

**SAN LUIS OBISPO COUNTY
YMCA, INC.**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

SAN LUIS OBISPO COUNTY YMCA, INC.
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DECEMBER 31, 2010

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Five Cities CPAs

INDEPENDENT AUDITORS' REPORT

Board of Directors
San Luis Obispo County
YMCA, Inc.
San Luis Obispo, CA 93401

We have audited the accompanying statement of financial position of San Luis Obispo County YMCA, Inc., (a non-profit organization) as of December 31, 2010 and 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Luis Obispo County YMCA, Inc., as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of program service expenses on page 12 is presented for purposes of additional analysis and is not a required part of the basic 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying 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 basic financial statements taken as a whole.

Five Cities CPAs, Inc.

Grover Beach, California
May 31, 2011

SAN LUIS OBISPO COUNTY YMCA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 189,689	\$ 127,252
Accounts receivable (net of allowance for doubtful accounts of \$28,522)	77,518	118,731
Pledges receivable (net of allowance for doubtful pledges of \$32,675)	-	35,360
Prepaid expenses	<u>6,495</u>	<u>16,599</u>
Total Current Assets	273,702	297,942
Fixed Assets:		
Buildings and improvements	923,657	913,982
Equipment	245,896	239,925
Accumulated depreciation	<u>(829,863)</u>	<u>(800,827)</u>
Total Fixed Assets	339,690	353,080
Other Assets:		
Cash restricted by donor	20,988	20,988
Investments	<u>1,182</u>	<u>2,364</u>
Total Other Assets	<u>22,170</u>	<u>23,352</u>
Total Assets	<u>\$ 635,562</u>	<u>\$ 674,374</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 37,974	\$ 51,543
Accrued expenses	76,336	89,554
Deferred revenue	255,889	235,069
Line of credit payable	-	0
Current maturity of long-term debt	<u>3,757</u>	<u>3,983</u>
Total Current Liabilities	373,956	380,149
Long-Term Debt (net of current portion)	<u>341,184</u>	<u>344,073</u>
Total Liabilities	715,140	724,222
Net Assets:		
Unrestricted	(135,381)	(105,046)
Board-designated	34,210	34,210
Temporarily restricted	605	-
Permanently restricted	<u>20,988</u>	<u>20,988</u>
Total Net Assets	<u>(79,578)</u>	<u>(49,848)</u>
Total Liabilities & Net Assets	<u>\$ 635,562</u>	<u>\$ 674,374</u>

The accompanying notes are an integral part of these financial statements.

SAN LUIS OBISPO COUNTY YMCA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2010	2009
Public Support & Revenues:					
Program services	\$ 834,963	\$ -	\$ -	\$ 834,963	\$ 766,644
Program services - government contracts	856,940	-	-	856,940	760,468
Membership	274,327	-	-	274,327	243,768
Miscellaneous	3,771	-	-	3,771	(978)
Donations	201,287	605	-	201,892	227,291
Donations - in-kind	-	-	-	-	1,500
Special events, net of direct costs of \$14,721 for 2010 and \$11,734 for 2009	20,158	-	-	20,158	43,900
Sales, net of direct costs of \$10,262 for 2010 and \$4,250 for 2009	7,345	-	-	7,345	5,869
Net investment income (loss)	(325)	-	-	(325)	(1,655)
Net assets released from restriction	-	-	-	-	-
Total Public Support & Revenues	<u>2,198,466</u>	<u>605</u>	<u>-</u>	<u>2,199,071</u>	<u>2,046,807</u>
Functional Expenses:					
Program services	1,869,823	-	-	1,869,823	1,582,230
Management & general	335,485	-	-	335,485	481,114
Fundraising	23,493	-	-	23,493	48,951
Total Functional Expenses	<u>2,228,801</u>	<u>-</u>	<u>-</u>	<u>2,228,801</u>	<u>2,112,295</u>
Change in net assets	(30,335)	605	-	(29,730)	(65,488)
Net Assets - Beginning of Year	<u>(70,836)</u>	<u>-</u>	<u>20,988</u>	<u>(49,848)</u>	<u>15,640</u>
Net Assets - End of Year	<u>\$ (101,171)</u>	<u>\$ 605</u>	<u>\$ 20,988</u>	<u>\$ (79,578)</u>	<u>\$ (49,848)</u>

The accompanying notes are an integral part of these financial statements.

SAN LUIS OBISPO COUNTY YMCA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (29,730)	\$ (65,488)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	29,037	33,874
Unrealized loss on investments	1,182	2,364
Changes in:		
Accounts receivable	41,213	113,514
Pledges receivable	35,360	(35,361)
Prepaid expenses	10,104	(10,215)
Accounts payable	(13,569)	(17,339)
Accrued expenses	(13,218)	11,580
Deferred revenue	20,820	95,029
Net cash provided by operating activities	<u>81,199</u>	<u>127,958</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(15,647)</u>	<u>(4,466)</u>
Net cash used by investing activities	<u>(15,647)</u>	<u>(4,466)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing on line of credit	43,624	28,845
Payment on line of credit	(43,624)	(66,507)
Payment on long term debt	<u>(3,115)</u>	<u>(3,906)</u>
Net cash used by financing activities	<u>(3,115)</u>	<u>(41,568)</u>
NET CHANGE IN CASH	62,437	81,924
CASH AT BEGINNING OF YEAR	<u>148,240</u>	<u>66,316</u>
CASH AT END OF YEAR	<u>\$ 210,677</u>	<u>\$ 148,240</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ 24,430</u>	<u>\$ 24,066</u>

The accompanying notes are an integral part of these financial statements.

SAN LUIS OBISPO COUNTY YMCA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Program Services	Management & General	Fundraising	Totals	
				2010	2009
Salaries and wages	\$ 1,107,942	\$ 125,468	\$ 14,397	\$ 1,247,807	\$ 1,251,711
Employee benefits	65,781	16,660	3,058	85,499	74,849
Payroll taxes	121,831	20,196	1,465	143,492	130,083
Contract services	99,800	45,183	-	144,983	126,011
Supplies	110,261	17,796	637	128,694	106,565
Telephone	9,376	9,426	298	19,100	20,223
Postage	3	4,342	-	4,345	4,827
Occupancy	103,685	3,331	-	107,016	102,733
Small equipment	22,385	662	-	23,047	32,513
Program fees	42,582	4,251	40	46,873	19,332
Promotion & printing	4,142	6,039	-	10,181	9,685
Field trip travel	65,373	6,796	56	72,225	84,015
Field trip admissions and supplies	22,968	3,420	973	27,361	36,080
Dues and fair share	23,176	2,447	2,569	28,192	27,545
Financing and service charges	23,920	6,254	-	30,174	26,003
Insurance expense	18,764	(303)	-	18,461	23,680
Bad debt expense	250	61,217	-	61,467	-
Miscellaneous	-	848	-	848	2,566
Depreciation expense	27,584	1,452	-	29,036	33,874
	<u>\$ 1,869,823</u>	<u>\$ 335,485</u>	<u>\$ 23,493</u>	<u>\$ 2,228,801</u>	<u>\$ 2,112,295</u>

The accompanying notes are an integral part of these financial statements.

SAN LUIS OBISPO COUNTY YMCA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The San Luis Obispo County YMCA, Inc. (the Association) is a non-profit corporation that provides child care, youth and family programs and fitness activities in San Luis Obispo County.

B. Basis of Accounting

The financial statements are presented on the accrual basis of accounting which recognizes revenue as gross income when earned and expenses as deductions from gross income as incurred.

C. Financial Statement Presentation

These financial statements are based on principles expressed in Financial Accounting Standards Board Accounting Standards Codification 958, *Not-for-Profit Entities* (ASC 958). ASC 958 requires the Association to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These net assets classifications are described as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. They may be designated for specific purposes or locations by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by either the actions of the Association and/or the passage of time. When the restrictions expire, the net assets of this fund are reclassified to unrestricted net assets.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that must be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

The Association also adopted the portions of ASC 958 related to contributions. In accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash

Cash includes all cash and cash equivalents with a maturity of ninety days or less and available for immediate withdrawal.

San Luis Obispo County YMCA, Inc.
Notes to Financial Statements
December 31, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Pledges and Accounts Receivable

Management has determined that an allowance for doubtful accounts should be recorded in the current year due to prior collection experience and the amount of aged receivables. Association policy is to send all 90 day past due accounts two notices. After the second notice the past due accounts are sent to collections, of which if paid, the Association will get 50%. All past due accounts less than \$100 are immediately written off. The allowance for doubtful accounts for 2010 was \$28,522. In addition, the Association receives pledges from potential donors. To account for the uncertainty of receiving the actual amounts pledged, the Association recorded an allowance against the pledges receivable in the current year. The allowance for doubtful pledges for 2010 was \$32,675.

G. Fixed Assets

Fixed assets are recorded at cost if purchased, or fair market value at time of donation if donated. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5-50 years. Depreciation expense for the years ending December 31, 2010 and 2009 was \$29,036 and \$33,873, respectively.

H. Basis of Gifts

All gifts granted to the Association are recorded at fair market value at the time of receipt.

I. Income Tax

The Association is a nonprofit exempt organization under IRC 501(c)(3), and, as such, is not liable for Federal income or State franchise tax. The Association is not a private foundation.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Association maintains its cash and investment accounts at high quality financial institutions. The balances, at times, may exceed federally insured limits. Through December 31, 2010 these balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Subsequent to that date and effective through December 31, 2012, the FDIC increased its coverage to remove the ceiling on deposits held in non-interest bearing transaction accounts, and consequently, all such deposits were fully insured at December 31, 2010.

Approximately 39% of the Association's support was provided by government contracts for the year ended December 31, 2010.

NOTE 3 - INVESTMENT IN Y-MUTUAL INSURANCE COMPANY

From 1988 through June 30, 2006, the Association elected to participate in the Y-Mutual Insurance Company (Y-Mutual), a corporation organized to provide comprehensive reinsurance and risk management to member YMCA organizations throughout the country. The program required the Association to purchase a package insurance policy covering property, general liability, automobile and workman's compensation insurance utilizing a local broker, and Y-Mutual reinsured the underwriter for excess liability risks to reduce the premium cost.

On June 30, 2006, the Association elected to discontinue insurance coverage through Y-Mutual and to

San Luis Obispo County YMCA, Inc.
Notes to Financial Statements
December 31, 2010

NOTE 3 - INVESTMENT IN Y-MUTUAL INSURANCE COMPANY (CONTINUED)

purchase insurance coverage through a separate carrier. At the time of this change any amounts on deposit with Y-Mutual were treated as an investment and were reported at original cost, less equity returned to the Association. Effective February 1, 2007, the Y-Mutual Board suspended the underwriting and assumptions of all premiums, and will no longer accept new or renewal business. This action by the Y-Mutual Board was done to protect each member's reserve investment. All member reserve investments will remain with the company until all obligations are met.

Given the economic problems incurred by Y-Mutual over the last several years, management has determined that the Y-Mutual investment should be revalued to 50% of its cost value. A loss of \$1,182 was recorded on the current year financial statements as a component of net investment income.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and Equipment consist of the following:

	2010	2009
Building	\$ 669,856	\$ 669,856
Leashold Improvements	253,801	244,126
Furniture and Fixtures	245,896	239,925
	<u>\$ 1,169,553</u>	<u>\$1,153,907</u>
Accumulated depreciation	(829,863)	(800,827)
	<u>\$ 339,690</u>	<u>\$ 353,080</u>

NOTE 5 - ACCRUED EXPENSES

Accrued expenses at December 31 consist of the following:

	2010	2009
Accrued payroll and taxes	\$ 43,528	\$ 39,266
Accrued vacation	21,746	25,429
YMCA of USA payable	5,559	18,558
Interest payable	3,170	3,983
Other payables	<u>2,333</u>	<u>2,318</u>
	<u>\$ 76,336</u>	<u>\$ 89,554</u>

NOTE 6 - LINE OF CREDIT

The Association has in place a line of credit agreement with Rabobank, N.A., through September 15, 2043, for up to \$50,000, with a variable rate of interest equal to the prime rate plus 3%. The line of credit balances outstanding as of December 31, 2010 and 2009 were \$0. The interest rates at December 31, 2010 and 2009 were 6.25% and 6.25%, respectively. The line of credit is unsecured.

San Luis Obispo County YMCA, Inc.
Notes to Financial Statements
December 31, 2010

NOTE 7 - LONG-TERM DEBT

Long-term debt at December 31 consists of the following:

	<u>2010</u>	<u>2009</u>
Mortgage payable to Coast National Bank, with interest fixed at 6.75% through June 2011 and a variable rate of interest thereafter, secured by building, payable in monthly installments of \$2,253, with a balloon payment of approximately \$324,934 due May 15, 2016.	<u>\$ 344,941</u>	<u>\$ 348,056</u>
Total Debt	344,941	348,056
Less Current Maturity	<u>(3,757)</u>	<u>(3,983)</u>
Total Long-Term Debt	<u>\$ 341,184</u>	<u>\$ 344,073</u>

Future principal maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>
2011	\$ 3,757
2012	3,653
2013	3,914
2014	4,192
2015	4,491
Thereafter	<u>324,934</u>
	<u>\$ 344,941</u>

NOTE 8 – INCOME TAXES

On January 1, 2009, the Association implemented the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, Income Taxes, relating to accounting for uncertainties in income taxes. ASC 740 requires the Association to recognize in the financial statements the financial effects of a tax position only if it is determined that it is more likely than not that the tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The new standard was effective for the Plan as of January 1, 2009. Association management has determined there are no uncertain tax positions requiring adjustment or disclosure in the Association's financial statements. The adoption of ASC 740 did not have a material impact on the Association's financial statements as of and for the year ended December 31, 2010. As of December 31, 2010, the Association's tax years from 2007 through 2010 remain subject to Internal Revenue Service examination.

San Luis Obispo County YMCA, Inc.
Notes to Financial Statements
December 31, 2010

NOTE 9 - PERMANENT RESTRICTIONS ON NET ASSETS

In 1994, the Association received a bequest in the amount of \$20,988. The principal of the bequest may not be spent, but the Association may use any earnings on the bequest at its discretion.

NOTE 10 – BOARD-DESIGNATED RESTRICTIONS ON NET ASSETS

Prior to 1996, the Association raised funds designated for a capital project in southern San Luis Obispo county. The project was abandoned, but the Board elected to continue to designate those funds towards uses specific to southern San Luis Obispo county. The amounts of Board-designated funds remaining as of December 31, 2010 and 2009 were \$34,210.

NOTE 11 - DONATED MATERIALS AND SERVICES

The Association receives donations of time and services from members of the community and volunteers. The value of these donations is not reflected in the accompanying financial statements since they do not meet the criteria for recognition under Financial Accounting Standards Board Accounting Standards Codification 958, *Not-for-Profit Entities* (ASC 958). In-kind donations of fixed assets and supplies used directly by the Association are valued at their appraised values at the time of the donation.

NOTE 12 - GRANT AUDIT REQUIREMENTS

During the years ending December 31, 2010 and 2009, the Association received a 21st Century Community Learning Centers Grant in the amount of \$432,000. These are federal-sourced funds passed through the California Department of Education and are potentially subject to Governmental Auditing Standards. However, according to information received from the California Department of Education, the Association is not subject to these audit requirements for the years ended December 31, 2010 or 2009 because the funds received were less than \$500,000.

NOTE 13 - LEASES

Land at the Johnson Park main facilities is leased from the City of San Luis Obispo for a basic minimum annual rent of \$1.

NOTE 14 - PENSION AND RETIREMENT PLANS

The Association enrolled as a participant in the National Young Men's Christian Association, Inc. Retirement Fund, effective July 1, 1988. Contributions under the defined contribution plan are paid jointly by the participating employees and the Association, with 3% being paid by the employees through payroll deductions and 5% paid by the Association. Qualified participants are employees who are at least age 21 and who have completed 1,000 hours of service in each of two 12-month periods. Total pension expenses for the years ending December 31, 2010 and 2009 were \$33,882 and \$28,214, respectively.

The Association also maintains a qualified retirement plan covering all eligible employees. The plan includes a deferred arrangement under section 403(b) of the Internal Revenue Code. The elective contributions to the 403(b) portion of the plan are funded by salary reductions of the participants. The Association did not make any contributions to the plan for the years ending December 31, 2010 or 2009.

San Luis Obispo County YMCA, Inc.
Notes to Financial Statements
December 31, 2010

NOTE 15 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 16 – SUBSEQUENT EVENTS

In accordance with the Financial Accounting Standards Board Accounting Standards Codification 855, *Subsequent Events* (formerly referenced as Statement of Accounting Standards No. 165, *Subsequent Events*), subsequent events have been evaluated through May 31, 2011, which is the date the financial statements were available to be issued. No material subsequent events were noted.

SUPPLEMENTARY INFORMATION

SAN LUIS OBISPO COUNTY YMCA, INC.
SCHEDULE OF PROGRAM SERVICE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Teens	After School	Day Camp	Youth Activities	Membership & Enterprises	Total
Salaries and wages	\$ 278,004	\$ 385,462	\$ 105,528	\$ 94,417	\$ 244,531	\$ 1,107,942
Employee benefits	16,283	20,949	5,577	6,674	16,298	65,781
Payroll taxes	30,065	42,110	12,436	10,439	26,781	121,831
Contract services	46,268	26,004	6,270	5,654	15,604	99,800
Supplies	29,463	26,315	6,664	28,987	18,832	110,261
Telephone	2,165	4,792	511	695	1,213	9,376
Postage	-	-	3	-	-	3
Occupancy	4,055	15,477	7,733	5,089	71,331	103,685
Small equipment	7,142	9,157	249	3,520	2,317	22,385
Program fees	10,961	1,713	-	29,908	-	42,582
Promotion & printing	893	1,001	732	610	906	4,142
Field trip travel	31,374	23,162	7,531	1,871	1,435	65,373
Field trip admissions and supplies	7,984	1,387	12,454	328	815	22,968
Dues and fair share	3,117	5,722	4,354	3,944	6,039	23,176
Financing and service charges	-	-	-	-	23,920	23,920
Insurance expense	3,682	5,637	2,604	2,348	4,493	18,764
Bad debt expense	-	-	-	-	250	250
Depreciation expense	5,412	8,287	3,828	3,452	6,605	27,584
	<u>\$ 476,868</u>	<u>\$ 577,175</u>	<u>\$ 176,474</u>	<u>\$ 197,936</u>	<u>\$ 441,370</u>	<u>\$ 1,869,823</u>

The accompanying notes are an integral part of these financial statements.