YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

Report on Audit of Financial Statements
and Supplementary Information
June 30, 2019
(With summarized comparative totals for June 30, 2018)

Together with
Independent Auditors' Report
and Single Audit Reports

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

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June 30, 2019

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT

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

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, 2019, 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
Santa Clara, California

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, 2019, 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 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which is has been derived.

Other Matters

Other Information

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, 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.

Robert Lee + Associates, LLP

San Jose, California
December 10, 2019

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

Statements of Financial Position

June 30, 2019

(With summarized comparative totals for June 30, 2018)

	June 30, 2019	June 30, 2018 *(Comparative)*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,851,740	$ 8,589,043
Accounts receivable, net of allowance of $299,321 and $165,572 for 2019 and 2018, respectively	3,542,840	3,054,377
Annual giving campaign receivable, net of allowance of $596,051 and $698,281 for 2019 and 2018, respectively	564,849	604,027
Pledges receivable	5,025	-
Prepaid expenses and other current assets	273,815	153,406
Total current assets	12,238,269	12,400,853
Investments	18,798,886	15,973,761
Land, buildings and equipment, net	61,666,265	63,107,212
Other non-current assets	122,479	48,194
Total assets	$ 92,825,899	$ 91,530,020
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 1,211,641	$ 1,539,614
Accrued expenses	5,510,539	5,370,240
Notes payable	454,868	439,815
Capital lease obligations	44,011	41,910
Deferred revenue	4,867,290	4,235,821
Total current liabilities	12,088,349	11,627,400
Long-term liabilities:		
Accrued expenses	173,843	73,194
Notes payable	11,465,758	11,915,266
Capital lease obligations	22,828	66,836
Total long-term liabilities	11,662,429	12,055,296
Total liabilities	23,750,778	23,682,696
Commitments and contingencies (Note 13)		
Net assets:		
Without donor restrictions:		
Board designated for maintenance and equipment reserve	1,856,416	1,856,416
Board designated for quasi-endowment	2,633,255	2,711,431
Undesignated	53,427,630	53,972,580
Total net assets without donor restrictions	57,917,301	58,540,427
Net assets with donor restrictions	11,157,820	9,306,897
Total net assets	69,075,121	67,847,324
Total liabilities and net assets	$ 92,825,899	$ 91,530,020

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2019 (with summarized comparative totals for 2018)

	2019			2018
	Without donor restrictions	With donor restrictions	Total	*(Comparative)* Totals
Support and revenues:				
Program, camp and child care fees	$ 30,001,830	$ -	$ 30,001,830	$ 30,259,441
Membership dues	30,755,908	-	30,755,908	28,452,411
Fees and grants from government agencies	12,030,486	132,250	12,162,736	11,466,668
Contributions	4,306,591	4,310,863	8,617,454	6,980,253
Investment gains (losses), net	261,837	(236,711)	25,126	901,506
Gain on disposal of buildings and equipment	5,000	-	5,000	17,850
Miscellaneous revenue	561,720	-	561,720	483,467
Net assets released from restrictions	2,355,479	(2,355,479)	-	-
Total support and revenues	80,278,851	1,850,923	82,129,774	78,561,596
Expenses:				
Program services:				
Healthy living	30,026,182	-	30,026,182	28,928,387
Child, youth development and families	35,957,988	-	35,957,988	34,861,503
Total program services	65,984,170	-	65,984,170	63,789,890
Supporting services:				
Management and general	8,816,738	-	8,816,738	8,802,648
Fundraising	2,421,892	-	2,421,892	2,127,447
Total supporting services	11,238,630	-	11,238,630	10,930,095
Total expenses before depreciation and amortization	77,222,800	-	77,222,800	74,719,985
Change in net assets before depreciation and amortization	3,056,051	1,850,923	4,906,974	3,841,611
Depreciation and amortization expense	3,679,177	-	3,679,177	3,844,233
Change in net assets	(623,126)	1,850,923	1,227,797	(2,622)
Net assets, beginning of year	58,540,427	9,306,897	67,847,324	67,849,946
Net assets, end of year	$ 57,917,301	$ 11,157,820	$ 69,075,121	$ 67,847,324

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, 2019 (with summarized comparative totals for 2018)

	2019							
	Program Services			Supporting Services				
	Healthy Living	Child, Youth Development and Families	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	2018 *(Comparative)* Totals
Staff compensation	$ 20,526,789	$ 23,731,512	$ 44,258,301	$ 5,589,326	$ 1,463,798	$ 7,053,124	$ 51,311,426	$ 49,561,147
Facilities	5,961,812	3,529,133	9,490,945	333,141	27,102	360,243	9,851,188	9,535,137
Office and program supplies	760,109	5,362,297	6,122,406	72,834	144,734	217,568	6,339,975	6,656,682
Contractual services	325,334	1,124,008	1,449,342	1,117,361	243,169	1,360,530	2,809,872	2,330,154
Interest and bank fees	813,349	345,636	1,158,985	488,997	58,096	547,093	1,706,078	1,639,712
Equipment rental, repairs and maintenance	731,703	317,472	1,049,175	21,716	15,192	36,908	1,086,082	1,018,582
Vehicle and transportation	40,572	795,332	835,904	43,934	5,685	49,619	885,522	838,530
Telephone	221,460	198,562	420,022	1,770	15,839	17,609	437,631	388,141
Membership dues	23,650	6,866	30,516	533,125	1,347	534,472	564,989	613,770
Conference and travel	174,713	205,885	380,598	96,056	31,474	127,530	508,127	511,431
Printing and public relations	42,817	100,602	143,419	309,199	64,822	374,021	517,440	523,383
Bad debt	122,683	84,003	206,686	462	325,066	325,528	532,214	528,768
Insurance	238,115	112,979	351,094	52,619	17,008	69,627	420,721	343,983
Recruitment and other	24,683	32,918	57,601	99,869	3,966	103,835	161,546	139,158
Postage and shipping	18,393	10,783	29,176	56,329	4,594	60,923	90,099	91,407
Total expenses before depreciation and amortization	30,026,182	35,957,988	65,984,170	8,816,738	2,421,892	11,238,630	77,222,800	74,719,985
Depreciation and amortization	2,524,867	960,875	3,485,742	193,435	-	193,435	3,679,177	3,844,233
Total expenses	$ 32,551,049	$ 36,918,863	$ 69,469,912	$ 9,010,173	$ 2,421,892	$ 11,432,065	$ 80,901,977	$ 78,564,218

The accompanying notes are an integral part of these financial statements

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

Statements of Cash Flows

For the Year Ended June 30, 2019

(With summarized comparative totals for June 30, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 1,227,797	$ (2,622)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,679,177	3,844,233
Loss on cancellation of construction-in-progress	4,158	50,522
Realized and unrealized (gains) losses on investments	451,693	(433,471)
Change in allowance for uncollectible accounts receivable	133,749	(49,731)
Change in allowance for uncollectible pledges	(102,230)	450,345
Amortization of original issue discount, notes payable	2,900	2,900
Changes in operating assets and liabilities:		
Accounts receivable	(622,212)	654,494
Annual giving campaign receivables	141,408	(287,781)
Pledges receivable	(5,025)	117,887
Prepaid expenses and other current assets	(120,409)	307,978
Other non-current assets	(74,285)	(12,194)
Accounts payable	(327,973)	436,509
Accrued expenses	240,948	344,841
Deferred revenue	631,469	283,278
Net cash provided by operating activities	5,261,165	5,707,188
Cash flows from investing activities:		
Proceeds from sale of investments	367,000	1,260,395
Purchases of investments	(3,643,818)	(1,406,676)
Purchases of land, buildings and equipment	(2,225,437)	(2,096,419)
Purchases of assets placed into construction-in-progress	(16,951)	(654,826)
Net cash used by investing activities	(5,519,206)	(2,897,526)
Cash flows from financing activities:		
Payments on note payable	(437,355)	(424,042)
Payments on capital lease obligations	(41,907)	(20,734)
Net cash used by financing activities	(479,262)	(444,776)
(Decrease) increase in cash and cash equivalents	(737,303)	2,364,886
Cash and cash equivalents, beginning of year	8,589,043	6,224,157
Cash and cash equivalents, end of year	$ 7,851,740	$ 8,589,043

The accompanying notes are an integral part of these financial statements

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 impact 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, 155,400 members and program participants receive support to live a healthier lifestyle.

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

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

Note 1 - Organization and operations (continued):

Description of Programs (continued)

Camping Programs / Youth, Teen and Family Programs / Project Cornerstone (continued) - The Y offers sports, tutoring, leadership and development, and parent-child programs. The Y also trains over 6,700 volunteers to develop social-emotional skills by volunteering monthly in classrooms delivering the Project Cornerstone curriculum. Day, resident, and specialty camps provide a wide range of opportunities for growth, learning, relationship building and healthy fun. In total, the Y serves 161,200 children and teens. 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 two classes of net assets:

- *Without donor restrictions* - net assets which are available to support all activities of the Association without restrictions and include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation.

- *With donor restrictions* - net assets which are subject to donor-imposed restrictions that will be met rather by actions of the Association or the passage of time. Also included in this category are net assets restricted by the donor for investment in perpetuity, such as endowments. The income from such invested assets is available to support the activities 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, in-kind contribution valuation, the useful lives of property and equipment and the allocation of expenses by function. Actual results could differ from these estimates.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

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

Contributed property and services - Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Contributed services, which require a specialized skill and which the Association would have paid for if not contributed, is recorded at their estimated fair market value. The Association received approximately $106,000 and $595,000 in contributions-in-kind during the years ended June 30, 2019 and 2018, which is included in contributions 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 program and other activities have been summarized on a functional basis in the statements of activities. Certain costs are allocated between programmatic and support services based on estimates of time, space, or other factors. Salaries and fringe benefits are allocated on a percentage basis between functional categories based on job description or time estimates. Salary allocation percentages and branch locations are also used to allocate certain indirect costs, including but not limited to facilities expenses, office supplies and equipment, information technology expenses and depreciation.

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.

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. At June 30, 2019 and 2018 approximately $299,000 and $166,000 of the accounts receivable balances were over 90 days past due, respectively.

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

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, 2019 and 2018.

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

The Association uses the allowance method to estimate potentially uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made. The financial statements reflect these pledges net of the discount and allowance reserve. Management expects all pledges as of June 30, 2019 to be collected within the following fiscal year.

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

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 statements of financial position as of June 30, 2019 and 2018 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 Statements of Financial Position at their estimated fair values using methodologies described above.

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

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

Land, buildings, equipment, depreciation and amortization (continued) -

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

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

Construction-in-progress - Construction-in-progress represents assets acquired and not yet placed into service. In the event applicable interest costs associated with the construction of new facilities are material, the Association will capitalize the respective interest.

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 net assets with donor restrictions in perpetuity at (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

Endowment accounting and interpretation of relevant law (continued) - The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction in perpetuity is classified as net assets with restriction 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, 2019 and 2018 were approximately $282,000 and $207,000, 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, 2019 and 2018 management did not identify any uncertain tax positions.

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.

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

Comparative totals - The statements of activities and changes in net assets and the statements 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, 2018, from which the summarized information was derived.

Recently adopted accounting guidance - During 2019, the Association adopted Financial Accounting Standards Board ("FASB") Accounting Standard Update ("ASU") No. 2016-14 "Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities." The ASU changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profits to report investment return net of external and direct internal investment expenses.

The requirement to disclose those netted expenses is eliminated. In addition to the current required disclosure of the aggregate amount by which endowment funds are underwater, ASU 2016-14 requires not-for-profit entities to disclose the aggregate fair value of such funds as well as the aggregate original gift amounts to be maintained. ASU 2016-14 also requires a not-for-profit entity to disclose its interpretation of the ability to spend from underwater endowment funds including its policy, and any actions taken during the period, concerning appropriation from underwater endowment funds. All underwater endowment funds will be classified as part of net assets with donor restrictions rather than as a charge to unrestricted net assets as per the current rules. In the absence of explicit donor restrictions, ASU 2016-14 requires not-for-profit entities to use the placed-in-service approach to account for capital gifts. The current option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function.

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

Recently adopted accounting guidance (continued) - The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted with retrospective application required for all prior periods presented. The Association has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard, which is reflected in the comparative totals for the year ending June 30, 2018.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 is as follows:

	ASU 2016-14 classifications		
Net asset classifications	Without donor restrictions	With donor restrictions	Total net assets
As previously presented:			
Unrestricted	$ 58,540,427	$ (9,278)	$ 58,531,149
Temporarily restricted	-	4,266,964	4,266,964
Permanently restricted	-	5,049,211	5,049,211
Net assets previously presented	$ 58,540,427	$ 9,306,897	$ 67,847,324

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

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

Recent accounting pronouncements (continued) - In August 2018, FASB issued ASU 2018-13, "Fair Value Measurements: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements." This ASU modifies the disclosure requirements for fair value measurements. Those modifications include the removal and addition of disclosure requirements as well as clarifying specific disclosure requirements. The ASU is effective for fiscal years beginning after December 15, 2019. Certain provisions of the ASU will be applied prospectively while the rest of the provisions will be applied retrospectively. Management has not yet determined the impact of this pronouncement.

In February 2016, the FASB issued ASU No. 2016-02 "Leases." The ASU is intended to increase transparency and comparability between organizations recognizing lease assets and liabilities by recognizing lease assets and lease liabilities on the balance sheet and increasing the related disclosures. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted. The adoption of this guidance is not expected to have a material impact on the Association's financial statements. Management has not yet determined the impact of this pronouncement.

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

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

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, 2019. See Note 19 for subsequent event disclosures.

Note 3 - Liquidity and availability of funds:

The Association's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position as of June 30, are as follows:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	$ 7,851,740	$ 8,589,043
Accounts receivable	3,542,840	3,054,377
Annual giving campaign receivables	564,849	604,027
Pledges receivable	5,025	-
Investments	18,798,886	15,973,761
Total financial assets	30,763,340	28,221,208
Less amounts unavailable for general expenditures within one year, due to:		
Investments not available to be liquidated within one year	(4,082,791)	(3,827,375)
Board designated for maintenance and equipment reserve	(1,856,416)	(1,856,416)
Board designated for quasi-endowment	(2,633,255)	(2,711,431)
Net assets with donor restrictions	(11,157,820)	(9,306,897)
Total financial assets available to meet general expenditures within one year	$ 11,033,058	$ 10,519,089

The Association's restricted and board-designated fund investments consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Association has a quasi-endowment of approximately $2,633,000 and board designated reserve for maintenance and equipment of approximately $1,856,000. Although the Association does not intend to spend from these designations other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from board designation funds could be made available if necessary.

Note 4 - Supplemental cash flow information:

		For the Years Ended June 30,		
		2019		2018
Supplemental disclosure of cash flow information				
Cash paid during the year for interest	$	455,641	$	463,976
Supplemental disclosure of non-cash transactions				
Capital assets acquired under issuance of capital leases	$	-	$	129,480
Transfer of assets from CIP to land, buildings and equipment	$	85,159	$	83,690

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. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

An investment's classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Association's perceived risk of that investment.

Note 5 - Investments (continued):

The following are major categories of investments measured at fair value on a recurring basis:

- Level 1: Quoted prices in active markets for identical assets
- Level 2: Significant other observable inputs
- Level 3: Significant unobservable inputs

	Year Ended June 30, 2019		
	Level 1	Level 2	Total
Cash and cash equivalents	$ 3,294,864	$ -	$ 3,294,864
Equity securities	9,120,522	-	9,120,522
U.S. treasury bonds	2,300,709	-	2,300,709
Municipal bonds	-	1,927,465	1,927,465
Certificate of deposits	-	2,076,104	2,076,104
Miscellaneous investment assets	-	79,222	79,222
Total	$ 14,716,095	$ 4,082,791	$ 18,798,886

	Year Ended June 30, 2018		
	Level 1	Level 2	Total
Cash and cash equivalents	$ 359,363	$ -	$ 359,363
Equity securities	9,299,704	-	9,299,704
U.S. treasury bonds	2,487,319	-	2,487,319
Municipal bonds	-	1,816,156	1,816,156
Certificate of deposits	-	1,924,629	1,924,629
Miscellaneous investment assets	-	86,590	86,590
Total	$ 12,146,386	$ 3,827,375	$ 15,973,761

Note 5 - Investments (continued):

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

	2019	2018
Dividends and interest income	$ 509,735	$ 498,101
Realized gains	700	145,543
Unrealized gains (losses)	(452,393)	287,928
Investment related expenses	(32,916)	(30,066)
Total investment gains, net	$ 25,126	$ 901,506

Investment consulting fees for the years ended June 30, 2019 and 2018 were approximately $33,000 and $30,000, respectively, and have been netted against the investment returns on the Statement of Activities and Changes in Net Assets.

Note 6 - Land, buildings and equipment:

Land, buildings and equipment, including equipment under capital leases, consist of the following at June 30, 2019 and 2018:

	2019	2018
Building and improvements	$ 95,093,962	$ 93,516,691
Furniture, equipment, and vehicles	10,473,175	9,810,468
Capitalized interest	146,262	146,262
Capitalized finance charges	222,894	222,894
Total buildings and equipment	105,936,293	103,696,315
Less: accumulated depreciation and amortization	(56,594,939)	(52,915,762)
Buildings and equipment, net	49,341,354	50,780,553
Construction-in-progress	582,460	654,826
Land	7,229,447	7,229,447
Land improvements	4,513,004	4,442,386
Land, buildings and equipment, net	$ 61,666,265	$ 63,107,212

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 were approximately $3,679,000 and $3,844,000, respectively.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY
Notes to Financial Statements
June 30, 2019

Note 7 - Accrued expenses:

Accrued expenses consisted of the following at June 30:

	2019	2018
Current accrued expenses:		
Accrued vacation	$ 2,228,219	$ 2,221,146
Accrued salaries, wages and related taxes withheld	2,153,778	1,993,910
Accrued program expenses	654,151	530,345
Accrued credit card expenses	423,830	405,994
Accrued interest	35,918	37,231
Other accrued expenses	14,643	181,614
Total current accrued expenses	5,510,539	5,370,240
Non-current accrued expenses:		
Deferred compensation	87,843	12,194
Tenant deposit	50,000	25,000
Slonaker trust	36,000	36,000
Total non-current accrued expenses	173,843	73,194
Total accrued expenses	$ 5,684,382	$ 5,443,434

Note 8 - Note payable:

Notes payable consisted of the following at June 30:

	2019	2018
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.	$ 11,972,826	$ 12,410,181
Less: original issue discount	(52,200)	(55,100)
Less: current portion of notes payable	(454,868)	(439,815)
Long-term notes payable	$ 11,465,758	$ 11,915,266

Note 8 - Note payable (continued):

At June 30, 2019, the future principal payments are due as follows:

Year Ending June 30,		Amount
2020		454,868
2021		472,929
2022		490,483
2023		508,688
2024		526,590
Thereafter		9,519,268
Total notes payable		11,972,826
Less: original issue discount		(52,200)
Less: current portion		(454,868)
Non-current portion	$	11,465,758

Note 9 - Capital lease obligations:

In November 2017, the Association entered into a capital lease arrangements for equipment with an aggregate cost of approximately $129,000 and related accumulated depreciation of $31,000. The lease expires in January 2021; requires monthly payments of approximately $3,900, and bears interest of approximately 4.91% per annum.

At June 30, 2019, future minimum annual obligations under the agreements were as follows:

Year Ending June 30,		Amount
2020	$	46,501
2021		23,266
Total payments		69,767
Less amounts representing interest		(2,928)
Present value of minimum lease		66,839
Less portion due within one year		(44,011)
Portion due after one year	$	22,828

Note 10 - Board designated net assets:

Board designated net assets consisted of the following at June 30:

	2019	2018
Board designated for quasi-endowment	$ 2,633,255	$ 2,711,431
Board designated for maintenance and equipment reserve	1,856,416	1,856,416
Total board designated net assets	$ 4,489,671	$ 4,567,847

Note 11 - Net assets with donor restrictions:

Net assets with donor restrictions were available for the following purposes at June 30:

	2019	2018
Subject to expenditure for a specific purpose:		
Capital campaigns	$ 3,409,837	$ 971,511
Grants and contributions for projects	1,112,231	1,233,278
Endowment earnings	1,565,249	2,062,175
Total purpose restrictions	6,087,317	4,266,964
Endowment:		
Perpetual in nature	5,086,250	5,049,211
Funds with deficiencies endowment investment loss	(15,747)	(9,278)
Total net assets with donor restrictions	$ 11,157,820	$ 9,306,897

Note 12 - 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:

	2019	2018
Capital campaigns	$ 471,223	$ 1,120,117
Grants and contributions for projects	1,617,572	1,616,961
Endowments	266,684	256,277
Total	$ 2,355,479	$ 2,993,355

Note 13 - Endowment:

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

The quasi-endowments consists of Board designated net assets without restriction. The endowment investment loss consists of the cumulative fair value adjustments of the restricted endowment investments in perpetuity. The 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 net assets with donor restrictions 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, 2019 as follows:

		With donor restrictions		
	Without donor restrictions	Program service and general use	Perpetual in nature	Total
Donor restricted endowment funds	$ -	$ 1,565,249	$ 5,086,250	$ 6,651,499
Board designated endowment funds	2,633,255	-	-	2,633,255
Funds with deficiencies endowment investment loss	-	(15,747)	-	(15,747)
Total	$ 2,633,255	$ 1,549,502	$ 5,086,250	$ 9,269,007

Note 13 - Endowment (continued):

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

		With donor restrictions		
	Without donor restrictions	Program service and general use	Perpetual in nature	Total
Donor restricted endowment funds	$ -	$ 2,062,175	$ 4,999,211	$ 7,061,386
Board designated endowment funds	2,711,431	-	-	2,711,431
Funds with deficiencies endowment investment loss	-	(9,278)	-	(9,278)
Total	$ 2,711,431	$ 2,052,897	$ 4,999,211	$ 9,763,539

For the year ended June 30, 2019, the Association had the following endowment-related activities:

		With donor restrictions		
	Without donor restrictions	Program service and general use	Perpetual in nature	Total
Endowment net assets July 1, 2018	$ 2,711,431	$ 2,052,897	$ 4,999,211	$ 9,763,539
Investment return:				
Interest and dividend income, net	92,880	233,538	-	326,418
Realized and unrealized gains and losses	(65,151)	(463,781)	-	(528,932)
Underwater endowment investment loss	-	(6,468)	-	(6,468)
Total investment return	27,729	(236,711)	-	(208,982)
Contributions	-	-	87,039	87,039
Appropriation of endowment net assets for expenditure	(105,905)	(266,684)	-	(372,589)
Endowment net assets June 30, 2019	$ 2,633,255	$ 1,549,502	$ 5,086,250	$ 9,269,007

Note 13 - Endowment (continued):

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

		With donor restrictions		
	Without donor restrictions	Program service and general use	Perpetual in nature	Total
Endowment net assets July 1, 2017	$ 2,634,743	$ 1,842,964	$ 4,947,061	$ 9,424,768
Investment return:				
Interest and dividend income, net	81,714	252,749	-	334,463
Realized and unrealized gains and losses	82,331	211,072	-	293,403
Underwater endowment investment gain	-	2,389	-	2,389
Total investment return	164,045	466,210	-	630,255
Contributions	16,007	-	52,150	68,157
Appropriation of endowment net assets for expenditure	(103,364)	(256,277)	-	(359,641)
Endowment net assets June 30, 2018	$ 2,711,431	$ 2,052,897	$ 4,999,211	$ 9,763,539

Underwater endowments: 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 the Uniform Prudent Management of Institutional Funds Act requires the Association to retain as a fund of perpetual duration. In accordance with GAAP deficiencies of this nature are reported in net assets with donor restrictions. Deficiencies of this nature exist in 9 donor-restricted endowment funds, which together have an original gift value of $414,668, a current fair value of $398,921, and a deficiency of $15,747 as of June 30, 2019. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

The Association has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board appropriated for expenditure $15,897 from underwater endowment funds during the year, which represents .17% of the 12-quarter moving average, not the 1% it generally draws from its endowment.

Note 13 - Endowment (continued):

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, 3.5% to 4.5% 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, 2019 and 2018, approximately $373,000 and $360,000, 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 14 - Commitments and contingencies:

Lease commitments: The Association is obligated under non-cancelable operating leases for facilities and office equipment, which expire at various dates through October 2021. 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.

Sub-lease commitments: The Association also leases its property and a related office facility to an unrelated third party under a non-cancellable lease, which expires during June 2022.

Note 14 - 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
2020	106,429	(250,000)	(143,571)
2021	100,200	(250,000)	(149,800)
2022	25,050	(125,000)	(99,950)
Total	$ 231,679	$ (625,000)	$ (393,321)

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 approximately $1,960,000 and $1,876,000 for the years ended June 30, 2019 and 2018, respectively.

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

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

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

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

Note 15 - 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 $2,696,000 and $2,684,000 for the years ended 2019 and 2018, respectively.

Note 16 - Deferred compensation program:

The Association has a deferred compensation program ("457(f)" Plan) for the benefit of highly-compensated employees and certain other eligible employees. The 457(f) plans provide benefits separate and apart from any benefits that may be available under the Fund agreement (described in Note 15). The 457(f) is a nonqualified, unfunded plan in compliance with terms of Sections 457 of the Internal Revenue Code. The Association has created a Trust with an outside third-party, of the type generally known as a "rabbi trust" to act as direct trustee of the 457(f). 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 457 (f) does not permit voluntary deferral of additional compensation by the Participants. The participant rights to receive 100% of any deferred compensation credited and adjusted for earnings and losses, shall become vested and nonforfeitable on the one year anniversary date of the Deferred Compensation being credited to the account. Upon retirement, all payments under the deferred compensation program may be paid from the general assets of the Association. The liability is recorded in non-current accrued expenses in the statement of financial position.

The Association made contributions into the 457(f) Plan of approximately $17,000 and $12,000 for the fiscal years ended June 30, 2019 and 2018, respectively.

Note 17 - Related-party transactions:

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 $471,000 and $532,000 for the years ended June 30, 2019 and 2018, 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 $495,000 and $479,000 for association dues and other contributions for the years ended June 30, 2019 and 2018, respectively.

Note 18 - 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, 2019 and 2018 was $431,641 and $360,888, respectively.

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

	2019	2018
Grant support received	$ 431,641	$ 360,888
Personnel cost	$ 292,150	$ 308,461
Program expenses	282,111	224,891
Total contract expenses	$ 574,261	$ 533,352

Note 19 - Subsequent event:

In November 2019, the Organization entered into a sales contract to sell a portion of their property for $6,600,000. The execution of this transaction is anticipated to be completed by July 2021.

SUPPLEMENTARY INFORMATION

Robert Lee & Associates, LLP

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, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robert Lee + Associates, LLP

San Jose, California
December 10, 2019

Robert Lee & Associates, LLP

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, 2019. 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 Association'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, 2019.

Report on Internal Control over Compliance

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

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

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

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

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

Report on Internal Control over Compliance (Continued)

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

Robert Lee + Associates, LLP

San Jose, California
December 10, 2019

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY
Single Audit Reports
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA number	Pass-through entity identifying number	Federal Program Expenditures
EXPENDITURES OF FEDERAL AWARDS:			
U.S. Department of Education:			
Passed-through Programs from California Department of Education:			
21st Century After School Grant	84.287	43-14349-Z493-8A	$ 689,520
Passed-through Programs from Gilroy Unified School District:			
21st Century After School Grant	84.287	PO 920743	347,581
Total 21st Century After School Grant			1,037,101
Total U.S. Department of Education			**1,037,101**
U.S. Department of Agriculture:			
Passed-through Programs from California Department of Education:			
Child Nutrition Cluster			
Child and Adult Care Food Program	10.558	04116-CACFP-43-NP-SOIC	2,015,911
Summer Food Service Program	10.559	04116-SFSP-43	198,846
Total Child Nutrition Cluster*			2,214,757
Total U.S. Department of Agriculture			**2,214,757**
U.S. Department of Health & Human Services			
Passed-through Programs from the County of Santa Clara:			
Aging Cluster			
Senior Nutrition Program: Title III	93.045	PO 4300015216	80,285
Senior Nutrition Program: NSIP	93.053	PO 4300015216	28,618
Total Aging Cluster			108,903
Blood Pressure Self-Monitoring Grant	93.421	6 NU38OT000299-01-01	4,250
Total U.S. Department of Health & Human Services			**113,153**
Total Expenditures of Federal Awards			**$ 3,365,011**

* Denotes a major program

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SILICON VALLEY

Single Audit Reports
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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 of Expenditures of Federal Awards ("SEFA") 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 SEFA 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 SEFA includes the federal grant and loan activity of the Association under programs of the federal government for the year ending June 30, 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the financial statements. Although the Association is required to match certain grants, as defined by the grants, no such matching has been included as expenditures in the SEFA.

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Young Men's Christian Association of Silicon Valley.

2. No significant deficiencies relating to the audit of the financial statements are reported in the basic financial statements.

3. No instances of noncompliance material to the financial statements of the Association were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the financial statements.

5. The auditors' report on compliance for the major federal award programs for the Association expresses an unqualified opinion.

6. Audit findings relative to the major federal award programs for the Association is reported in Part C of this Schedule below.

7. The programs tested as major programs include:

Major Program	CFDA #		Expenditures
Child and Adult Care Food Program	10.558	$	2,015,911
Summer Food Service Program	10.559		198,846
Total Major Program Expenditures		$	2,214,757
Total Federal Award Expenditures		$	3,365,011
Percent of Total Federal Award Expenditures			66%

8. The threshold for distinguishing Types A and B programs was $750,000.

9. The Association was determined to be a low risk auditee.

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.*