



May 7, 2021

To the Board of Directors of
California YMCA Youth & Government

We have audited the financial statements of California YMCA Youth & Government for the year ended June 30, 2020, and we will issue our report thereon dated May 7, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 6, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by California YMCA Youth & Government are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2020. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 7, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition

This information is intended solely for the use of board of directors of California YMCA Youth & Government and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

CHAVEZ ACCOUNTANCY CORPORATION



David R. Chavez
Certified Public Accountant

CALIFORNIA YMCA YOUTH & GOVERNMENT

FINANCIAL STATEMENTS

Year Ended June 30, 2020



INDEPENDENT AUDITORS' REPORT

Board of Directors
California YMCA Youth & Government

We have audited the accompanying financial statements of California YMCA Youth & Government (a nonprofit Association), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 entity'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 entity'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.

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 California YMCA Youth & Government as of June 30, 2020, 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.

Chavez Accountancy Corporation

CHAVEZ ACCOUNTANCY CORPORATION
Certified Public Accountants

May 7, 2021

CALIFORNIA YMCA YOUTH & GOVERNMENT
STATEMENT OF FINANCIAL POSITION
Year Ended June 30, 2020

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 364,734
Pledges receivable	39,485
Program services and other receivables, net allowance	111,102
Prepaid expenses and deposits	<u>4,157</u>

Total current assets 519,478

INVESTMENTS 2,201,781

PROPERTY AND EQUIPMENT, NET 10,642

TOTAL ASSETS \$ 2,731,901

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 36,148
Accrued expenses	17,145
Note payable, current portion	<u>68,291</u>

Total current liabilities 121,584

NOTE PAYABLE, net of current portion 139,709

TOTAL LIABILITIES 261,293

NET ASSETS:

Without donor restrictions	1,676,545
With donor restrictions	<u>794,062</u>

Total net assets 2,470,608

TOTAL LIABILITIES AND NET ASSETS \$ 2,731,901

See accompanying notes to the financial statements.

CALIFORNIA YMCA YOUTH & GOVERNMENT
STATEMENT OF ACTIVITIES
Year Ended June 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES:			
Program revenue	\$ 3,682,352	\$ -	\$ 3,682,352
Contributions	234,327	-	234,327
Investment return	13	142,000	142,013
Unrealized net loss on securities held Released from restrictions	(92,622) 237,038	- (237,038)	(92,622) -
Total revenues	<u>4,061,108</u>	<u>(95,038)</u>	<u>3,966,070</u>
EXPENSES:			
Educational programs	3,511,917	-	3,511,917
Management and general	257,283	-	257,283
Fundraising	270,109	-	270,109
Total expenses	<u>4,039,309</u>	<u>-</u>	<u>4,039,309</u>
CHANGE IN NET ASSETS	21,799	(95,038)	(73,239)
NET ASSETS, Beginning	<u>1,654,746</u>	<u>889,100</u>	<u>2,543,846</u>
NET ASSETS, Ending	<u>\$ 1,676,545</u>	<u>\$ 794,062</u>	<u>2,470,607</u>

See accompanying notes to the financial statements.

CALIFORNIA YMCA YOUTH & GOVERNMENT
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Educational Programs	Management and General	Fundraising	Total
Program fees and costs	\$ 2,258,697	\$ -	-	\$ 2,258,697
Salaries and wages	693,918	60,330	109,589	863,837
Travel	175,693	-	-	175,693
Employee benefits	132,099	11,485	20,862	164,446
Occupancy	-	80,955	-	80,955
Marketing and advertising	-	-	79,949	79,949
Fund development	78,847	-	-	78,847
Payroll taxes	56,621	4,923	8,942	70,486
Professional and contract services	-	58,945	-	58,945
Volunteer staff travel cost	41,236	3,585	6,512	51,333
Conference and training	32,950	9,461	-	42,411
Campaign fundraising	-	-	40,304	40,304
Communications	14,264	1,240	2,253	17,757
Equipment	14,533	-	-	14,533
Insurance	-	12,870	-	12,870
Bank charges	10,330	1,371	-	11,701
National support	-	9,478	-	9,478
Depreciation	2,729	-	-	2,729
Office supplies	-	2,380	-	2,380
Postage and shipping	-	260	1,698	1,958
Total expenses	\$ 3,511,917	\$ 257,283	\$ 270,109	\$ 4,039,309

See accompanying notes to the financial statements.

CALIFORNIA YMCA YOUTH & GOVERNMENT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

CASH FLOWS FROM

OPERATING ACTIVITIES:

Change in net assets	\$ (73,239)
Adjustments to reconcile change in net assets to net cash provided by	
Depreciation	2,729
Reinvested dividends and interest, net	(142,000)
Unrealized loss on endowment funds	92,622
(Increase) decrease in:	
Pledges receivable	(10,950)
Program services and other receivables	(3,482)
Prepaid expenses and deposits	43,172
Accounts payable	(137,628)
Accrued expenses	(61,429)
Deferred revenue	(90,162)
Total adjustments	(307,128)
Net cash used in operating activities	(380,367)

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash withdrawals from endowment funds	142,000
Purchases of property and equipment	(10,538)
Net cash provided by investing activities	131,462

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from notes payable	208,000
Net cash provided by financing activities	208,000

NET DECREASE

IN CASH AND CASH EQUIVALENTS (40,905)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 405,639

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 364,734

See accompanying notes to the financial statements.

CALIFORNIA YMCA YOUTH & GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following items set forth the significant accounting policies, not disclosed elsewhere in the notes to the financial statements, which are followed in preparing and presenting the financial statements:

Organization – California YMCA Youth & Government (“YMCA” or the “Organization”) is a non-profit Organization, which provides services to YMCA’s members in California by sponsoring educational programs through conferences for teens. These conferences provide teens with the foundation of the state government process and procedures.

Management and general activities include the functions necessary to provide support to the Organization’s program activities. Management and general activities include those that provide governance (board of directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an adequate employment program.

Fundraising activities include publicizing and conducting fundraising campaigns, maintaining donor lists, conducting special fundraising events and other activities involved with soliciting contributions from corporations, individuals, and others.

The Organization raises revenue through charging a fee to participants attending the conferences, soliciting donations of money and labor throughout the year, and a special gala event. The Organization also generates revenue from investments.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Standard of reporting – The financial statements of YMCA have been prepared utilizing the accrual basis of accounting whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation – The financial statements of the Association have been prepared on the accrual basis of accounting. The Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions

CALIFORNIA YMCA YOUTH & GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Basis of presentation (continued) – Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Income taxes – The Organization is exempt from federal and California income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, the accompanying financial statements include no provision for income taxes. The Organization's tax returns for the years ended June 30, 2016, 2017, 2018 and 2019 may be subject to examination, generally for three years after they are filed. The Organization has evaluated its current tax positions and believes there are no uncertain tax positions for which a reserve would be necessary.

Concentrations of credit risk – Receivables from one customer represented approximately 18% of total services and other receivables as of June 30, 2020.

Subsequent events – Subsequent events have been evaluated through May 7, 2021 which is the date the financial statements were available to be issued.

Cash and cash equivalents – The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Pledges receivable – Pledges that are expected to be collected in less than one year are recognized as revenue in the period received and are reported at net realized value. The Organization provides allowance for uncollectible pledges using management's best estimate about the collectability of pledges. The amount of allowance for uncollectible promises to give was \$27,521 for the year ended June 30, 2020.

Investments – Investments are recorded at fair market value, which is based on quoted prices at year-end. The difference between the fair market value and the cost of securities as of the beginning and the end of the year is reflected in the statements of activities and changes in net assets as unrealized gain (loss) on securities held.

CALIFORNIA YMCA YOUTH & GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Property and equipment – Property and equipment, carried at cost at the date of acquisition or at fair market value at the date of a gift, is depreciated over the estimated useful life of the related asset. The Organization capitalizes all expenditure for property and equipment in excess of \$1,000. Costs of repairs and maintenance are charged to expense. Upon retirement or disposal of property and equipment, the costs and related depreciation are removed from the accounts, and gains or losses, if any, are reflected in the earnings for financial reporting purposes. Depreciation is provided for under the straight-line method for financial and tax-reporting. The estimated useful lives used for calculating depreciation for property and equipment are as follows:

	<u>Lives</u>
Furniture and fixtures	3-7 Years

Impairment of long-lived assets – The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recovered. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. There are no impairment losses recognized for long-lived as of June 30, 2020.

Contributions – Contributions are recognized as revenue when received or unconditionally promised. Revenues from conferences and program services are recognized in the period in which the conference and program occurred.

Donated services – Volunteers have donated significant amounts of time to assist in the programs of the Organization without compensation. The value of these contributions has not been reflected in these financial statements because, although clearly significant, they did not enhance nonfinancial assets, nor did they possess specialized skills as required under accounting principles generally accepted in the United States of America. If the Organization was to monetize the value of the volunteers, it would approximate totals of \$313,779 for the year ended June 30, 2020.

Advertising – The Organization expenses advertising costs as incurred, which amounted to \$79,949 for the year ended June 30, 2020, and are included in general and administrative expenses.

CALIFORNIA YMCA YOUTH & GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Functional allocation of expenses – The costs of the educational programs, management and general and fundraising activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the educational programs, management and general and fundraising activities benefited. Certain costs have been allocated based on percentages provided by management.

NOTE 2 – LIQUIDITY AND AVAILABILITY:

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the Organization’s financial assets as of June 30, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year may also include net assets with donor restrictions. There were net assets with donor restrictions in the amount of \$889,100 at June 30, 2020.

Financial Assets at Year End:	
Cash and cash equivalents	\$ 364,734
Unconditional promises to give, net	39,485
Program services and other receivables, net	111,102
Investments	2,201,781
Total Financial Assets	<u>2,717,102</u>
Less: Amounts not available to be used within one year	
Financial assets not available to be used in one year	<u>2,201,781</u>
Financial assets available to meet cash need for General expenditures within one year	<u><u>\$ 515,321</u></u>

CALIFORNIA YMCA YOUTH & GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 3 – FAIR VALUE MEASUREMENT OF INVESTMENT:

The fair value measurements topic of the FASB Codification establishes a framework for measuring fair value under generally accepted accounting principles. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quotes prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the Fair Value Measurements Topic are described below:

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have be no changes in the methodologies used at June 30, 2020.

Money market funds: Valued at cost, which approximates fair value.

Mutual funds: Valued at the net asset value of shares held by the Organization at year-end.

CALIFORNIA YMCA YOUTH & GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 3 – FAIR VALUE MEASUREMENT OF INVESTMENT (continued):

Assets measured at fair value on a recurring basis at June 30, 2020 was:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds:	\$ 126,751	\$ -	\$ -	\$ 126,751
Mutual Funds:				
Fixed Income Funds	215,462	-	-	215,462
Fixed Income ETF's	485,288	-	-	485,288
Equity Funds	1,374,280	-	-	1,374,280
Total	<u>\$ 2,201,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,201,781</u>

There were no significant transfers between the levels during the year. The Organization's policy is to recognize transfers in and out of the levels at the end of the fiscal year, interim changes in the availability of fair value inputs are not recognized. At June 30, 2020, the Organization does not have any investments measured using Level 2 or Level 3 inputs.

NOTE 4 – INVESTMENTS:

Investments consist of mutual funds invested in money market funds and fixed income funds, held in brokerage accounts as of June 30, 2020.

Investments reported at fair market value of June 30, 2020 include the following:

	<u>Cost</u>	<u>Gross Unrealized Gain</u>	<u>Gross Unrealized Gain</u>	<u>Estimated Fair Value</u>
Money Market Funds:	\$ 126,751	\$ -	\$ -	\$ 126,751
Mutual Funds:				
Fixed Income Funds	207,006	8,456	-	215,462
Fixed Income ETF's	454,819	30,469	-	485,288
Equity Funds	910,376	463,904	-	1,374,280
Total	<u>\$ 1,698,952</u>	<u>\$ 502,829</u>	<u>\$ -</u>	<u>\$ 2,201,781</u>

CALIFORNIA YMCA YOUTH & GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 5 – PLEDGES RECEIVABLE, NET:

The pledges receivable, net are as follows at June 30, 2020:

Pledges receivable	\$ 67,006
Less: Allowance for pledges receivable	<u>27,521</u>
Pledges receivable, net	<u><u>\$ 39,485</u></u>

NOTE 6 – PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at June 30, 2020:

Property and equipment	<u>\$ 17,173</u>
Total	17,173
Less accumulated depreciation	<u>6,531</u>
Property and equipment, net	<u><u>\$ 10,642</u></u>

NOTE 7 – LEASED PROPERTY:

The Organization leases office space under a long-term operating lease which expires on September 30, 2023. The Organization also leases a storage unit on a month-to-month basis. Total rent expense for the year ended June 30, 2020 was \$80,955.

Future minimum lease payments are as follows:

Years ending June 30:	
2021	\$ 79,479
2022	81,771
2023	84,054
2024	86,341
2025	<u>21,729</u>
	<u><u>\$ 353,374</u></u>

CALIFORNIA YMCA YOUTH & GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 8 – RELATED PARTY TRANSACTIONS:

The Organization was contracted with HsuBu Consulting Group to provide consulting services to the Organization. Two of the Organization's former board members are materially involved with HsuBu Consulting Group. Fees paid for consulting were zero and \$34,542 for the years ended June 30, 2020 and 2019. During the year ended June 30, 2018 the Organization reached a settlement with HsuBu regarding consulting fees and thus ended their relationship.

NOTE 9 – ACCOUNTING FOR ENDOWMENTS:

The Organization consists of a fund set aside by the board of directors. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The state of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 30, 2008. UPMIFA establishes law for the management and investment of donor-restricted endowment funds.

UPMIFA permits the Organization to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Donor-restricted amount not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policy of the Organization

CALIFORNIA YMCA YOUTH & GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2020

NOTE 9 – ACCOUNTING FOR ENDOWMENTS (continued):

The net asset composition of the endowment as of June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment fund	\$ 1,407,719	\$ 886,684	\$ 2,294,403
Donor-restricted endowment fund			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	-
Accumulated investment losses	-	(92,622)	(92,622)
Totals	\$ 1,407,719	\$ 794,062	\$ 2,201,781

The Organization has an investment policy specific to its endowment fund, which is monitored by the investment committee of the governing board. The investment policy describes the objective for the fund and sets ranges for asset allocation. The objective of the endowment fund is to achieve moderate growth of both principal value and earnings over time that is sufficient to preserve or increase the purchasing power of the assets against inflation. The governing board understands that risk is present in all types of securities and investment styles, and recognizes that some risk is necessary to produce long-term investment results sufficient to meet the endowment fund's purpose.

The general policy shall be to diversify investments within both equity and fixed income securities to provide a balance that will enhance total return while avoiding under risk from concentration in any single asset class or investment style. Given the time horizon of the endowment fund, the following asset class ranges are designed to achieve the endowment fund's objectives:

	Minimum	Maximum
Asset Class:		
U.S. Equities - Large Cap	30%	50%
U.S. Equities - Small Cap	0%	20%
International Equities	0%	20%
Fixed Income Securities	20%	60%
Cash and cash equivalents	5%	20%

CALIFORNIA YMCA YOUTH & GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 9 – ACCOUNTING FOR ENDOWMENTS (continued):

The changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions - Noncorpus	With Donor Restrictions - Corpus	Total
Endowment Net Assets: July 1, 2019	\$ 1,405,303	\$ 189,100	\$ 700,000	\$ 2,294,403
Investment return:				
Investment income	-	142,000	-	142,000
Net loss (realized and unrealized)	(92,622)	-	-	(92,622)
Total Investment Return	(92,622)	142,000	-	49,378
Appropriation for expenditure	(142,000)	-	-	(142,000)
Total Reductions in Endowment Fund	(142,000)	-	-	(142,000)
Released from restrictions	237,038	(237,038)	-	-
Endowment Net Assets: June 30, 2020	<u>\$ 1,407,719</u>	<u>\$ 94,062</u>	<u>\$ 700,000</u>	<u>\$ 2,201,781</u>

NOTE 10 – DONATED PROFESSIONAL SERVICES & EQUIPMENT/FACILITY COSTS

In-kind revenues and expenses are recorded for donations of professional services, and equipment/facility costs. The value of the equipment/facility costs are recorded based on the value that it would be purchased in the market. The estimated value of professional services has been recorded based on the actual time and standard billing rates for the services performed.

Donated goods and services were recorded as revenue and expenses as follows for the years ended June 30, 2020:

Professional services	<u>\$ 4,217</u>
	<u>\$ 4,217</u>

NOTE 11 – RETIREMENT PLAN:

The Organization sponsors a retirement fund through the National Council of the YMCA. Employees are eligible for participation as described in the Plan documents. The contribution rate is fixed at 12% of eligible employee salaries. Contributions to the Plan for the year ended June 30, 2020 was \$63,734.

CALIFORNIA YMCA YOUTH & GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 12 – COMMITMENTS:

The Organization is a member of the National Council of the YMCA. Under the membership agreement, the Organization is required to contribute an established percentage of its program revenue each year to the national organization as a fee for membership. For the year ended June 30, 2020, the membership fees were \$8,619.

NOTE 13 – NOTE PAYABLE:

In May 2020, the Organization applied for and received a Paycheck Protection Program (“PPP”) loan through the Small Business Administration in relation to the coronavirus pandemic. The Organization received \$208,000 and bears interest of 1%. The loan matures 2 years from its issuance and payments are deferred for the first 6 months. If the Organization meets certain criteria, the loan may be fully forgiven. The Organization is currently evaluating whether or not they will meet this criterion.

Principal maturities of the note payable for the years ended June 30, are as follows:

Years ending June 30:	
2021	\$ 68,291
2022	104,607
2023	<u>35,102</u>
	<u>\$ 208,000</u>

NOTE 14 – UNCERTAINTY REGARDING COVID-19:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. It is at least reasonably possible that this matter will negatively impact the Organization. However, the financial impact and duration cannot be reasonably estimated at this time. The Organization is actively managing its costs and expenditures to stay within available resources to ensure the long-term viability of the organization and its philanthropic programs. This allowed the organization to continue to meet community needs and serve program recipients throughout 2019-20 despite reduced revenues.

CALIFORNIA YMCA YOUTH & GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2020

NOTE 15 – RECLASSIFICATION:

During the year ended June 30, 2019, the Organization made adjustments to recognize an assumed deferred revenue relating to hotel event contracts. As of June 30, 2020, the Organization had not received any income and reported a prior period adjustment to write-off the liability. The adjustment created a net increase of net assets without donor restrictions of \$48,718.

The adjustment is as follows for June 30, 2019:

	Audited Balance for the year ended June 30, 2019	Adjustment	Adjusted Balance for year ended June 30, 2019
Net Assets:			
Without donor restrictions	\$ 1,606,028	\$ 48,718	\$ 1,654,746
With donor restrictions	889,100	-	889,100
Total net assets	<u>\$ 2,495,128</u>	<u>\$ 48,718</u>	<u>\$ 2,543,846</u>

NOTE 16 – NEW ACCOUNTING PRONOUNCEMENTS:

On June 21, 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The update provides clarifying guidance on accounting for the grants and contracts of nonprofit organizations as they relate to the new revenue standard (ASU 2014-09 *Revenue from Contracts with Customers*), and aims to minimize diversity in the classification of grants and contracts that exists under current guidance.

ASU 2018-08 is effective for the fiscal years beginning after December 15, 2018. Early adoption is permitted and encouraged. Management has fully implemented this pronouncement.

On October 16, 2019, the FASB update 2016-02 (ASU 842), Not-for-Profit: *Leases: Amendments to the ASB Accounting Standards*. This update requires organizations to capitalize leases, including operating leases, with terms of more than one year. The FASB deferred the ASU by one year for most nonprofit organizations.

ASU 2016-02 is effective for the fiscal years beginning after December 15, 2019. Early adoption is permitted and encouraged. Management has fully implemented this pronouncement.