YOUNG MEN'S CHRISTIAN ASSOCIATION
OF ORANGE COUNTY

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

WITH INDEPENDENT AUDITORS' REPORT

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
TABLE OF CONTENTS
DECEMBER 31, 2016 AND 2015

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Young Men's Christian Association of Orange County
Tustin, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Young Men's Christian Association of Orange County (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors' consider internal control relevant to the Organization'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 Organization'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.

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

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 Organization as of December 31, 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.

Prior-Period Financial Statements

The financial statements of the Young Men's Christian Association of Orange County as of and for the year ended December 31, 2015, were audited by other auditors whose report dated July 8, 2016, expressed an unmodified opinion on those statements.

White Nelson Diehl Evans LLP

Irvine, California
November 9, 2017

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Current Assets:		
Cash and cash equivalents (Note 3)	$ 4,400,288	$ 3,094,806
Investments (Notes 4 & 7)	9,048,789	8,442,926
Receivables:		
Accounts receivable (Note 5)	857,456	1,060,788
Pledges receivable	29,629	10,175
Prepaid insurance	51,096	96,356
Other prepaid expenses	646,864	643,717
Land held for resale	149,863	-
Total Current Assets	15,183,985	13,348,768
Property Held under Capital Leases, Net	326,452	520,211
Property and Equipment, Net (Note 6)	12,230,541	12,535,127
Other Assets:		
Deposits	81,459	81,459
Land held for resale	-	149,863
Total Other Assets	81,459	231,322
Total Assets	$ 27,822,437	$ 26,635,428

LIABILITIES AND NET ASSETS

	2016	2015
Current Liabilities:		
Accounts payable	$ 604,151	$ 717,893
Accrued payroll and employee benefits	1,354,903	1,214,349
Deposits payable	-	3,044
Program fees received in advance	464,162	511,550
Claims payable liability (Note 12c)	345,138	-
Deferred Santa Ana Project funding, current portion (Note 6)	250,000	250,000
Current maturities of obligations held under capital leases (Note 12a)	240,680	240,461
Notes payable, current portion (Note 8)	65,551	1,772,057
Total Current Liabilities	3,324,585	4,709,354
Long-Term Liabilities:		
Claims payable (Note 12c)	-	284,841
Interest rate swap liability (Note 9)	-	10,898
Long-term portion of obligations held under capital leases (Note 12a)	36,602	235,964
Notes payable, less current portion (Note 8)	1,593,453	-
Deferred Santa Ana project funding, less current portion (Note 6)	750,000	1,000,000
Total Long-Term Liabilities	2,380,055	1,531,703
Total Liabilities	5,704,640	6,241,057
Commitments and contingencies (Note 12)	-	-
Net Assets (Note 11):		
Unrestricted net assets	21,717,126	20,063,250
Temporarily restricted	310,671	241,121
Permanently restricted	90,000	90,000
Total Net Assets	22,117,797	20,394,371
Total Liabilities and Net Assets	$ 27,822,437	$ 26,635,428

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
Operations				
Support, Revenue, and Gains:				
Fundraising Support:				
Contributions	$ 1,287,583	$ 1,100,389	$ 187,194	$ -
Special events, net of direct costs	137,393	137,393	-	-
Total Fundraising Support	1,424,976	1,237,782	187,194	-
Program Revenue:				
Childcare fees	18,618,583	18,618,583	-	-
Membership fees	7,585,631	7,585,631	-	-
Health and fitness fees	2,697,442	2,697,442	-	-
Adventure guides fees	1,756,809	1,756,809	-	-
Government assistance	1,885,620	1,885,620	-	-
Donated use of facilities/land	944,898	944,898	-	-
Camp fees	1,291,790	1,291,790	-	-
Community programs fees	1,281,921	1,281,921	-	-
Facility fees	338,551	338,551	-	-
Total Program Revenue	36,401,245	36,401,245	-	-
Contribution from San Gabriel Valley YMCA	223,240	223,240	-	-
Other Income	130,997	130,997	-	-
Net Assets Released from Restrictions	-	117,644	(117,644)	-
Total Support, Revenue, and Gains	38,180,458	38,110,908	69,550	-
Operating Expenses:				
Program Services:				
Childcare	13,264,535	13,264,535	-	-
Health and fitness	11,590,979	11,590,979	-	-
Adventure guides activities	1,676,343	1,676,343	-	-
Camping	985,728	985,728	-	-
Other community services	3,220,967	3,220,967	-	-
Total Program Services	30,738,552	30,738,552	-	-
Supporting Services:				
Administration and general	5,687,057	5,687,057	-	-
Fundraising	498,432	498,432	-	-
Total Supporting Services	6,185,489	6,185,489	-	-
Total Operating Expenses	36,924,041	36,924,041	-	-
Operating Margin	1,256,417	1,186,867	69,550	-
Nonoperating				
Investment Income	470,472	470,472	-	-
Increase in Fair Value of Interest Rate Swap	10,898	10,898	-	-
Loss on Disposal of Capital Assets	(14,361)	(14,361)	-	-
Total Nonoperating	467,009	467,009	-	-
Increase in Net Assets	1,723,426	1,653,876	69,550	-
Net Assets at Beginning of Year	20,394,371	20,063,250	241,121	90,000
Net Assets at End of Year	$ 22,117,797	$ 21,717,126	$ 310,671	$ 90,000

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
Operations				
Support, Revenue, and Gains:				
Fundraising Support:				
Contributions	$ 1,009,568	$ 917,055	$ 92,513	$ -
Special events, net of direct costs	141,355	141,355	-	-
Total Fundraising Support	1,150,923	1,058,410	92,513	-
Program Revenue:				
Childcare fees	18,235,674	18,235,674	-	-
Membership fees	6,904,669	6,904,669	-	-
Health and fitness fees	2,588,819	2,588,819	-	-
Adventure guides fees	1,753,862	1,753,862	-	-
Government assistance	1,572,960	1,572,960	-	-
Donated use of facilities/land	890,547	890,547	-	-
Camp fees	907,702	907,702	-	-
Community programs fees	1,226,357	1,226,357	-	-
Facility fees	440,700	440,700	-	-
Total Program Revenue	34,521,290	34,521,290	-	-
Contribution from San Gabriel Valley YMCA	300,000	300,000	-	-
Other Income	142,407	142,407	-	-
Net Assets Released from Restrictions	-	63,794	(63,794)	-
Total Support, Revenue, and Gains	36,114,620	36,085,901	28,719	-
Operating Expenses:				
Program Services:				
Childcare	13,344,528	13,344,528	-	-
Health and fitness	10,775,599	10,775,599	-	-
Adventure guides activities	1,731,709	1,731,709	-	-
Camping	255,335	255,335	-	-
Other community services	2,748,666	2,748,666	-	-
Total Program Services	28,855,837	28,855,837	-	-
Supporting Services:				
Administration and general	4,729,195	4,729,195	-	-
Fundraising	397,891	397,891	-	-
Total Supporting Services	5,127,086	5,127,086	-	-
Total Operating Expenses	33,982,923	33,982,923	-	-
Operating Margin	2,131,697	2,102,978	28,719	-
Nonoperating				
Investment Loss	(182,173)	(182,173)	-	-
Increase in Fair Value of Interest Rate Swap	13,877	13,877	-	-
Loss on Disposal of Capital Assets	(90,984)	(90,984)	-	-
Total Nonoperating	(259,280)	(259,280)	-	-
Increase in Net Assets	1,872,417	1,843,698	28,719	-
Net Assets at Beginning of Year	18,521,954	18,219,552	212,402	90,000
Net Assets at End of Year	$ 20,394,371	$ 20,063,250	$ 241,121	$ 90,000

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services					
	Childcare	Health and Fitness	Adventure Guides Activities	Camping	Other Community Services	Subtotal
Salaries and wages	$ 7,632,670	$ 4,971,820	$ 158,788	$ 332,401	$ 1,856,213	$ 14,951,892
Employee benefits	1,117,559	441,440	21,089	18,757	180,451	1,779,296
Payroll taxes	620,087	409,502	13,275	26,687	153,349	1,222,900
Professional fees	27,716	-	-	59,792	7,115	94,623
Supplies	114,788	138,651	817	16,784	9,773	280,813
Telephone	239,433	45,385	5,471	16,880	48,011	355,180
Postage	4,542	1,205	276	9,627	180	15,830
Occupancy	799,433	3,028,376	53,595	163,036	66,639	4,111,079
Insurance	73,219	179,854	6,977	846	10,853	271,749
Depreciation	217,348	1,266,783	165	44,541	9,743	1,538,580
Equipment	128,431	146,091	165	81,008	10,823	366,518
Printing and promotion	341,101	130,265	-	1,948	3,881	477,195
Fundraising campaign	-	-	-	-	-	-
Employee and travel expense	29,507	14,169	3,262	10,750	11,685	69,373
Meetings, training, and conferences	72,561	57,904	10,055	16,572	12,152	169,244
Program costs	1,127,078	354,911	1,362,067	154,126	659,222	3,657,404
Vehicle expense	165,089	-	-	19,290	72,181	256,560
Credit card and bank fees	279,820	195,500	34,515	4,970	7,667	522,472
Fair share	215,138	123,686	5,357	2,455	23,104	369,740
Recruitment and relocation	35,415	11,130	89	5,258	20,449	72,341
Bad debt expense	23,600	55,903	380	-	57,476	137,359
Interest	-	18,404	-	-	-	18,404
Total Functional Expenses	$ 13,264,535	$ 11,590,979	$ 1,676,343	$ 985,728	$ 3,220,967	$ 30,738,552

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

	Supporting Services			
	Administrative and General	Fundraising	Subtotal	Total
Salaries and wages	$ 2,426,592	$ 235,718	$ 2,662,310	$ 17,614,202
Employee benefits	375,888	33,670	409,558	2,188,854
Payroll taxes	171,792	19,127	190,919	1,413,819
Professional fees	1,463,890	454	1,464,344	1,558,967
Supplies	23,607	2,901	26,508	307,321
Telephone	69,869	2,859	72,728	427,908
Postage	12,248	3,264	15,512	31,342
Occupancy	283,875	-	283,875	4,394,954
Insurance	107,906	-	107,906	379,655
Depreciation	110,390	-	110,390	1,648,970
Equipment	79,024	16,333	95,357	461,875
Printing and promotion	3,975	27,479	31,454	508,649
Fundraising campaign	-	96,858	96,858	96,858
Employee and travel expense	17,027	2,095	19,122	88,495
Meetings, training, and conferences	166,054	37,390	203,444	372,688
Program costs	157,913	6,581	164,494	3,821,898
Vehicle expense	21,834	-	21,834	278,394
Credit card and bank fees	92,290	2,108	94,398	616,870
Fair share	-	11,595	11,595	381,335
Recruitment and relocation	39,590	-	39,590	111,931
Bad debt expense	-	-	-	137,359
Interest	63,293	-	63,293	81,697
Total Functional Expenses	$ 5,687,057	$ 498,432	$ 6,185,489	$ 36,924,041

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services					
	Childcare	Health and Fitness	Adventure Guides Activities	Camping	Other Community Services	Subtotal
Salaries and wages	$ 7,672,398	$ 4,690,449	$ 200,724	$ 50,621	$ 1,657,602	$ 14,271,794
Employee benefits	1,225,179	467,004	35,739	5,498	168,000	1,901,420
Payroll taxes	621,849	383,567	15,842	4,160	135,633	1,161,051
Professional fees	5,744	127	5	2	3	5,881
Supplies	123,614	119,589	2,479	1,353	16,515	263,550
Telephone	172,332	63,170	9,890	2,521	28,564	276,477
Postage	9,675	6,901	1,051	189	1,628	19,444
Occupancy	783,221	2,512,103	62,605	32,485	65,878	3,456,292
Insurance	30,374	15,511	3,091	108	2,666	51,750
Depreciation	259,166	1,211,679	774	10,193	10,329	1,492,141
Equipment	73,632	176,410	4,414	914	9,140	264,510
Printing and promotion	336,952	128,660	6,379	2,363	4,786	479,140
Fundraising campaign	-	-	-	-	-	-
Employee and travel expense	31,929	18,289	2,100	1,496	8,812	62,626
Meetings, training, and conferences	81,595	63,184	9,686	2,534	8,643	165,642
Program costs	1,192,658	555,695	1,339,983	133,221	516,771	3,738,328
Vehicle expense	171,116	7	1	83	63,847	235,054
Credit card and bank fees	297,977	184,248	31,696	2,787	4,792	521,500
Fair share	204,703	110,624	5,152	2,926	21,757	345,162
Recruitment and relocation	32,981	11,116	98	1,881	22,337	68,413
Bad debt expense	17,432	46,518	-	-	963	64,913
Interest	1	10,748	-	-	-	10,749
Total Functional Expenses	$ 13,344,528	$ 10,775,599	$ 1,731,709	$ 255,335	$ 2,748,666	$ 28,855,837

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

	Supporting Services			
	Administrative and General	Fundraising	Subtotal	Total
Salaries and wages	$ 2,109,888	$ 203,155	$ 2,313,043	$ 16,584,837
Employee benefits	360,289	32,220	392,509	2,293,929
Payroll taxes	141,676	14,844	156,520	1,317,571
Professional fees	1,137,369	30,000	1,167,369	1,173,250
Supplies	30,214	1,872	32,086	295,636
Telephone	42,543	1,460	44,003	320,480
Postage	11,725	2,967	14,692	34,136
Occupancy	270,919	698	271,617	3,727,909
Insurance	102	-	102	51,852
Depreciation	148,894	12	148,906	1,641,047
Equipment	32,075	432	32,507	297,017
Printing and promotion	12,719	10,581	23,300	502,440
Fundraising campaign	-	55,157	55,157	55,157
Employee and travel expense	12,597	958	13,555	76,181
Meetings, training, and conferences	171,059	31,588	202,647	368,289
Program costs	78,464	2,455	80,919	3,819,247
Vehicle expense	12,921	8	12,929	247,983
Credit card and bank fees	68,318	1,222	69,540	591,040
Fair share	673	8,211	8,884	354,046
Recruitment and relocation	19,095	51	19,146	87,559
Bad debt expense	-	-	-	64,913
Interest	67,655	-	67,655	78,404
Total Functional Expenses	$ 4,729,195	$ 397,891	$ 5,127,086	$ 33,982,923

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities:		
Increase in Net Assets	$ 1,723,426	$ 1,872,417
Noncash Reconciling Items:		
Depreciation	1,648,970	1,641,047
Realized and unrealized gain (loss) on investments	(327,439)	314,499
Loss on disposal of property and equipment	14,361	90,984
Increase on fair value of interest rate swap	(10,898)	(13,877)
Donation of asset from San Gabriel Valley YMCA	-	(300,000)
Deferred Santa Ana project funding	(250,000)	(250,000)
Changes in:		
Accounts receivable	203,332	(304,882)
Pledges receivable	(19,454)	13,555
Prepaid insurance	45,260	(9,536)
Other prepaid expenses	(3,147)	(380,593)
Deposits	-	(33,000)
Accounts payable	(113,742)	191,621
Accrued payroll and employee benefits	140,554	33,079
Deposits payable	(3,044)	127
Program fees received in advance	(47,388)	9,881
Claims payable	60,297	(65,511)
Net Cash and Cash Equivalents Provided by Operating Activities	3,061,088	2,809,811
Cash Flows from Investing Activities:		
Purchases of property and equipment	(1,136,076)	(1,458,328)
Proceeds from sale of property and equipment	30,648	52,250
Sales of investments	1,854,811	1,456,998
Purchases of investments	(2,133,235)	(5,202,361)
Net Cash and Cash Equivalents Used in Investing Activities	(1,383,852)	(5,151,441)
Cash Flows from Financing Activities:		
Principal payment on capital leases	(258,701)	(206,650)
Principal payment on notes payable	(113,053)	(125,874)
Net Cash and Cash Equivalents Used in Financing Activities	(371,754)	(332,524)
Net Increase (Decrease) in Cash and Cash Equivalents	1,305,482	(2,674,154)
Cash and Cash Equivalents at Beginning of Year	3,094,806	5,768,960
Cash and Cash Equivalents at End of Year	$ 4,400,288	$ 3,094,806

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF ORANGE COUNTY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Supplemental Disclosure:		
Interest paid	$ 81,697	$ 78,404
Noncash Investing and Financing Activities for the Years Ended December 31, 2016 and 2015:		
Equipment acquired through capital lease	$ 59,558	$ 666,471

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

Note 1: Organization and Nature of Services

Organization

The Young Men's Christian Association of Orange County (the "YMCA," "Y," or the "Organization") is a charitable organization that puts Christian principles into practice through programs that build spirit, mind, and body for all. The Y has been active in Orange County since 1922. The Y provides programs that incorporate core Christian values of honesty, caring, respect, and responsibility. Strengthening the community is the Organization's cause. Every day the Organization works side by side with its neighbors to make sure that everyone, regardless of age, income, or background, has the opportunity to learn, grow, and thrive. The Y's vision is to improve lives and strengthen character by fostering youth and family development, healthy living, and social responsibility driven by passionate staff and volunteers.

Nature of Services

The Y provides services for the following program areas:

- <u>Childcare:</u> With so many demands on today's families, parents need all the support they can get. That's why childcare at the Y is about more than looking after kids. It's about nurturing their development by providing a safe place to learn foundational skills, develop healthy, trusting relationships, and build self-reliance through the Y's values of caring, honesty, respect, and responsibility. The Y believes the values and skills learned early on are vital building blocks for quality of life. Because of the Y community, kids in neighborhoods around the nation are taking more interest in learning and making smarter life choices. At the Y, kids learn character that shapes responsible decisions, the value of social responsibility, the gift of giving back, and good sportsmanship, and most importantly, they learn to be themselves. The Organization believes that all kids deserve the opportunity to discover who they are and what they can achieve. That's why, through the Y, millions of youth today are cultivating the values, skills, and relationships that lead to positive behaviors, better health, and educational achievement.

- <u>Health and Fitness:</u> The Y provides health and wellness programming to youth and adults to increase the positive impact on the health of children and families in Orange County and Riverside Counties through programs and partnerships that promote healthier decisions and provide opportunities to get involved, give back, and get connected. Being healthy means more than simply being physically active. It's about maintaining a balanced spirit mind and body. The Y is a place where everyone can work toward that balance by challenging themselves to learn a new skill or hobby, fostering connections with friends through lifelong learning programs, and bringing loved ones closer together through family-centered activities. At the Y, it's not about the activity as much as it is about the benefits of living healthier.

Note 1: Organization and Nature of Services (Continued)

Nature of Services (Continued)

- Adventure Guides Activities: The Y provides Adventure Guides participants with a family-oriented program providing an opportunity for parents and children to spend quality one-on-one time together to help strengthen family relationships and create memories that will last a lifetime. The Y's core values of caring, honesty, respect, and responsibility provide direction as parents guide children on their journey. These four values provide guidance in helping children select activities, make decisions, and choose appropriate courses of action both in the program and in their lives. Along the way, adults model, teach, and demonstrate these values, as well as give children many opportunities to practice and celebrate with them.

- Camping: Y camps have a rich tradition dating back to as early as 1909. The Y offers both residential and day camps that are designed to help children learn to appreciate and respect nature and each other. Through the Y's core values of caring, honesty, respect, and responsibility, character development is nurtured. Y camping programs are educational and experiential; they promote cognitive development, physical well-being, social growth, character development, leadership skills, and a respect for the environment. Through a variety of engaging activities and the use of natural surroundings, YMCA camping programs encourage participants to explore and develop their interests and abilities in a safe and nurturing environment.

- Other Community Services: Y youth and teen programs give kids good role models to help them develop self-esteem and good values, including cooperation, respect for the body, good citizenship, and a strong work ethic.

  The Y provides a multitude of community service programs providing safe and structured activities within a variety of services targeted toward high-risk youth, fragile families in crisis, and other programs targeted to at-risk populations. The Y's programs include individual family counseling, mentoring, and tutoring. The Organization provides unique styles of programming to impact the growing epidemic of youth obesity through school-based fitness and nutrition programs. These services enhance the lives of youth their families and provide enrichment to the community.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Presentation of Financial Statements*, the Organization's resources are classified for accounting and reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. Accordingly, the net assets of the Organization are classified and reported as follows:

- *Unrestricted Net Assets* - Unrestricted net assets are net assets that are not subject to donor-imposed stipulations and revenue generated from providing services and interest on investments.

- *Temporarily Restricted Net Assets* - Temporarily restricted net assets are net assets subject to donor-imposed stipulations that can be fulfilled by the actions of the Organization pursuant to those stipulations or that expire by the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted.

- *Permanently Restricted Net Assets* - Permanently restricted net assets are net assets that are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in investment income in the Organization's accompanying statements of activities.

Note 2: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

The Organization's accounts receivable are primarily fees for services provided. Management expensed receivables it determined to be uncollectable; therefore, management believes the remaining receivables are collectible and thus did not record an allowance for doubtful accounts for the years ended December 31, 2016 and 2015.

Land Held for Resale

The Organization owned certain land in Huntington Beach that was originally purchased to build a facility for YMCA programs. Due to zoning restrictions, it became difficult to build the facility originally intended. The Organization sold the property on March 3, 2017 as more fully described in Note 19.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation if purchased or at the estimated fair value if donated. Maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 10 to 40 years for buildings and improvements, 3 to 10 years for furniture and equipment, and 3 to 7 years for vehicles.

Long-Lived Assets and Asset Impairment

The Organization accounts for impairment and disposition of long-lived assets in accordance with the FASB ASC 360-10, *Property, Plant, and Equipment.* FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. For the years ended December 31, 2016 and 2015, there was no impairment of the value of such assets.

Donated Materials, Services, and Facilities

Donated materials and other noncash contributions are reflected in the accompanying financial statements at their estimated fair market value at the date of receipt.

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteer services that do not meet these criteria are not recognized in the financial statements, as there is no objective basis of deriving their value.

Note 2: Summary of Significant Accounting Policies (Continued)

Donated Materials, Services, and Facilities (Continued)

Donated use of facilities/land during the years ended December 31, 2016 and 2015, included 3.57 acres of land from the U.S. Army, a 20,455 square-foot building, and 23,655 square feet of land from the City of Laguna Niguel. In addition, the Organization occupies 4 acres of land, as well as a 27,327 square-foot building donated by the City of Mission Viejo. Donated use of facilities/land is considered an exchange transaction and recorded as revenue and occupancy expense in the accompanying financial statements at their estimated fair market value. The Organization recognized fair value of $944,898 and $890,547 for donated use of these facilities for the years ended December 31, 2016 and 2015, respectively. The methodology to estimate the fair value of the donated use of facilities is the market approach. The market approach uses comparable available buildings and actual completed transactions to determine values. Thus, the market approach provides a good estimate of what the property would sell or lease for if it were vacant and available for a buyer/tenant to occupy.

Accrued Vacation

As of December 31, 2016 and 2015, the accrued vacation liability was $493,945 and $470,336, respectively, and is included as a component of accrued payroll and employee benefits in the accompanying financial statements.

Revenue Recognition

Amounts received from grants and contracts are not reported as revenue until the resources are expended for the purpose specified or until a stipulated time restriction ends.

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Note 2: Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services by a method that best measures the relative degree of benefit. Program services are direct costs, and supporting services are indirect costs.

Use of Estimates

The process of preparing financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Income Taxes

The Organization is recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code and the corresponding state code as a charitable organization whereby only unrelated business income is subject to income tax. The Organization had no unrelated business income during the years ended December 31, 2016 and 2015. Accordingly, there is no provision for income taxes in the accompanying financial statements.

In accordance with FASB ASC 740-10-25, *Income Taxes,* an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions, and accordingly, it has not recognized any liability for unrecognized tax benefits or any related interest or penalties at December 31, 2016 and 2015. The Organization's tax years from 2014 to 2016 are open to review for federal tax purposes and tax years from 2013 to 2016 are open to review for state income tax purposes.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU establishes a comprehensive revenue recognition standard for virtually all industries in accounting principles generally accepted in the United States of America, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The ASU core principle is to recognize revenue to depict the transfer of 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 or services. During 2014-2016, the FASB has issued various amendments to this topic and the amendments clarified certain positions and extended the implementation date until annual periods beginning after December 15, 2018. Early adoption is permitted, but no earlier than periods beginning after December 15, 2016. Accordingly this ASU will be effective for the Organization for the year ended December 31, 2019. The Organization is currently evaluating the impact of the provisions of these pronouncements on the presentation of its financial statements.

Note 2: Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and early application is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958).* ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires amended presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and early application is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-14 on the presentation of its financial statements.

Note 3: Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of December 31, 2016 and 2015:

	2016	2015
Petty cash	$ 2,750	$ 2,650
Demand deposits	3,841,187	2,372,106
Money market accounts	556,351	720,050
Total Cash and Cash Equivalents	$ 4,400,288	$ 3,094,806

The Organization maintains cash and cash equivalent balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization has deposits with banks in excess of federally insured limits of $3,680,287 and $2,166,753 at December 31, 2016 and 2015, respectively.

The Organization's money market accounts are considered Level l fair value measurements, as more fully described in Note 7.

Included in cash and cash equivalents are certain funds that are restricted for long-term purposes, including the endowment fund balance. Restricted balances totaled $90,000 as of December 31, 2016 and 2015.

Note 4: Investments

The fair value of investments at December 31, 2016 and 2015, is as follows:

	2016	2015
Equity securities	$ 2,247,558	$ 1,840,052
Municipal bonds	151,893	152,496
Corporate bonds	153,827	154,143
Mutual funds	5,624,902	5,602,972
Other	870,609	693,263
Total Investments	$ 9,048,789	$ 8,442,926

Investment income (loss) consists of the following for the years ended December 31, 2016 and 2015:

	2016	2015
Interest and dividend income	$ 210,411	$ 184,305
Net realized (losses) gains	(61,618)	3,803
Net unrealized gains (losses)	389,057	(314,499)
Less: Management fees	(67,378)	(55,782)
Investment Income (Loss), Net	$ 470,472	$ (182,173)

Note 5: Accounts Receivable

Accounts receivable are composed of the following at December 31, 2016 and 2015:

	2016	2015
Grants (governmental/foundation)	$ 283,172	$ 643,955
Program	272,892	370,683
Other	301,392	46,150
Total	$ 857,456	$ 1,060,788

Note 6: Property and Equipment

Property and equipment consist of the following at December 31, 2016 and 2015:

	2016	2015
Land	$ 3,377,403	$ 3,377,403
Buildings and improvements	16,965,164	16,477,016
Furniture and equipment	4,204,471	3,547,386
Vehicles	326,748	326,748
	24,873,786	23,728,553
Less: Accumulated depreciation	(12,755,101)	(11,426,646)
Construction in progress	111,856	233,220
Property and Equipment, Net	$ 12,230,541	$ 12,535,127

Depreciation expense for the years ended December 31, 2016 and 2015, was $1,391,854 and $1,445,143, respectively.

The Organization completed a project in Santa Ana in November 2010, which was the site of a new YMCA facility. The project included two recreational pools, a soccer arena, sports field, a health and nutrition modular facility, and an office modular, along with an Olympic-size pool with lockers and shower facilities on the Segerstrom High School campus that is adjacent to the YMCA site. The majority of the project was funded by the Children and Families Commission of Orange County (the "Commission"). The grant is considered to be an exchange transaction pursuant to the YMCA contract with the Commission to provide certain community services at the site over a specified 10-year period. Accordingly, the Commission funding is not recognized as revenue upon incurrence of the related construction costs. Funding from the Commission is recorded as deferred revenue to be recognized ratably over the 10-year service period stipulated in the contract with the Commission. Revenue recognition commenced January 2012 and continues through December 2020 at a rate of $250,000 per year. Deferred Santa Ana project funding as of December 31, 2016 and 2015, was $1,000,000 and $1,250,000, respectively.

Note 7: Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Note 7: Fair Value Measurements (Continued)

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Equity Securities and Exchange-Traded Products: Valued at the closing price reported on the active market on which the individual securities are traded.

Municipal and Corporate Bonds: Valued at prices obtained from independent pricing services, without adjustment.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 7: Fair Value Measurements (Continued)

The following table provides fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31, 2016:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities:				
Consumer discretionary	$ 284,313	$ 284,313	$ -	$ -
Consumer goods	218,781	218,781	-	-
Energy	90,180	90,180	-	-
Financials	298,472	298,472	-	-
Health care	261,888	261,888	-	-
Industrials	179,784	179,784	-	-
Information technology	444,445	444,445	-	-
International stock	45,818	45,818	-	-
Materials	39,263	39,263	-	-
Utilities	76,633	76,633	-	-
Municipal Bonds	151,893	-	151,893	-
Corporate Bonds	153,827	-	153,827	-
Mutual Funds:				
Domestic	4,588,018	4,588,018	-	-
Foreign	1,036,884	1,036,884	-	-
Exchange-Traded Products	1,178,590	1,178,590	-	-
Total	$ 9,048,789	$ 8,743,069	$ 305,720	$ -

Note 7: Fair Value Measurements (Continued)

The following table provides fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31, 2015:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities:				
Communication services	$ 36,234	$ 36,234	$ -	$ -
Consumer goods	443,977	443,977	-	-
Energy	99,178	99,178	-	-
Financials	279,095	279,095	-	-
Health care	276,515	276,515	-	-
Industrials	193,655	193,655	-	-
Information technology	336,243	336,243	-	-
International stock	19,789	19,789	-	-
Materials	59,254	59,254	-	-
Other	5,838	5,838	-	-
Real estate	42,193	42,193	-	-
Utilities	48,080	48,080	-	-
Municipal Bonds	152,496	-	152,496	-
Corporate Bonds	154,143	-	154,143	-
Mutual Funds:				
Domestic	3,829,954	3,829,954	-	-
Foreign	1,773,018	1,773,018	-	-
Exchange-Traded Products	693,264	693,264	-	-
Total	$ 8,442,926	$ 8,136,287	$ 306,639	$ -

Note 8: Notes Payable

In September 2011, the Organization entered into a $2,300,000 note with a variable interest rate, payable to Bank of America, N.A. in monthly principal and interest installments. The variable interest rate at December 31, 2016, was 2.98 percent. The final payment was due on January 29, 2017. The note was refinanced with Bank of America, N.A. in January 2017 to a fixed-interest rate of 4.43 percent due on February 1, 2022, with a new principal balance of $1,680,000. This note is secured by the Fullerton Family YMCA facility. The outstanding balance as of December 31, 2016 and 2015, is $1,659,004 and $1,772,057, respectively.

Note 8: Notes Payable (Continued)

The following table represents the maturities of the notes payable for succeeding years ending December 31:

2017	$ 65,551
2018	83,462
2019	87,289
2020	91,110
2021	95,469
Thereafter	1,257,119
Total	$ 1,680,000

Note 9: Interest Rate Risk Management

The Organization entered into an interest rate swap agreement to help mitigate the risks of increasing interest payments on its variable-rate long-term borrowings that would result from increases in the benchmark. Interest rate swap is stated at fair value, determined based upon quoted market prices, with changes in fair value reported in the statements of activities and changes in net assets.

Investments in derivative contracts are subject to additional risks that can result in a loss of all or part of an investment. The Organization's derivative activities and exposure to derivative contracts relate to interest rates. In addition to this primary underlying risk, the Organization is also subject to additional counterparty risk due to potential inability of its counterparties to meet the terms of their contracts.

On September 1, 2011, the Organization entered into an interest rate swap agreement with Bank of America N.A. The swap agreement provides for the Organization to pay interest based on a fixed rate of 3.62 percent in exchange for receipt of interest payments based on 2.25 percent of the USLIBOR on the notional amount of $1,772,057 reducing in amounts approximating the amortization on the term bank loan described in Note 8. The swap agreement ended on September 1, 2016 and accordingly there is no balance at December 31, 2016.

At December 31, 2015, the fair value of the interest rate swap liability was $10,898, which was reported in long-term liabilities in the accompanying statements of financial position. This represents a Level 2 fair value measurement as described in Note 7.

Note 10: Net Assets Released from Restrictions

Net assets released from restrictions consist of the following at December 31, 2016 and 2015:

	2016	2015
Satisfaction of time restriction	$ 69,000	$ 43,794
Satisfaction of purpose restriction	48,644	20,000
Total Net Assets Released from Restrictions	$ 117,644	$ 63,794

Note 11: Net Assets

Net assets consist of the following at December 31, 2016 and 2015:

	2016	2015
Unrestricted Net Assets:		
Investment in property and equipment, net of related debt	$ 10,620,707	$ 10,806,856
Available for operations	11,096,419	9,256,394
Total unrestricted net assets	21,717,126	20,063,250
Temporarily Restricted Net Assets:		
Restricted for:		
Subsequent years' programs	241,360	172,121
Annual partners' campaign	69,311	69,000
Total temporality restricted net assets	310,671	241,121
Permanently Restricted Net Assets:		
Restricted for:		
Chick Hearn Foundation Endowment	90,000	90,000
Total permanently restricted net assets	90,000	90,000
Total Net Assets	$ 22,117,797	$ 20,394,371

Note 12: Commitments and Contingencies

a) Obligations Held under Capital Leases

The Organization is the lessee of a vehicle and various equipment under capital leases expiring in years through 2018. The assets and liabilities held under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of the related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense for the years ended December 31, 2016 and 2015.

Note 12: Commitments and Contingencies (Continued)

a) Obligations Held under Capital Leases (Continued)

The following is a summary of property held under capital leases:

	2016	2015
Machinery and equipment	$ 771,348	$ 707,991
Vehicle	20,890	20,890
Less: Accumulated depreciation	(465,786)	(208,670)
Property Held under Capital Leases, Net	$ 326,452	$ 520,211

Depreciation of assets held under capital leases charged to expense for the years ended December 31, 2016 and 2015, totaled $257,116 and $195,904, respectively.

Minimum future lease payments under capital leases as of December 31, 2016, are as follows:

2017	$ 272,071
2018	49,003
Total minimum lease payments	321,074
Less: Amount representing interest	(43,792)
Present value of net minimum lease payments	277,282
Current maturities of obligations held under capital leases	(240,680)
Long-Term Portion of Obligations Held under Capital Leases	$ 36,602

Interest rates on capitalized leases vary from 6.63 to 5.83 percent and are based on the lessor's implicit rate of return.

b) Operating Leases

The Organization leases various facilities and equipment pursuant to lease agreements that expire through 2020. The Organization's facility leases provide for annual escalations, common area maintenance charges, and renewal options. The Organization is liable for insurance for both the facilities and equipment leases.

Note 12: Commitments and Contingencies (Continued)

b) Operating Leases (Continued)

Future minimum payments under noncancelable operating leases with an initial term of one year or more are as follows for years ending December 31:

	Facility	Equipment	Total
2017	$ 938,373	$ 160,589	$ 1,098,962
2018	521,348	128,505	649,853
2019	444,786	61,343	506,129
2020	453,868	41,835	495,703
2021	374,211	31,465	405,676
Total	$ 2,732,586	$ 423,737	$ 3,156,323

Total rental expense for operating leases described above was $1,212,728 and $1,227,529 for the years ended December 31, 2016 and 2015, respectively.

c) Claims Payable

The Organization held general liability, workers' compensation, unemployment, and director, officer, and trustee liability insurance policies with various self-insurance limits. On March 1, 2017, the Organization agreed to close its self-insurance plans and enter into traditional insurance plans. Liabilities for probable claims, under the self-insurance plans, associated with general liability and directors' and officers' insurance, as well as amounts associated with workers' compensation and unemployment insurance, are recorded in the accompanying financial statements within claims payable liability. The liability is sufficient to cover claims under the self-insurance plans through the closing date.

d) Litigation

The Organization experiences litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

Note 13: Related-Party Transactions

The Organization is a member of the National Council of Young Men's Christian Association of the United States of America ("National Council"). The Organization must meet annual certification requirements to remain a member. Support related to the National Council totaled $381,335 and $356,607, respectively, for the years ended December 31, 2016 and 2015.

Note 13: Related-Party Transactions (Continued)

The Organization participates in a defined contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund ("Retirement Fund"), a separate corporation. The Retirement Fund is for the benefit of all eligible employees of the Organization who qualify under participation requirements.

In accordance with the agreement with the Retirement Fund, a percentage of the participating employee's qualified compensation is paid for by the Organization and is to be remitted to the Retirement Fund monthly. Total contributions made by the Organization, charged to retirement costs, for the years ended December 31, 2016 and 2015, aggregated $1,010,844 and $983,606, respectively. Unpaid contributions were $74,610 and $35,696, respectively, at December 31, 2016 and 2015, which represent December contributions.

The Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation, which was established in 1922. Participation is available to all duly organized and reorganized YMCAs in the United States. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligation.

In addition, the Organization has a bank account with Wells Fargo, N.A. at December 31, 2016 and 2015. There are two board members that are employees of Wells Fargo, N.A. These board members abstain from decisions made concerning matters that would be a conflict of interest.

In June 2015, the Organization paid $5,500 to become a member of Y Purchasing Group, LLC ("YPG"). Membership in YPG requires the Organization to make certain purchases of supplies and equipment through YPG. The Organization's chief executive officer is a board member of YPG. In June 2015, the Organization guaranteed a line of credit for YPG. As of December 31, 2016, the outstanding balance on the line of credit was $446,375 and the total amount of credit available is $500,000.

Note 14: Special Events

The YMCA has nine operating branches, each of which organizes its own special event activities. Special events held by the various branches for the year ended December 31, 2016, were as follows:

	Gross Revenue	Direct Expenses	Net Revenue
Dinners/breakfast	$ 86,630	$ (34,455)	$ 52,175
Golf tournaments	103,485	(34,890)	68,595
5/10k runs	54,215	(37,592)	16,623
Total	$ 244,330	$ (106,937)	$ 137,393

Note 14: Special Events (Continued)

Special events held by the various branches for the year ended December 31, 2015, were as follows:

	Gross Revenue	Direct Expenses	Net Revenue
Dinners/breakfast	$ 75,118	$ (16,866)	$ 58,252
Golf tournaments	101,849	(46,245)	55,604
5/10k runs	65,614	(38,115)	27,499
Total	$ 242,581	$ (101,226)	$ 141,355

Note 15: Concentration of Risk

For the years ended December 31, 2016 and 2015, the Organization received approximately 38 and 39 percent, respectively, of its total support and revenues (excluding capital campaign, endowment, and other) from childcare fees associated with childcare services performed on the premises of facilities owned by the Capistrano Unified School District ("CUSD"). The Organization relies heavily on these childcare fees to continue the related childcare programs. If the Organization's relationship with CUSD were to be terminated, it would likely cause a significant reduction in the Organization's operations.

Note 16: Beneficial Interest in Trust

In 2013, the Organization received documentation of being named in a trust. The trust has two components, one that is revocable and one that is irrevocable. The irrevocable trust component includes the value of an estate, including real and personal property, insurance contracts, retirement investments, and other investments. The revocable trust must first be liquidated prior to the funds being available for the irrevocable trust component. The irrevocable trust requires certain payments to four beneficiaries. The remaining trust assets will then be distributed, of which 15 percent will be distributed to the Organization. At this time, the beneficiary interest in the trust is not recorded in the accompanying financial statements because fair value cannot be estimated.

Note 17: San Gabriel Valley YMCA

In 2015, the YMCA entered into an asset transfer agreement with the YMCA of San Gabriel Valley ("SGV"). The Board of Directors of SGV has begun the process of liquidating SGV's assets and transferring certain rights and assets to the YMCA. In 2015, SGV transferred the ownership of Camp Elk as part of the asset transfer agreement, which amounted to $300,000.

The Organization was granted the right to operate Camp Elk and the right to take over operations of SGV's Y-ASES after-school program.

Note 17: San Gabriel Valley YMCA (Continued)

Consideration for the transfer of certain assets and rights included forgiving certain amounts owed from the YMCA of SGV to the Organization for providing management services and providing certain services to the YMCA of SGV to help them through the dissolution process.

At December 31, 2016, the YMCA of SGV still legally exists and is under the control of an independent Board of Directors. Upon dissolution of the entity, any remaining assets will be transferred to the Organization.

Note 18: Reclassifications

Certain reclassifications have been made to the 2015 financial statements in order to conform to the current-year presentation. These reclassifications had no effect on the reported results of operations.

Note 19: Subsequent Events

On January 6, 2017, the Organization entered into a capital lease agreement whereby it acquired equipment with a cost of $61,924 and a related lease obligation in the amount of $68,112. The lease obligation will be paid through equal monthly payments of $1,892 through December 2019.

As more fully described in Note 8, the Organization refinanced its note payable with Bank of America N.A.

On March 3, 2017 the Organization sold land held for sale for $1,009,660.

On March 9, 2017 the Organization entered into an asset transfer agreement with Young Men's Christian Association of Pomona Valley ("YMCA Pomona"). Under the terms of the agreement YMCA Pomona agreed to transfer rights of certain assets, and proceeds from future sales of other assets, to the Organization and granted the Organization rights to operate in YMCA Pomona's service area.

In September 2017, the Organization formed Tipper, LLC ("Tipper"), a wholly owned subsidiary of the Organization. Tipper was formed for the purpose of purchasing the building where the administrative offices of the Organization are located. On October 3, 2017, Tipper completed the purchase of the building for $5,000,000 and entered into a note payable of $3,000,000 with HomeStreet Bank. The note payable bears a fixed-interest rate of 4.08 percent, with monthly payments of $16,063 due through maturity with an estimated $2,167,201 balloon payment due at maturity on October 1, 2027. The note is guaranteed by the Organization and is secured by the Tustin building.

Events occurring after December 31, 2016, have been evaluated for possible adjustment to the financial statements or disclosure as of November 9, 2017, which is the date the financial statements were available to be issued.