611	\$ 47,773,233	\$ 45,296,826	
Facilities	5,378,186	3,146,683	8,524,869	189,310	2,698	192,008	8,716,877	8,033,142	
Office and program supplies	729,493	5,491,551	6,221,044	258,239	114,873	373,112	6,594,156	6,470,932	
Contractual services	167,909	1,106,081	1,273,990	2,593,554	6,727	2,600,281	3,874,271	4,126,632	
Interest and bank fees	760,577	303,930	1,064,507	488,486	54,327	542,813	1,607,320	1,549,099	
Equipment rental, repairs and maintenance	786,054	406,287	1,192,341	108,279	26,162	134,441	1,326,782	1,108,108	
Vehicle and transportation	38,240	794,722	832,962	41,287	4,344	45,631	878,593	808,922	
Telephone	324,934	183,122	508,056	98,781	23,220	122,001	630,057	586,755	
Membership dues	5,659	2,038	7,697	503,040	2,091	505,131	512,828	636,290	
Conference and travel	202,212	176,869	379,081	98,598	28,922	127,520	506,601	466,821	
Printing and public relations	72,782	138,255	211,037	213,839	53,822	267,661	478,698	427,893	
Bad debt	78,544	24,831	103,375	3,208	346,386	349,594	452,969	617,796	
Insurance	185,441	87,253	272,694	55,844	13,246	69,090	341,784	389,622	
Recruitment and other	25,706	50,525	76,231	157,166	1,911	159,077	235,308	165,046	
Postage and shipping	31,892	11,084	42,976	52,293	8,114	60,407	103,383	137,442	
Total expenses before depreciation and amortization	27,654,491	33,876,991	61,531,482	10,686,751	1,814,627	12,501,378	74,032,860	70,821,326	
Depreciation and amortization	2,518,049	929,160	3,447,209	236,316	-	236,316	3,683,525	3,549,461	
Total expenses	\$ 30,172,540	\$ 34,806,151	\$ 64,978,691	\$ 10,923,067	\$ 1,814,627	\$ 12,737,694	\$ 77,716,385	\$ 74,370,787	

The accompanying notes are an integral part of these financial statements



# **YMCA OF SILICON VALLEY**

## **Statements of Cash Flows**

For the Year Ended June 30, 2017

(With summarized comparative totals for June 30, 2016)

	June 30,	
	2017	2016 <i>(Comparative)</i>
Cash flows from operating activities:		
Change in net assets	\$ 14,242	\$ 5,268
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,683,525	3,549,461
Loss on disposal of equipment	27,724	-
Realized and unrealized (gains) losses on investments	(1,097,818)	388,264
Capital campaign pledges	-	(1,494,413)
Change in allowance for uncollectible pledges	(10,305)	(12,691)
Amortization of original issue discount	2,900	2,900
Restricted cash equivalents for capital improvements	-	1,523,309
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,613,258)	698,591
Annual giving campaign receivables, net	(24,551)	30,842
Prepaid expenses and other current assets	(184,700)	280,601
Other non-current assets	53,030	25,358
Accounts payable and accrued expenses	(1,918,730)	1,636,888
Deferred revenue	(375,223)	87,829
Net cash (used) provided by operating activities	<u>(1,443,164)</u>	<u>6,722,207</u>
Cash flows from investing activities:		
Proceeds from sale of investments	4,037,595	1,788,303
Purchases of investments	(4,167,279)	(1,784,017)
Proceeds from sale of equipment	13,914	-
Purchases of land, buildings and equipment	(369,700)	(418,894)
Purchases of assets placed into construction-in-progress	(1,659,503)	(4,878,232)
Net cash used by investing activities	<u>(2,144,973)</u>	<u>(5,292,840)</u>
Cash flows from financing activities:		
Payments on note payable	(564,411)	(659,581)
Proceeds received from capital campaign contributions	1,249,570	1,373,222
Net cash provided by financing activities	<u>685,159</u>	<u>713,641</u>
(Decrease) increase in cash and cash equivalents	(2,902,978)	2,143,008
Cash and cash equivalents, beginning of year	9,127,135	6,984,127
Cash and cash equivalents, end of year	<u>\$ 6,224,157</u>	<u>\$ 9,127,135</u>

The accompanying notes are an integral part of these financial statements

# **YMCA OF SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2017

### **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 170,000 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 8,500 children every day through licensed childcare 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.

**YMCA OF SILICON VALLEY**  
**Notes to Financial Statements**  
June 30, 2017

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

**Description of Programs (continued)**

Camping Programs / Youth, Teen and Family Programs - 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. The Y offers sports, parent-child, leadership and development, and tutoring programs. Day, resident, and specialty camps provide a wide range of opportunities for growth, learning, relationship building and healthy fun. More than 85,000 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.
- *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.

## **YMCA OF SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2017

#### **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.

Membership dues, camp fees, child care fees and program registration fees 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 \$474,832 and \$597,949 in contributions-in-kind during the years ended June 30, 2017 and 2016, 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.

## **YMCA OF SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2017

#### **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. Annual giving campaign receivables 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 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, 2017 to be paid by June 30, 2018.

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, 2017 and 2016.

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.

## **YMCA OF SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2017

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

Pledges receivable and allowance for doubtful accounts - 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.

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, 2017 and 2016 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.

**YMCA OF SILICON VALLEY**  
**Notes to Financial Statements**  
June 30, 2017

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

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.

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. Applicable interest charges incurred during the construction of new facilities are capitalized as an element of the cost and are amortized over the asset's estimated useful life.

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.

**YMCA OF SILICON VALLEY**  
**Notes to Financial Statements**  
June 30, 2017

**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, 2017 and 2016 were approximately \$232,000 and \$185,000, 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, 2017 and 2016 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, 2014 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2013 and forward.



## **YMCA OF SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2017

#### **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, 2016, 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.

Recently adopted accounting guidance - In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-15 "Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" which requires management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. The new guidance is effective for non-public entities for the annual period ending after December 15, 2016. The Organization has elected to adopt this ASU effective July 1, 2016.

Recent accounting pronouncements - In August 2016, the FASB issued 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 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. Early application is permitted. Management has not determined the impact of this pronouncement.

In May 2014, the FASB issued ASU No. 2014-09 "Revenue from Contracts with Customers (Topic 606)", which 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. 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.

# **YMCA OF SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2017

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

Recent accounting pronouncements (continued) - 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.

In May 2016, the FASB issued ASU No. 2016-12 "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients." The ASU improves Topic 606 by reducing the potential for diversity in practice at initial application and the cost and complexity of applying Topic 606 both at transition and on an ongoing basis. For non-public entities, the effective date will be for annual reporting periods 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, 2017.

### **Note 3 - Supplemental cash flow information:**

	For the Years Ended	
	June 30,	
	2017	2016
<u>Supplemental disclosure of cash flow information</u>		
Cash paid during the year for interest	\$ 481,400	\$ 502,754
<u>Supplemental disclosure of non-cash transactions</u>		
Transfer of assets from CIP to land, buildings and equipment	\$ 3,674,738	\$ 738,941

**YMCA OF SILICON VALLEY**  
**Notes to Financial Statements**  
June 30, 2017

**Note 4 - Pledges receivable:**

Non-current receivables are recorded after discounting the future cash flows to present value using a discount rate range of 2.25% to 5.00%. The maturities of these receivables are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 112,725
2019	<u>60,559</u>
Total pledges receivable	173,284
Less: discount for present value	(2,171)
Less: allowance for estimated uncollectible contributed support	<u>(53,226)</u>
Pledges receivable, net	117,887
Less: current portion, net	<u>(112,725)</u>
Non-current portion, net	<u>\$ 5,162</u>

**Note 5 - 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, 2017 and 2016, 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).

**YMCA OF SILICON VALLEY**  
**Notes to Financial Statements**  
June 30, 2017

**Note 5 - Investments (continued):**

The fair values of the Association's investments by major categories were as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 49,123	\$ 68,609
Equity securities	8,710,104	6,576,285
U.S. treasury bonds	2,391,164	2,828,826
Municipal bonds	1,881,198	910,707
Certificate of deposits	1,808,508	2,808,947
Miscellaneous investment assets	<u>553,912</u>	<u>973,133</u>
Total Investments	<u>\$ 15,394,009</u>	<u>\$ 14,166,507</u>

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

	<u>2016</u>	<u>2015</u>
Dividends and interest income	\$ 315,182	\$ 271,096
Realized gains	141,652	126,509
Unrealized gains (losses)	<u>956,166</u>	<u>(514,773)</u>
Total investment gains (losses)	<u>\$ 1,413,000</u>	<u>\$ (117,168)</u>

Investment consulting fees for the years ended June 30, 2017 and 2016 were \$30,138 and \$28,408, respectively, and included in Contractual Services on the statement of functional expenses.

## **YMCA OF SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2017

#### **Note 6 - Land, buildings and equipment:**

Land, buildings and equipment, including equipment under capital leases, consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Building and improvements	\$ 92,212,328	\$ 88,726,633
Furniture, equipment, and vehicles	8,996,817	8,791,356
Capitalized interest	146,262	146,262
Capitalized finance charges	222,894	222,894
Leasehold improvements	<u>-</u>	<u>419,026</u>
Total buildings and equipment	101,578,301	98,306,171
Less: accumulated depreciation and amortization	<u>(49,071,529)</u>	<u>(46,068,840)</u>
Buildings and equipment, net	52,506,772	52,237,331
Construction-in-progress	134,212	2,149,447
Land	7,229,447	7,229,447
Land improvements	<u>4,250,811</u>	<u>4,200,977</u>
Land, buildings and equipment, net	<u><u>\$ 64,121,242</u></u>	<u><u>\$ 65,817,202</u></u>

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 were approximately \$3,684,000 and \$3,549,000, respectively.

**YMCA OF SILICON VALLEY**  
**Notes to Financial Statements**  
June 30, 2017

**Note 7 - Notes payable:**

Notes payable consist of the following as of June 30:

	<u>2017</u>	<u>2016</u>
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.	\$ 12,834,223	\$ 13,243,078
Note agreement with a bank to purchase gym equipment. The note requires monthly payments of approximately \$22,000, including interest of 3.25% per annum, maturing February 2017.	<u>-</u>	<u>155,556</u>
Total notes payable	12,834,223	13,398,634
Less: original issue discount	(58,000)	(60,900)
Less: current portion of notes payable	<u>(424,074)</u>	<u>(659,631)</u>
Long-term notes payable	<u>\$ 12,352,149</u>	<u>\$ 12,678,103</u>

At June 30, 2017, the future principal payments are due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 424,074
2019	439,814
2020	454,961
2021	473,025
2022	490,582
Thereafter	<u>10,551,767</u>
Total notes payable	12,834,223
Less: original issue discount	(58,000)
Less: current portion, net	<u>(424,074)</u>
Non-current portion, net	<u>\$ 12,352,149</u>

## **YMCA OF SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2017

#### **Note 8 - 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>2017</u>	<u>2016</u>
Capital campaigns	\$ 1,509,078	\$ 1,673,501
Grants and contributions for projects	1,285,548	658,420
Endowment earnings	<u>1,854,630</u>	<u>1,580,169</u>
Total	<u>\$ 4,649,256</u>	<u>\$ 3,912,090</u>

#### **Note 9 - 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>2017</u>	<u>2016</u>
Capital campaigns	\$ 112,571	\$ 2,446,296
Grants and contributions for projects	1,335,260	988,772
Endowments	<u>302,631</u>	<u>314,825</u>
Total	<u>\$ 1,750,462</u>	<u>\$ 3,749,893</u>

#### **Note 10 - 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, 2017 and 2016 were \$4,947,061 and \$4,790,007 respectively.

#### **Note 11 - 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.

**YMCA OF SILICON VALLEY**  
**Notes to Financial Statements**  
June 30, 2017

**Note 11 - 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, 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>

The endowment is recorded by the different classifications of net assets in the financial statements for the year ended June 30, 2016 as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 1,580,169	\$ 4,790,007	\$ 6,370,176
Board designated endowment funds	2,231,512	-	-	2,231,512
Funds with deficiencies				
endowment investment loss	<u>(25,825)</u>	<u>-</u>	<u>-</u>	<u>(25,825)</u>
Total	<u>\$ 2,205,687</u>	<u>\$ 1,580,169</u>	<u>\$ 4,790,007</u>	<u>\$ 8,575,863</u>



**YMCA OF SILICON VALLEY**  
**Notes to Financial Statements**  
June 30, 2017

**Note 11 - Endowment (continued):**

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	246,773	585,156	-	831,929
Investment consulting fees	(5,506)	(13,081)	-	(18,587)
Total investment return	<u>298,267</u>	<u>707,047</u>	<u>-</u>	<u>1,005,314</u>
Contributions	<u>37,160</u>	<u>-</u>	<u>157,054</u>	<u>194,214</u>
Appropriation of endowment net assets for expenditure	<u>(103,707)</u>	<u>(246,916)</u>	<u>-</u>	<u>(350,623)</u>
Reclassification	<u>185,670</u>	<u>(185,670)</u>	<u>-</u>	<u>-</u>
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>

For the year ended June 30, 2016, 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, 2015	\$ 2,295,508	\$ 2,023,450	\$ 4,765,503	\$ 9,084,461
Investment return:				
Interest and dividend income	49,494	117,615	-	167,109
Realized and unrealized gains and losses	(93,455)	(233,803)	-	(327,258)
Investment consulting fees	(5,128)	(12,268)	-	(17,396)
Total investment return	<u>(49,089)</u>	<u>(128,456)</u>	<u>-</u>	<u>(177,545)</u>
Contributions	<u>65,903</u>	<u>-</u>	<u>24,504</u>	<u>90,407</u>
Appropriation of endowment net assets for expenditure	<u>(106,635)</u>	<u>(314,825)</u>	<u>-</u>	<u>(421,460)</u>
Reclassification	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets June 30, 2016	<u>\$ 2,205,687</u>	<u>\$ 1,580,169</u>	<u>\$ 4,790,007</u>	<u>\$ 8,575,863</u>

## **YMCA OF SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2017

#### **Note 11 - 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 \$11,666 and \$25,825 as of June 30, 2017 and 2016, 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, 2017 and 2016, \$350,623 and \$421,460, 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 12 - Commitments and contingencies:**

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. Deferred rent represents the excess of rent expense over the cash payments.

**YMCA OF SILICON VALLEY**  
**Notes to Financial Statements**  
June 30, 2017

**Note 12 - Commitments and contingencies (continued):**

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

Year Ending June 30,	Minimum Lease Payment	Minimum Lease Income	Net Lease Payments
2018	\$ 152,781	\$ (150,000)	\$ 2,781
2019	67,538	(150,000)	(82,462)
2020	24,917	(112,500)	(87,583)
2021	6,229	-	6,229
Total	\$ <u>251,466</u>	\$ <u>(412,500)</u>	\$ <u>(161,034)</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 \$1,713,307 and \$1,702,462 for the years ended June 30, 2017 and 2016, respectively.

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.

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.

## **YMCA OF SILICON VALLEY**

### **Notes to Financial Statements**

June 30, 2017

#### **Note 12 - Commitments and contingencies (continued):**

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 13 - 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 \$2,558,000 and \$2,408,000 for the years ended 2016 and 2015, respectively.

#### **Note 14 - Deferred compensation program:**

The Association has a deferred compensation program (“457(b)” and “457(f)” Plans) for the benefit of highly-compensated employees and certain other eligible employees. The 457(b) and 457(f) plans provide benefits separate and apart from any benefits that may be available under the Fund agreement (described in Note 13). The 457(b) and 457(f) are nonqualified, unfunded plans in compliance with terms of Sections 409A and 457 of the Internal Revenue Code. The Association has created a Trust with an outside third-party 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 amounts deferred do not exceed 75% of the Participant’s compensation. The participant accounts are 100% vested. Upon retirement, all payments under the deferred compensation program may be paid from the general assets of the Association.

Due to compensation limits established by the IRS, the Association funds the remaining 12% of the excluded compensation from the Association’s general retirement plan (described in Note 13) into the 457(b) Plan. Computations that exceed 457(b) limits are placed in the 457(f) plan. The Association made contributions into the 457 Plans of approximately \$19,000 and \$18,000 for the fiscal years ended June 30, 2017 and 2016, respectively. Due to the retirement of the sole participant in the 457 (b) and (f) plans, the total obligation of approximately \$53,000 was paid in full.

**YMCA OF SILICON VALLEY**  
**Notes to Financial Statements**  
June 30, 2017

**Note 15 - Related-party transactions:**

A member of the Board of Directors is affiliated with a general contractor that provided approximately \$1,318,000 and \$1,700,000 of services to the Association during the years ended June 30, 2017 and 2016, respectively. During the years ended June 30, 2017 and 2016, 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 \$445,000 and \$1,174,000 for the years ended June 30, 2017 and 2016, 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 \$468,000 and \$478,000 for association dues and other contributions for the years ended June 30, 2017 and 2016, respectively.

**Note 16 - 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, 2017 and 2016 was \$330,292 and \$228,132, 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 year ended June 30, 2017:

	<u>Senior Nutrition</u>
Grant support received	\$ <u>330,292</u>
Personnel cost	\$ 290,459
Program expenses	<u>245,731</u>
Total contract expenses	\$ <u>536,190</u>

# **YMCA OF SILICON VALLEY**

## **Notes to Financial Statements**

June 30, 2017

### **Note 16 - City of Morgan Hill Senior Nutrition Grant (continued):**

The following amounts were reported in the accompanying financial statements as fees and grants from the government agencies and as program services for the year ended June 30, 2016:

	<u>Senior Nutrition</u>
Grant support received	\$ <u>228,132</u>
Personnel cost	\$ 150,707
Program expenses	<u>55,152</u>
Total contract expenses	\$ <u>205,859</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, 2017, 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 February 5, 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  
February 5, 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, 2017. 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, 2017.

**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  
February 5, 2018

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

## Single Audit Reports Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA number	Pass-through entity identifying number	Federal Program Expenditures
<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	15-14349-Z493-8B	607,535
Passed-through Programs from Redwood City School District:			
21st Century After School Grant	84.287	PO 145261	208,972
Passed-through Programs from Gilroy Unified School District:			
21st Century After School Grant	84.287	PCA 14349	429,021
Total 21st Century After School Grant			<u>1,245,528</u>
<b>Total U.S. Department of Education</b>			<b><u>1,245,528</u></b>
<b>U.S. Department of Agriculture:</b>			
Passed-through Programs from California Department of Education:			
		04116-CACFP-	
Child and Adult Care Food Program*	10.558	43-NP-501C	1,754,987
Child Nutrition Cluster			
Summer Food Service Program	10.559	04116-SFSP-43	177,385
Total Child Nutrition Cluster			<u>177,385</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>1,932,372</u></b>
<b>U.S. Department of Health &amp; Human Services</b>			
Passed-through Programs from Y-USA:			
CDC Chronic Disease Innovation Grant Diabetes Prevention	93.739	0702	18,253
CA Arthritis Partnership Program	93.945	0702	28,000
Passed-through Programs from the County of Santa Clara:			
Aging Cluster			
Senior Nutrition Program: Title III	93.045	PO 4300009000	64,671
Senior Nutrition Program: NSIP	93.053	PO 4300009000	20,874
Total Aging Cluster			<u>85,545</u>
<b>Total U.S. Department of Health &amp; Human Services</b>			<b><u>131,798</u></b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u><u>3,309,698</u></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, 2017

#### **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, 2016. 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 consolidated 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, 2017

#### **A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of YMCA 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>
Child and Adult Care Food Program	10.558	<u>1,754,987</u>
Total Major Program Expenditures		\$ <u>1,754,987</u>
Total Federal Award Expenditures		\$ <u>3,309,698</u>
Percent of Total Federal Award Expenditures		<u>53%</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, 2017

**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*.