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

Consolidated Financial Statements and
Independent Auditor's Report
(with Supplementary Information)

June 30, 2016
(with summarized financial information for 2015)

CohnReznick
Accounting • Tax • Advisory

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

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Independent Auditor's Report

To the Board of Directors
YMCA of San Diego County

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the YMCA of San Diego County (a California nonprofit public benefit corporation) (the "YMCA"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the YMCA as of June 30, 2016, 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.

Emphasis of Matter

As disclosed in Note 1(t) to the consolidated financial statements, the YMCA changed its method of presenting cash flows from the indirect method to the direct method. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the YMCA's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position on page 28 and the consolidating statement of activities on page 29 are presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual organizations, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CohnReznick LLP

San Diego, California
October 26, 2016

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

Consolidated Statement of Financial Position

June 30, 2016
(With comparative financial information for 2015)

Assets	2016	2015
Cash and cash equivalents	$ 13,318,000	$ 11,362,000
Restricted cash (note 1(f))	17,680,000	792,000
Pledges and accounts receivable (note 5)	14,518,000	10,826,000
Note receivable (note 6)	31,351,000	15,465,000
Investments (note 7)	45,957,000	56,994,000
Investments for which uses are limited (note 7)	2,415,000	2,429,000
Prepaid expenses and other assets	1,756,000	1,529,000
Beneficial interest in charitable remainder trusts (note 2)	123,000	73,000
Land, buildings, and equipment, net (note 12)	134,851,000	129,038,000
Total assets	$ 261,969,000	$ 228,508,000
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 18,520,000	$ 17,245,000
Deferred revenue (note 13)	7,097,000	7,079,000
Notes payable (note 14)	44,735,000	22,310,000
Line of credit (note 15)	10,686,000	-
Other liabilities (note 16)	600,000	602,000
Total liabilities	81,638,000	47,236,000
Commitments and contingencies (note 19)	-	-
Net assets:		
Unrestricted	160,094,000	158,645,000
Temporarily restricted (note 2)	11,647,000	14,448,000
Permanently restricted (note 3)	8,590,000	8,179,000
Total net assets	180,331,000	181,272,000
Total liabilities and net assets	$ 261,969,000	$ 228,508,000

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Activities

Year ended June 30, 2016
(With summarized financial information for 2015)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2016	Total 2015
Revenue:					
Public support:					
Annual support	$ 5,178,000	$ -	$ -	$ 5,178,000	$ 5,287,000
Direct contributions	5,528,000	6,642,000	492,000	12,662,000	9,453,000
Special events, net of expenses of approximately $1,619,000 in fiscal 2016	766,000	-	-	766,000	899,000
Total public support	11,472,000	6,642,000	492,000	18,606,000	15,639,000
Other revenue:					
Program service fees	55,224,000	-	-	55,224,000	52,847,000
Government funded programs	59,368,000	-	-	59,368,000	52,614,000
Membership dues	35,980,000	-	-	35,980,000	32,445,000
Investment income	623,000	234,000	-	857,000	836,000
Net realized gain on investments	51,000	19,000	-	70,000	2,570,000
Net merchandise sales	505,000	-	-	505,000	385,000
Total other revenue	151,751,000	253,000	-	152,004,000	141,697,000
Total public support and other revenue	163,223,000	6,895,000	492,000	170,610,000	157,336,000
Net assets released from restrictions	9,437,000	(9,356,000)	(81,000)	-	-
Total revenue	172,660,000	(2,461,000)	411,000	170,610,000	157,336,000
Expenses:					
Program services	156,461,000	-	-	156,461,000	145,703,000
Supporting services:					
Management and general	11,698,000	-	-	11,698,000	11,211,000
Fund-raising	2,289,000	-	-	2,289,000	2,113,000
Total supporting services	13,987,000	-	-	13,987,000	13,324,000
Total program and supporting services expenses	170,448,000	-	-	170,448,000	159,027,000
Change in net assets before net unrealized loss on investments	2,212,000	(2,461,000)	411,000	162,000	(1,691,000)
Net unrealized loss on investments	(763,000)	(340,000)	-	(1,103,000)	(1,527,000)
Change in net assets	1,449,000	(2,801,000)	411,000	(941,000)	(3,218,000)
Net assets at beginning of year	158,645,000	14,448,000	8,179,000	181,272,000	184,490,000
Net assets at end of year	$ 160,094,000	$ 11,647,000	$ 8,590,000	$ 180,331,000	$ 181,272,000

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Functional Expenses

Year ended June 30, 2016
(With summarized financial information for 2015)

	Program services	Management and general	Fund raising	Total supporting services	Total expenses 2016	Total expenses 2015
Personnel costs:						
Salaries	$ 66,017,000	$ 6,495,000	$ 1,186,000	$ 7,681,000	$ 73,698,000	$ 70,374,000
Health and retirement	8,097,000	1,054,000	222,000	1,276,000	9,373,000	9,148,000
Payroll taxes and other	6,356,000	565,000	106,000	671,000	7,027,000	6,986,000
Total personnel costs	80,470,000	8,114,000	1,514,000	9,628,000	90,098,000	86,508,000
Contracted services	40,833,000	1,246,000	278,000	1,524,000	42,357,000	35,502,000
National dues	508,000	-	-	-	508,000	383,000
Supplies	7,437,000	140,000	229,000	369,000	7,806,000	7,344,000
Telephone and postage	1,436,000	178,000	10,000	188,000	1,624,000	1,516,000
Rents	4,329,000	-	-	-	4,329,000	3,998,000
Care of buildings and grounds	1,907,000	62,000	-	62,000	1,969,000	2,113,000
Utilities	3,365,000	88,000	-	88,000	3,453,000	3,594,000
Transportation	1,414,000	77,000	5,000	82,000	1,496,000	1,584,000
Staff training	997,000	568,000	93,000	661,000	1,658,000	1,595,000
Insurance	940,000	105,000	-	105,000	1,045,000	633,000
Printing and promotion	869,000	676,000	125,000	801,000	1,670,000	1,905,000
Rental, maintenance, and purchase of minor equipment items	2,658,000	40,000	-	40,000	2,698,000	2,673,000
Miscellaneous	1,930,000	121,000	35,000	156,000	2,086,000	1,930,000
Provision for doubtful receivables	237,000	-	-	-	237,000	333,000
Depreciation and amortization	7,098,000	283,000	-	283,000	7,381,000	7,030,000
Loss on disposal of assets	33,000	-	-	-	33,000	386,000
Total program and supporting services including depreciation	$ 156,461,000	$ 11,698,000	$ 2,289,000	$ 13,987,000	$ 170,448,000	$ 159,027,000

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Cash Flows

Year ended June 30, 2016
(With comparative financial information for 2015)

	2016	2015
Cash flows from operating activities:		
Cash received from public support - unrestricted	$ 9,637,000	$ 7,613,000
Cash received from members, participants & government agencies	150,853,000	141,298,000
Cash received from investment income & other	1,362,000	1,221,000
Employee compensation & benefits paid	(89,644,000)	(86,325,000)
Cash paid to vendors	(69,284,000)	(61,322,000)
Other operating expenses paid	(2,483,000)	(1,678,000)
Net cash provided by operating activities	441,000	807,000
Cash flows from investing activities:		
Purchases and construction of land, buildings and equipment	(12,469,000)	(16,459,000)
Purchases of investments	(8,822,000)	(26,587,000)
Proceeds from the sale of equipment	460,000	117,000
Proceeds from the sale or maturity of investments	18,840,000	23,609,000
Net cash used in investing activities	(1,991,000)	(19,320,000)
Cash flows from financing activities:		
Net gift annuities issued/(matured)	(2,000)	1,000
Loan proceeds	22,425,000	-
Line of credit proceeds	10,686,000	-
Note receivable advanced	(15,886,000)	-
Cash withdrawn from (deposited to) restricted cash	(16,888,000)	12,990,000
Contributions restricted for capital projects and endowment	3,171,000	4,146,000
Net cash provided by financing activities	3,506,000	17,137,000
Increase (decrease) in cash and cash equivalents	1,956,000	(1,376,000)
Cash and cash equivalents, beginning of year	11,362,000	12,738,000
Cash and cash equivalents, end of year	$ 13,318,000	$ 11,362,000
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	$ (941,000)	$ (3,218,000)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized loss (gain) on investments	1,033,000	(1,043,000)
Depreciation and amortization	7,381,000	7,030,000
Loss on disposal of assets	33,000	386,000
Net discount amortization	76,000	56,000
Provision for losses on receivables	361,000	162,000
Contributions restricted for capital projects and endowment	(3,171,000)	(4,146,000)
Decrease (increase) in beneficial interest in charitable remainder trusts	(50,000)	51,000
Decrease (increase) in pledges and accounts receivable	(4,129,000)	1,616,000
Increase in prepaid expenses and other assets	(227,000)	(146,000)
Increase (decrease) in accounts payable and accrued expenses	57,000	667,000
Decrease (increase) in deferred revenue	18,000	(608,000)
Net cash provided by operating activities	$ 441,000	$ 807,000

Supplemental Schedule of Noncash Investing Activities

Included in liabilities at June 30, 2016 and 2015, is $1,218,000 and $541,000, respectively, related to construction in progress activities incurred but not yet paid.

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) *Nature of Operations*

The YMCA of San Diego County (a California nonprofit public benefit corporation) (the "YMCA" or the "Association") is dedicated to improving the quality of human life and to helping all people realize their fullest potential as children of God through development of the spirit, mind, and body.

Major programs of the YMCA of San Diego County include the following:

- **Youth Development**:
  - **Camping** – environmental education, family camp, day camping, intersession programs for year-round schools, resident camping, teen adventure programs, and teen caravans
  - **Child Development** – infant/toddler, preschool and before/after school child care, and child care information and referral
  - **Teens** – leaders in training, junior lifeguard training, teen clubs, Youth and Government, and Teen Council
- **Healthy Living:**
  - **Active Older Adults** – active older adult council, recreational trips, instructional classes, and health and well being seminars
  - **Aquatics** – swimming lessons, recreational and fitness swimming, competitive swimming, SCUBA diving, aquatics for special populations (arthritis), national lifeguard certification, and water exercise
  - **Health Enhancement** – youth fitness, mind/body fitness, cardiovascular fitness and strength training, wellness and healthful living training, active older adult fitness, and personal training
  - **Sports and Skill Development** – youth sports leagues, camp, recreation, instruction, adult sports, martial arts and gymnastics
- **Social Responsibility:**
  - **Family Life** – parent/child programs and family activities
  - **Leadership Development** – volunteer training, leadership development skills in youth, and board and committee training
  - **Social Services** (Intervention, Diversion) – gang/abuse prevention, counseling, crisis shelter, literacy, school outreach and technology training

(b) *Method of Reporting*

The financial statements of the YMCA were prepared in conformity with accounting principles generally accepted in the United States of America, and include the accounts of its Corporate Office, all of its branches in San Diego County, and other associated units. All significant inter-entity transactions and balances have been eliminated.

(1) Summary of Significant Accounting Policies (continued)

(c) *Basis of Accounting*

The YMCA classifies its net assets and its revenues, gains and other support, and expenses based on the existence or absence of donor-imposed restrictions. Temporarily restricted net assets result from contributions whose use is limited by donor stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the YMCA pursuant to those stipulations. Permanently restricted net assets result from contributions whose use is limited by donor stipulations that do not expire. Unrestricted net assets represent resources over which the Board of Directors has discretionary control.

The YMCA reports contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, the related temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted income which is received and expended in the current year is recorded as unrestricted income.

(d) *Basis of Consolidation*

These financial statements include the consolidated assets, liabilities, net assets and activities of the YMCA of San Diego County, the YMCA of San Diego County/City Heights, and the YMCA of San Diego County/JFRY, Inc. (collectively the “YMCA”). All balances and transactions between the consolidated entities have been eliminated.

(e) *Cash and Cash Equivalents*

The YMCA considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

(f) *Restricted Cash*

Restricted cash represents funds held in accounts under restrictive disbursement agreements related to requirements of the New Markets Tax Credit financing transactions described in Note 10.

(g) *Promises to Give*

The YMCA records promises to give cash and other assets by donors at fair market value in the period in which there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional promises to give are recognized when the conditions are substantially met.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. The allowance for uncollectible accounts is estimated based upon historical collection rates and specific identification of uncollectible accounts. Unconditional promises to give that are expected to be collected in future years are recorded at the present

(1) Summary of Significant Accounting Policies (continued)

(g) *Promises to Give (concluded)*

value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates, which range from 1.0% to 1.6%. Accretion of discount on long-term unconditional promises to give is included in contribution revenue.

(h) *Land, Buildings, and Equipment*

Land, buildings and equipment are stated at cost or, if donated, at fair value at date of donation. Major renewals and improvements are capitalized, while maintenance and repairs that do not extend the lives of the assets are charged to operations when incurred. When assets are sold or retired, the cost and accumulated depreciation are removed from the respective accounts and any profit or loss on the disposition is credited or charged to revenue. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	10 - 30 years
Furniture, fixtures, and equipment	5 to 10 years
Buses and vans	5 years
Leasehold improvements	Lesser of 3 to 25 years or remaining life of the lease

No depreciation is taken on construction in progress until it is placed in service.

The YMCA reports contributions of property as unrestricted support unless explicit donor stipulations specify how the donated property must be used. Contributions of property with explicit restrictions that specify how the property is to be used and contributions of cash and other assets that must be used for property additions are reported as restricted support. In the absence of explicit donor stipulations about how the property must be maintained, the YMCA reports expirations of donor restrictions when the donated or acquired property is placed in service.

(i) *Fair value of financial instruments:*

The Association's material financial instruments at June 30, 2016 for which disclosure of estimated fair value is required by certain accounting standards consisted of cash and cash equivalents, accounts receivable, notes receivable from unrelated and related parties, marketable securities, and accounts payable. The fair values of cash and cash equivalents, accounts receivable and accounts payable are equal to their carrying value because of their liquidity and short-term maturity. Marketable securities are stated at fair value based on quoted market values. As a result of the relationship between the Association and its related parties, there is no practical method that can be used to determine the fair values of notes receivable from related parties. Management believes that the fair values of notes receivable from unrelated parties do not differ materially from their aggregate carrying values in that substantially all the obligations bear variable interest rates that are based on periodically adjustable market interest rates.

(1) Summary of Significant Accounting Policies (continued)

(j) *Leases*

Leases that transfer substantially all of the benefits and risks of ownership of leased property are accounted for as capital leases. Other leases are accounted for as operating leases.

(k) *Split Interest Agreements*

The YMCA is licensed by the State of California Department of Insurance as a Grants and Annuities Society. As such, the YMCA may issue charitable gift annuity contracts. As of June 30, 2016, the YMCA had issued 33 annuity contracts entered into with 23 separate donors. The present value of the life annuities associated with these contracts is recorded as other liabilities (see note 16).

The YMCA is the beneficiary of assets held in an irrevocable split interest agreement pooled income fund administered by a bank trustee. The assets of the pooled income fund are recorded in investments at fair market value (see note 7). The difference between the fair market value of the assets in the pooled income fund and the present value of estimated future contributions to be received has been recorded as deferred revenue (see note 13). The amortization of discount and changes in actuarial assumptions are reflected within the direct contributions line item in the consolidated statement of activities.

The YMCA was the beneficiary of an irrevocable charitable trust, for which the YMCA was not the trustee. The trust named the YMCA as a residual beneficiary following the death of one or more life income beneficiaries. In 2016, the final life income beneficiary passed away and the assets of the trust were distributed. Therefore, the fair value of the assets to be received under the trust was zero at June 30, 2016. The current year change in the valuation of beneficial interest in charitable remainder trusts is included in temporarily restricted contributions on the consolidated statement of activities.

The YMCA estimates fair value of split interest agreements by using net present value calculations with discount rates of 4.5% and estimated life expectancies based upon the mortality rate tables published by the Internal Revenue Service ("IRS").

(l) *Public Support and Revenue*

All public support and revenue is considered available for unrestricted use, unless specifically restricted by the donor or the terms of a grant. General membership fees are reported as unrestricted revenue in the year in which they are earned and specific program fees are recognized as revenue in the year in which the related services are provided.

(m) *Donated Services*

Contributed services are reflected in the accompanying financial statements at the fair value of the services received, if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased if not provided by donation.

(1) Summary of Significant Accounting Policies (continued)

(m) Donated Services (concluded)

A substantial number of corporations and volunteers have donated significant amounts of time and services in the YMCA's program operations and in its fund-raising campaigns. Contributed services are not reflected in the accompanying financial statements, as they generally do not meet the criteria described above.

(n) Use of Certain Facilities

Nominal rentals are paid by the YMCA under the terms of various long-term lease agreements with local municipalities. The leases require the YMCA to fulfill certain conditions annually. As such conditions are satisfied the YMCA recognizes contribution revenue and a corresponding expense in an amount approximating the annual fair-value rental of the leased properties. Such amount totaled $1,785,000 for the year ended June 30, 2016.

(o) Functional Expenses

Amounts for program services shown in the consolidated statement of functional expenses include expenses of branches and other units. Management and general expenses are expenses of the Corporate Office. Expenses are charged to program services, management and general, and fundraising based on a combination of specific identification and allocation by management.

(p) Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense totaled $1,254,000 for the year ended June 30, 2016.

(q) Income Taxes

The YMCA, a California nonprofit public benefit corporation, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, and the Revenue and Taxation Code of the State of California.

In accordance with FASB ASC 740-10-15-2, income tax benefits and/or liabilities are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The YMCA has analyzed the tax positions taken in its filings with the Internal Revenue Service and the California Franchise Tax Board. The YMCA believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the YMCA's financial condition, results of operations or cash flows. Accordingly, the YMCA has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2016.

(1) Summary of Significant Accounting Policies (concluded)

The Association's U.S. federal and state income tax returns prior to fiscal years 2013 and 2012, respectively, are closed. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

(r) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

(s) *Summarized Information*

The accompanying financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements as of and for the year ended June 30, 2015, from which the summarized information was derived.

(t) *Change in Accounting Principle*

During 2016, the Association changed its method of presenting cash flows from the indirect method to the direct method. The YMCA has revised prior year cash flow to the direct method for comparative purposes. This change in method of reporting cash flows does not have any other impact on the consolidated financial statements for the years ending June 30, 2016 and 2015.

(2) Temporarily Restricted Net Assets

Net assets are released from donor restrictions primarily by incurring expenses which satisfy the restricted purposes. Net assets released from restriction during fiscal year 2016 and temporarily restricted net asset balances as of June 30, 2016 were $9,356,000 and $11,647,000, respectively. $8,866,000 of the temporarily restricted net assets balance relates to the construction and acquisition of property and equipment, $2,658,000 relates to the endowment fund, and $123,000 relates to the YMCA's beneficial interest in charitable remainder trusts.

(3) Permanently Restricted Net Assets

The YMCA's permanently restricted net assets consist of permanent endowment funds. The endowment funds are subject to donor restrictions requiring that the principal be invested in perpetuity and that income be utilized in support of operations. Accordingly, unless otherwise specified by the donor, income derived from such funds whose donor instructions are unspecified is reported as temporarily restricted net assets until appropriated by the Board of Directors for expenditure.

(4) Endowment

The Association's endowment consists of approximately 166 individual funds established for a variety of purposes. The Association's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, 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 restriction.

Interpretation of Relevant Law

The Association has interpreted the State of California's 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 has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) The purposes of the Association and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the Association; and
(7) The investment policies of the Association.

Endowment net assets composition by type of fund as of June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (51,000)	$ 2,658,000	$ 8,590,000	$ 11,197,000
Board-designated endownment funds	23,010,000	-	-	23,010,000
Total funds	$ 22,959,000	$ 2,658,000	$ 8,590,000	$ 34,207,000

(4) Endowment (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 26,488,000	$ 3,151,000	$ 8,179,000	$ 37,818,000
Investment return:				
Investment income	480,000	234,000	-	714,000
Net appreciation (realized and unrealized)	(750,000)	(321,000)	-	(1,071,000)
Total investment return	(270,000)	(87,000)	-	(357,000)
Contributions	12,000	-	492,000	504,000
Release of restrictions	81,000	-	(81,000)	-
Appropriation of endowment assets for expenditure	(3,352,000)	(406,000)	-	(3,758,000)
Endowment net assets, end of year	$ 22,959,000	$ 2,658,000	$ 8,590,000	$ 34,207,000

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $51,000 as of June 30, 2016. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions, and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

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 Board of Directors, the endowment assets are invested in a manner that is intended to produce results of at least 4% greater than the rate of inflation on a total return basis. Actual returns in any given year may vary from this expected return.

Strategies 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 uses a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk parameters.

(4) Endowment (concluded)

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Association's policy is to appropriate for distribution each year approximately 5% of the endowment funds' fair value at the end of the prior year. 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 at an average annual rate equal to the general inflation rate. 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.

(5) Pledges and Accounts Receivable

Pledges and accounts receivable at June 30, 2016 consist of the following:

Corporate and branch capital development program	$ 7,225,000
Less discount to recognize pledges at present value	(76,000)
	7,149,000
Promissory note from officer	42,000
Government program receivables	6,636,000
Program receivables and other pledges	1,052,000
	7,730,000
Less allowance for uncollectible amounts	(361,000)
Net receivables	$ 14,518,000

The YMCA receives pledges from individuals, foundations, government entities and corporations. A range of discount rates from 1.0% to 1.6% (the appropriate rate at the time the pledge was recorded) was used to calculate the estimated present value of capital pledges as of June 30, 2016.

Of the Corporate and branch capital development program receivables, approximately $3,439,000 is due within one year and the balance of approximately $3,786,000 within two to five years at June 30, 2016. The program receivables and other pledges are due within one year.

At June 30, 2016, the YMCA had six conditional pledges in the amount of $1,418,000. These conditional pledges relate to capital projects. We expect to meet the conditions in the next year and will record these pledges at that time.

(6) Notes Receivable

As a result of the two New Markets Tax Credit financing structures described in Note 10, YMCA of San Diego County is the holder of two promissory notes, as follows:

(a) YMCA-CP Investment Fund, LLC (the CP Investment Fund) effective September 12, 2013 for the face value of $15,465,350. This 35-year note bears interest at 1.082% per annum. Only interest is due in quarterly installments for the first seven years of the note, which coincides with the New Markets Tax Credit tax compliance period. If the Investor does not exercise their put option in the Put and Call Agreement, the principal balance on the note will amortize over the remaining 23-year life of the note. Interest income for the fiscal year ended June 30, 2016 to the YMCA of San Diego County was $167,000, which is included in the consolidated statement of activities in investment income, which is eliminated through the subsidiary.

(b) Twain Investment Fund 153, LLC (The JR Investment Fund) effective January 28, 2016 for the face value of $15,886,100. This 35-year note bears interest at 1.40% per annum. Only interest is due in quarterly installments for the first seven years of the note, which coincides with the New Markets Tax Credit tax compliance period. If the Investor does not exercise their put option in the Put and Call Agreement, the principal balance on the note will amortize over the remaining 26-year life of the note. Interest income for the fiscal year ended June 30, 2016 to the YMCA of San Diego County was $95,000, which is included in the consolidated statement of financial position in land, buildings and equipment as an offset to capitalized interest expense.

(7) Investments

Investment funds include endowments, split-interest agreements and other funds earmarked for specific purposes to further the YMCA's mission. These investments other than permanently restricted endowments are held until used for capital expansion and program development as determined by the Board of Directors.

Investments as of June 30, 2016 consist of the following:

Certificates of deposit	$	8,267,000
Common stocks - domestic		16,969,000
Common stocks - international		6,262,000
Mutual funds		3,054,000
Hedge funds		4,247,000
Fixed income securities		7,158,000
	$	45,957,000

(7) Investments (concluded)

Investments for which uses are limited as of June 30, 2016 consist of the following:

Pooled income fund (see note 1k)	$	1,200,000
Gift annuity reserve (see note 1k)		825,000
Green Fund held by San Diego Foundation		390,000
	$	2,415,000

Fixed income securities consist of investments in U.S. government securities, corporate bonds, and government agency securities, which are held by major brokerage firms. Certificates of deposit and money market accounts are held at major financial institutions. All certificates of deposit are purchased in amounts and at institutions meeting requirements for full Federal Deposit Insurance Corporation ("FDIC") insurance coverage. Investments in common stocks are managed by professional investment managers under guidelines approved by the Board of Directors. The YMCA invests a portion of the endowment-related portfolio in a two hedge funds of funds, which invest in hedge funds with investment objectives using marketable securities and futures contracts to reduce overall portfolio volatility and increase relative investment returns. Investment income of approximately $857,000, net realized capital gains of $70,000 and net unrealized capital losses of $1,103,000 is net of investment expenses of approximately $121,000 for the year ended June 30, 2016.

(8) Assets Measured at Fair Value on a Recurring Basis

The Association values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

In determining the fair value, the Association utilizes the valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. The highest priority is given to Level 1 fair value measurements and the lowest priority is given to Level 3 fair value measurements.

(8) Assets Measured at Fair Value on a Recurring Basis (continued)

Following are the major categories of assets measured at fair value on a recurring basis during the twelve months ended June 30, 2016, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

Asset Category	Level 1	Level 2	Level 3	Totals
Investments:				
Equity securities - domestic				
Large cap value	$ 4,732,000	$ -	$ -	$ 4,732,000
Large cap growth	4,779,000	-	-	4,779,000
Small/mid cap growth	1,522,000	-	-	1,522,000
Large cap blend	4,363,000	-	-	4,363,000
Small/mid cap value	1,573,000	-	-	1,573,000
Subtotal equity securites - domestic	16,969,000	-	-	16,969,000
Equity securities - international				
Emerging markets	1,389,000	-	-	1,389,000
International equity	4,873,000	-	-	4,873,000
Subtotal equity securites - international	6,262,000	-	-	6,262,000
Mutual funds	3,054,000	-	-	3,054,000
Hedge funds	-	-	4,247,000	4,247,000
Fixed income securities				
Corporate bonds	-	762,000	-	762,000
Municipal bonds (taxable)	-	3,719,000	-	3,719,000
Government sponsored entity bonds	-	2,677,000	-	2,677,000
Subtotal fixed income securites	-	7,158,000	-	7,158,000
Certificates of deposit	-	8,267,000	-	8,267,000
Subtotal investments	26,285,000	15,425,000	4,247,000	45,957,000
Investments whose uses are limited:				
Pooled income fund	-	1,200,000	-	1,200,000
Gift annuity reserve		825,000	-	825,000
Green Fund held by San Diego Foundation	-	390,000	-	390,000
Subtotal investments whose uses are limited	-	2,415,000	-	2,415,000
Beneficial interest in charitable remainder trusts	-	-	123,000	123,000
Total assets measured at fair value on a recurring basis	$ 26,285,000	$ 17,840,000	$ 4,370,000	$ 48,495,000

(8) Assets Measured at Fair Value on a Recurring Basis (concluded)

The Association's investments in short-term and long-term investment securities are exposed to price fluctuations. The fair value measurements for short-term and long-term investment securities are based upon the quoted price in active markets multiplied by the number of securities owned, exclusive of any transaction costs and without any adjustments to reflect discounts that may be applied to selling a large block of securities at one time. The Association's Level 2 investment securities are valued based on prices quoted in over-the-counter markets for identical or substantially similar securities. The Association's Level 3 investments include beneficial interest in charitable trusts, and investment in two hedge funds of funds. The beneficial interest in charitable trusts is valued using a model based upon trust characteristics, actuarial tables, and the present value of future cash flows. The trustees report investment values using observable inputs for each asset type, such as real estate appraisals, market quotes, and over-the-counter comparisons. The hedge fund of funds investment is valued based upon values reported by the fund managers and verified by a third party consultant.

The Association does not believe changes in the fair value of these assets will materially differ from the amount that could be realized upon settlement or that the changes in fair value will have a material effect on the Association's financial position or change in net assets. However, the ultimate amount that could be realized upon sale or settlement is dependent on several factors including external market conditions, the terms and conditions of a sale agreement, the counterparty to a sale agreement, the investment's liquidity in capital markets, the actual lifespan of trust life income beneficiaries, and the length of time to liquidate an investment. There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the years ended June 30, 2016 or 2015.

The following table summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended June 30, 2016:

	Hedge funds	Beneficial interest in charitable trusts	Total
Balance at July 1, 2015	$ 4,598,000	$ 73,000	$ 4,671,000
Unrealized loss	(351,000)	-	(351,000)
Purchases/additions	-	-	-
Sales/redemptions	-	-	-
Change in valuation related to actuarial			-
tables or other observable inputs	-	50,000	50,000
Balance at June 30, 2016	$ 4,247,000	$ 123,000	$ 4,370,000

(9) Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

In determining the fair value of investments in certain entities that calculate net asset value ("NAV") per share, if an investment does not have a readily determinable fair value and has all the attributes of an investment company, the YMCA estimates fair value using the investment's NAV per share. The NAV is calculated as of the reporting entity's measurement date and, if not, the NAV is adjusted for significant market events since its calculation. The YMCA will not use this approach if it is probable that it will sell the investment at a price other than NAV. See below for disclosures of the nature and risk of such investments.

The following table lists investments in investment companies which are valued at NAV at June 30, 2016:

Asset category	Strategy	NAV in funds	No. of funds	Redemption terms	Redemption restrictions	Redemption restrictions in place at fiscal year end	Unfunded commitments at fiscal year end
Hedge funds	Multiple strategies including long/short equities, long/short credit, multi-strategy opportunistic, portfolio hedge, macro, and activist.	$ 4,247,000	2	May be redeemed as of last business day of each calendar quarter, with 95 days' written notice.	The fund has a side pocket to delay redemption requests.	None	None

(10) New Markets Tax Credit (NMTC) Financing

In September 2013, the YMCA entered into a NMTC financing agreement with various entities for the purposes of receiving financing for the construction of the Copley Price YMCA facility. In addition, in January 2016, the YMCA entered into a very similar NMTC financing agreement for the purposes of receiving financing for the construction of a new facility for the Jackie Robinson Family YMCA. The NMTC program was established in 2000 by the US Congress and is administered by the Department of Treasury to encourage private investment in qualifying low-income communities. Pursuant to Section 45D of the Internal Revenue Code, the YMCA's NMTC structure consists of a NMTC investor (Investor) and provided qualified equity investments to a community development entity ("CDE") who in turn provided debt financing to two separate not for profit tax exempt entities named YMCA of San Diego County/City Heights ("YMCA/CH") and the YMCA of San Diego County/JFRY ("YMCA/JR"), which are both qualified active low income community businesses ("QALICBs").

The YMCA is a lender in each NMTC structure and holds note receivables from the Investment Fund (see Note 6). Because the YMCA has the power to appoint all board members of YMCA/CH and YMCA/JR, the QALICBs, the YMCA, YMCA/CH and YMCA/JR have been consolidated in the financial statements. The Investment Funds made qualifying equity investments in Civic San Diego Growth and Neighborhood Investment Fund Sub-CDE I, LLC and Civic San Diego Growth

(10) New Markets Tax Credit (NMTC) Financing (concluded)

and Neighborhood Investment Fund Sub-CDE V, LLC (the “CDE Funds”), which in turn provided debt financing of $22,310,000 to YMCA/CH and $22,425,000 to YMCA/JR (see Note 14) to fund qualified construction costs, as required under terms of the agreements.

Management anticipates that the YMCA/CH NMTC structure will stay in effect through September 2020 and the YMCA/JR NMTC structure will stay in effect through January 2023 when the respective NMTC tax compliance periods expire. At that time, management believes each Investor will exercise their Put Option in the Put and Call Agreement allowing the YMCA to acquire a 100% equity interest in each Investment Fund for $1,000. If the Put Options are not exercised, the YMCA has the right to call for the purchase of a 100% equity interest in the investment fund at a fair market value price. In either case, once the option is exercised, the YMCA’s loans to the Investment Funds would be extinguished, the Investment Funds and the CDE Funds would be dissolved, and the loans from the CDE Fund to the YMCA QALICB would be extinguished. In addition, the QALICBs would be dissolved and distribute their assets and liabilities to the YMCA.

(11) Related Party Transaction

At June 30, 2016, "Pledges and accounts receivable" in the consolidated statement of financial position includes a promissory note receivable from an officer originated on December 29, 2010. The note receivable is secured by a deed of trust on real property. It is due December 29, 2020 and bears interest at 8% per annum. The principal balance of this note receivable at June 30, 2016 was $42,500.

(12) Land, Buildings, and Equipment

The carrying values of land, buildings, and equipment as of June 30, 2016 are as follows:

Land	$ 25,680,000
Buildings and machinery	121,814,000
Furniture, fixtures, and equipment	11,428,000
Buses and other vehicles	952,000
Leasehold improvements	29,565,000
	189,439,000
Less accumulated depreciation and amortization	(64,409,000)
Construction in progress	9,821,000
Land, buildings, and equipment, net	$ 134,851,000

(13) Deferred Revenue

At June 30, 2016, deferred revenue consists of the following:

Program revenues	$	5,656,000
Pooled income fund (see note 1k)		526,000
Membership dues		331,000
Other		584,000
	$	7,097,000

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

(14) Notes Payable

Notes Payable at June 30, 2016 consisted of the following:

Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE 1, LLC Note A Dated 9/12/13, 35-year term, 0.75% interest, with interest only payments for the first seven years and amortizing principal payments for the remaining 28 years, matures 9/1/2048	$15,465,000
Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE 1, LLC Note B Dated 9/12/13, 35-year term, 0.75% interest, with interest only payments for the first seven years and amortizing principal payments for the remaining 28 years, matures 9/1/2048	6,845,000
Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE V, LLC Note A Dated 1/28/16, 35-year term, 1.00% interest, with interest only payments for the first seven years and amortizing principal payments for the remaining 28 years, matures 1/28/2051	15,886,000

(14) Notes Payable (concluded)

Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE 1, LLC Note B	6,539,000
Dated 1/28/16, 35-year term, 1.00% interest, with interest only payments for the first seven years and amortizing principal payments for the remaining 28 years, matures 1/28/2051	
Total Notes Payable	$44,735,000

Interest expense on the NMTC notes payable was $262,000 for fiscal year 2016, which was offset against interest received on the NMTC notes receivable of $262,000.

(15) Line of Credit

In July 2012, the YMCA established a line of credit facility with Morgan Stanley Bank. The line of credit limit was initially set at $10,000,000 and subsequently increased to $25,000,000 in August 2013. The line of credit bears interest at a rate equal to LIBOR + 0.75% and is payable on demand. The line of credit had a $10,686,000 balance at June 30, 2016.

(16) Other Liabilities

Other liabilities at June 30, 2016 consist of the following:

Gift annuities payable (see note 1k)	$	600,000
	$	600,000

Future maturities are as follows:

Year Ending June 30,		
2017	$	60,000
2018		60,000
2019		60,000
2020		58,000
2021		56,000
Thereafter		306,000
	$	600,000

(17) Concentration of Credit Risk

Financial instruments which potentially subject the YMCA to concentrations of credit risk consist principally of cash and cash equivalents, investments and government program receivables.

During fiscal year 2016, the YMCA had cash and cash equivalents which at times exceeded FDIC-insured limits at certain financial institutions. At June 30, 2016, balances exceeded the insured limit in excess of $28.5 million.

The YMCA's investment policy includes risk management provisions such as credit quality restrictions, security marketability/liquidity and asset allocation parameters designed to protect against substantial investment losses.

The YMCA had approximately 68 government contracts in fiscal year 2016 from federal, state, and local sources. The largest three contracts were for the federal and state-funded alternative payment child care programs totaling approximately $38,386,000 in fiscal year 2016.

(18) Retirement Plan

The YMCA of San Diego County participates in The YMCA Retirement Fund Retirement Plan (the "Retirement Plan") which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code") and The YMCA Retirement Fund Tax-Deferred Savings Plan which is a retirement income account plan as defined in section 403(b)(9) of the Code. The Retirement Plan is subject to the Employee Retirement Income Security Act of 1974 pursuant to section 401(d) of the Code. Both Plans are sponsored by The Young Men's Christian Association Retirement Fund (the "Fund"). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1921) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

In accordance with our agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the YMCA of San Diego County. Total contributions charged to retirement costs were approximately $4,954,000 for the fiscal year ended June 30, 2016.

Contributions to The YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to The YMCA Retirement Fund. There is no matching employer contribution in this plan.

(19) Commitments and Contingencies

General

The YMCA leases land, buildings, and equipment under cancelable and non-cancelable operating leases. Several renewable options exist which the YMCA has not exercised as of June 30, 2016. Annual rent expense of $4,329,000 for fiscal year 2016 includes the annual fair-value rental of the leased properties (Note 1(n)) in the amount of $1,785,000.

Minimum future obligations under non-cancelable operating leases as of June 30, 2016 are as follows:

Year Ending June 30,		
2017	$	2,116,000
2018		1,292,000
2019		620,000
2020		367,000
2021		249,000
Thereafter		900,000
	$	5,544,000

At June 30, 2016, the YMCA has $19,134,000 remaining under construction contracts scheduled to be completed in fiscal year 2017.

New Markets Tax Credit financing

In connection with the New Markets Tax Credit transactions described in Note 10, the YMCA entered into unconditional guaranties in favor of the NMTC Investors of the New Markets Tax Credits, the Put price and indemnification of environmental remediation costs arising as a result of the projects.

Legal Matters

The YMCA is involved in various claims and lawsuits arising from the normal course of its programs and activities, none of which, in the opinion of management or the YMCA's legal counsel, should exceed the YMCA's insurance limits or have a material effect on the financial position of the YMCA.

Various Grant Contingencies

In 2003, the YMCA purchased an apartment building for use in the Youth & Family Services Temporary Living Program. A total of $310,000 of the $653,000 purchase price was funded by a City of San Diego Community Development Block Grant. If the YMCA discontinues use of the property as specified in the grant documents, it must repay the grant proceeds in full. Management fully intends to continue using the facility in a manner which is consistent with the grant terms.

(19) Commitments and Contingencies (concluded)

Letter of Credit

On July 1, 2003, the YMCA entered into a contract for workers' compensation insurance that required the YMCA to post a direct pay standby letter of credit payable to The Travelers Indemnity Company ("Travelers") as collateral for potential workers' compensation claims liabilities. The letter of credit may be drawn upon only if the YMCA fails to timely reimburse the beneficiary for workers' compensation claims paid, and it requires the YMCA to immediately reimburse the bank for any drawings by the beneficiary. Under the terms of the 2003 and 2004 insurance contracts with

Travelers, the face amount of the letter of credit was $15,000 at June 30, 2016, which collateralizes potential remaining future claims incurred within these contract years.

Self-Insurance

On July 1, 2004, the YMCA was approved by the State of California Department of Industrial Relations to become a self-insured employer for workers' compensation claims. As such, the YMCA is responsible for timely payment of all workers' compensation claims incurred after July 1, 2004. The YMCA carries an excess workers' compensation liability policy that includes a $750,000 self-insured reserve per claim. To satisfy claims collateralization requirements of California State law, the YMCA is a participant in the California Self Insurer's Security Fund. The YMCA employs a professional third-party administrator to manage workers' compensation claims incurred. As of June 30, 2016, the YMCA has accrued approximately $2,153,000 as an estimate of workers' compensation claims incurred, but not yet paid or reported as of year-end. This liability is reflected in accounts payable and accrued expenses on the accompanying consolidated statement of financial position.

(20) Subsequent Events

Subsequent events have been evaluated through October 26, 2016, which is the date the financial statements were available to be issued.

Supplementary Information

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

Consolidating Statement of Financial Position

June 30, 2016
(With comparative financial information for 2015)

Assets	YMCA of SDC	YMCA of SDC/ City Hts	YMCA of SDC/ JFRY	Eliminations	Totals 2016	Totals 2015
Cash and cash equivalents	$ 13,318,000	$ -	$ -	$ -	$ 13,318,000	$ 11,362,000
Restricted cash	-	568,000	17,112,000	-	17,680,000	792,000
Pledges and accounts receivable	14,532,000	(14,000)	-	-	14,518,000	10,826,000
Note receivable	31,351,000	-	-	-	31,351,000	15,465,000
Due to/from	1,815,000	475,000	(2,290,000)	-	-	-
Investments	45,957,000	-	-	-	45,957,000	56,994,000
Investments for which uses are limited	2,415,000	-	-	-	2,415,000	2,429,000
Prepaid expenses and other assets	6,529,000	916,000	8,000	(5,697,000)	1,756,000	1,529,000
Beneficial interest in charitable remainder trusts	123,000	-	-	-	123,000	73,000
Land, buildings, and equipment, net	101,676,000	30,313,000	7,563,000	(4,701,000)	134,851,000	129,038,000
Total assets	$ 217,716,000	$ 32,258,000	$ 22,393,000	$ (10,398,000)	$ 261,969,000	$ 228,508,000
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	$ 18,504,000	$ 6,000	$ 10,000	$ -	$ 18,520,000	$ 17,245,000
Deferred revenue	7,066,000	31,000	-	-	7,097,000	7,079,000
Notes payable	-	22,310,000	22,425,000	-	44,735,000	22,310,000
Line of Credit	10,686,000	-	-	-	10,686,000	-
Other liabilities	600,000	-	-	-	600,000	602,000
Total liabilities	36,856,000	22,347,000	22,435,000	-	81,638,000	47,236,000
Commitments and contingencies	-	-	-	-	-	-
Net assets:						
Unrestricted	160,623,000	9,911,000	(42,000)	(10,398,000)	160,094,000	158,645,000
Temporarily restricted	11,647,000	-	-	-	11,647,000	14,448,000
Permanently restricted	8,590,000	-	-	-	8,590,000	8,179,000
Total net assets	180,860,000	9,911,000	(42,000)	(10,398,000)	180,331,000	181,272,000
Total liabilities and net assets	$ 217,716,000	$ 32,258,000	$ 22,393,000	$ (10,398,000)	$ 261,969,000	$ 228,508,000

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

Consolidating Statement of Activities

June 30, 2016
(With summarized financial information for 2015)

	YMCA of SDC	YMCA of SDC/City Hts	YMCA of SDC/JRFY	Eliminations	Totals 2016	Totals 2015
Revenue:						
Public support:						
Annual support	$ 5,178,000	$ -	$ -	$ -	$ 5,178,000	$ 5,287,000
Direct contributions	12,662,000	-	-	-	12,662,000	9,453,000
Special events, net of expenses of approximately $1,619,000 in fiscal 2016	766,000	-	-	-	766,000	899,000
Total public support	18,606,000	-	-	-	18,606,000	15,639,000
Other revenue:						
Program service fees	55,224,000	-	-	-	55,224,000	52,847,000
Government funded programs	59,368,000	-	-	-	59,368,000	52,614,000
Membership dues	35,980,000	-	-	-	35,980,000	32,445,000
Investment income	857,000	-	-	-	857,000	836,000
Net realized gain on investments	70,000	-	-	-	70,000	2,570,000
Net merchandise sales	505,000	-	-	-	505,000	385,000
Total other revenue	152,004,000	-	-	-	152,004,000	141,697,000
Total public support and other revenue	170,610,000	-	-	-	170,610,000	157,336,000
Net assets released from restrictions	-	-	-	-	-	-
Total revenue	170,610,000	-	-	-	170,610,000	157,336,000
Expenses:						
Program services	148,649,000	875,000	2,236,000	4,701,000	156,461,000	145,703,000
Supporting services:						
Management and general	11,698,000	-	-	-	11,698,000	11,211,000
Fund-raising	2,289,000	-	-	-	2,289,000	2,113,000
Total supporting services	13,987,000	-	-	-	13,987,000	13,324,000
Total program and supporting services expenses	162,636,000	875,000	2,236,000	4,701,000	170,448,000	159,027,000
Change in net assets before net unrealized gain (loss) on investments and loss on discon'd ops	7,974,000	(875,000)	(2,236,000)	(4,701,000)	162,000	(1,691,000)
Net unrealized loss on investments	(1,103,000)	-	-	-	(1,103,000)	(1,527,000)
Change in net assets	6,871,000	(875,000)	(2,236,000)	(4,701,000)	(941,000)	(3,218,000)
Net assets at beginning of year	173,989,000	10,786,000	-	(3,503,000)	181,272,000	184,490,000
NMTC Equity investment	-	-	2,194,000	(2,194,000)	-	-
Net assets at end of year	$ 180,860,000	$ 9,911,000	$ (42,000)	$ (10,398,000)	$ 180,331,000	$ 181,272,000

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