

**THE YOUNG MEN'S CHRISTIAN
ASSOCIATION OF WATERTOWN, NY INC.
d/b/a WATERTOWN FAMILY YMCA**

**Financial Statements as of
December 31, 2021
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

May 17, 2022

To the Board of Directors of
The Young Men's Christian Association of Watertown, NY Inc.
d/b/a Watertown Family YMCA:

Opinion

We have audited the accompanying financial statements of The Young Men's Christian Association of Watertown, NY Inc. d/b/a Watertown Family YMCA (a nonprofit organization) (the YMCA), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the YMCA as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the YMCA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the YMCA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

432 North Franklin Street, #60
Syracuse, New York 13204
p (315) 476-4004
f (315) 254-2384

www.bonadio.com

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INDEPENDENT AUDITOR'S REPORT

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 YMCA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the YMCA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the YMCA's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF WATERTOWN, NY INC.
d/b/a WATERTOWN FAMILY YMCA**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,942,397	\$ 975,872
Restricted cash	584,338	296,571
Current portion of investments	1,548,847	1,661,753
Grants and contracts receivable	132,502	138,035
Program fee receivable	53,126	62,355
Current portion of contribution receivables	463,726	56,300
Employee retention credit receivable	482,169	-
Prepaid expenses and other current assets	<u>164,840</u>	<u>108,323</u>
Total current assets	5,371,945	3,299,209
INVESTMENTS, net of current portion	434,805	419,932
INVESTMENTS HELD BY COMMUNITY FOUNDATION	806,283	736,639
CONTRIBUTION RECEIVABLES, net of current portion	830,067	220,370
PROPERTY AND EQUIPMENT, net	6,498,428	5,532,276
DEFERRED LOSS ON SALE/LEASEBACK, net	<u>120,162</u>	<u>122,387</u>
Total assets	<u>\$ 14,061,690</u>	<u>\$ 10,330,813</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 96,245	\$ 167,739
Accrued expenses and other liabilities	84,546	144,525
Deferred revenue	678,526	206,766
Current portion of long-term debt	<u>-</u>	<u>16,232</u>
Total current liabilities	859,317	535,262
LONG-TERM DEBT, net of current portion	<u>150,000</u>	<u>161,350</u>
Total liabilities	<u>1,009,317</u>	<u>696,612</u>
NET ASSETS:		
Net assets without donor restrictions	9,986,037	7,691,085
Net assets with donor restrictions	<u>3,066,336</u>	<u>1,943,116</u>
Total net assets	<u>13,052,373</u>	<u>9,634,201</u>
Total liabilities and net assets	<u>\$ 14,061,690</u>	<u>\$ 10,330,813</u>

The accompanying notes are an integral part of these statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF WATERTOWN, NY INC.
d/b/a WATERTOWN FAMILY YMCA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for 2020)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			<u>2021</u>	<u>2020</u>
SUPPORT AND REVENUE:				
Membership dues, net	\$ 1,178,217	\$ -	\$ 1,178,217	\$ 1,100,941
Program fee income, net	1,855,477	-	1,855,477	1,585,725
Government and other contracts	1,284,431	-	1,284,431	1,085,928
Contributions	168,078	2,560,480	2,728,558	890,643
Interest and dividends	22,251	21,988	44,239	38,327
Paycheck protection program loan forgiveness	669,993	-	669,993	694,895
Employee retention credit revenue	482,167	-	482,167	-
Miscellaneous revenue	82,214	-	82,214	62,956
Investment income, net	32,651	62,528	95,179	79,766
Net assets released from restrictions	<u>1,521,776</u>	<u>(1,521,776)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>7,297,255</u>	<u>1,123,220</u>	<u>8,420,475</u>	<u>5,539,181</u>
EXPENSES:				
Program services	4,398,691	-	4,398,691	4,238,611
Supporting services	<u>603,612</u>	<u>-</u>	<u>603,612</u>	<u>413,023</u>
Total expenses	<u>5,002,303</u>	<u>-</u>	<u>5,002,303</u>	<u>4,651,634</u>
CHANGE IN NET ASSETS	2,294,952	1,123,220	3,418,172	887,547
NET ASSETS - beginning of year	<u>7,691,085</u>	<u>1,943,116</u>	<u>9,634,201</u>	<u>8,746,654</u>
NET ASSETS - end of year	<u>\$ 9,986,037</u>	<u>\$ 3,066,336</u>	<u>\$ 13,052,373</u>	<u>\$ 9,634,201</u>

The accompanying notes are an integral part of these statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF WATERTOWN, NY INC.
d/b/a WATERTOWN FAMILY YMCA**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

(With Comparative Totals for 2020)

	Program Services			Supporting Services			Total	
	<u>Youth Development</u>	<u>Healthy Living</u>	<u>Total</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2021</u>	<u>2020</u>
EXPENSES:								
Salaries and wages	\$ 1,342,577	\$ 1,171,076	\$ 2,513,653	\$ 236,634	\$ 61,997	\$ 298,631	\$ 2,812,284	\$ 2,632,719
Employee benefits	195,840	183,932	379,772	32,839	7,461	40,300	420,072	429,313
Services	223,877	119,669	343,546	72,200	63,400	135,600	479,146	456,907
Occupancy	33,016	156,438	189,454	1,800	-	1,800	191,254	172,024
Supplies and postage	116,111	105,929	222,040	6,634	6,853	13,487	235,527	210,736
Insurance	5,689	67,261	72,950	30,602	-	30,602	103,552	91,922
Dues	27,560	32,249	59,809	5,340	-	5,340	65,149	44,053
Finance charges	14,473	52,743	67,216	173	-	173	67,389	49,082
Education and employee expense	15,120	17,827	32,947	4,449	83	4,532	37,479	19,268
Printing, publications and promotion	1,501	17,930	19,431	1,092	-	1,092	20,523	29,652
Telephone	8,748	13,915	22,663	83	-	83	22,746	29,231
Bad debt expense	525	1,012	1,537	54,121	-	54,121	55,658	1,819
Miscellaneous expense	-	-	-	-	5,847	5,847	5,847	5,184
Depreciation and amortization expense	41,811	430,944	472,755	3,671	-	3,671	476,426	477,841
Interest expense	-	918	918	8,333	-	8,333	9,251	1,883
Total expenses	<u>\$ 2,026,848</u>	<u>\$ 2,371,843</u>	<u>\$ 4,398,691</u>	<u>\$ 457,971</u>	<u>\$ 145,641</u>	<u>\$ 603,612</u>	<u>\$ 5,002,303</u>	<u>\$ 4,651,634</u>

The accompanying notes are an integral part of these statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF WATERTOWN, NY INC.
d/b/a WATERTOWN FAMILY YMCA**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,418,172	\$ 887,547
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	456,584	456,840
Amortization	19,842	20,997
Bad debt expense	55,658	1,819
Discount on pledge receivables	(31,250)	(3,630)
Net gains on investments	(95,179)	(79,766)
Net contributions restricted for endowment and capital	(2,529,230)	(723,050)
Changes in:		
Grants and contracts receivable	5,533	87,592
Program fee receivable	(46,429)	(42,674)
Employee retention credit receivable	(482,169)	-
Prepaid expenses and other assets	(56,517)	(68,855)
Contribution receivables	(1,017,123)	(276,670)
Accounts payable	(71,494)	13,069
Accrued expenses and other liabilities	(59,979)	(2,426)
Deferred revenue	471,760	(210,640)
Net cash flow from operating activities	<u>38,179</u>	<u>60,153</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	(337,791)	(200,116)
Proceeds from the sale of investments	461,359	150,446
Change in certificates of deposit	-	206,859
Purchases of property and equipment	<u>(1,440,353)</u>	<u>(279,920)</u>
Net cash flow from investing activities	<u>(1,316,785)</u>	<u>(122,731)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment and capital	2,560,480	726,680
Proceeds from long-term debt	-	150,000
Payments on long-term debt	<u>(27,582)</u>	<u>(16,810)</u>
Net cash flow from financing activities	<u>2,532,898</u>	<u>859,870</u>
CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	1,254,292	797,292
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - beginning of year	<u>1,272,443</u>	<u>475,151</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - end of year	<u>\$ 2,526,735</u>	<u>\$ 1,272,443</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 9,251</u>	<u>\$ 1,883</u>

The accompanying notes are an integral part of these statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF WATERTOWN, NY INC.
d/b/a WATERTOWN FAMILY YMCA**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. THE ORGANIZATION

The Young Men's Christian Association of Watertown, NY Inc. d/b/a Watertown Family YMCA (the YMCA) is a non-profit organization focused on bringing about meaningful change by providing resources based on the most critical community needs and works to make sure that every child, family, and community has what they need to achieve their best. The YMCA's cause is to strengthen the community through healthy living and youth development. The YMCA operates health and wellness facilities and offers various childcare services and health education programs to the general public out of various facilities in the Watertown, New York and surrounding areas.

Healthy Living Program

The focus of healthy living programs is to offer opportunities for everyone in the family to be active in a safe inclusive environment open to all ages, abilities, incomes, races, ethnicities, and religions. Programs are designed to promote healthy lifestyles, develop specific skills, teach strong character values, and encourage the development of friendships leading to a stronger community.

Youth Development Program

The youth development program offers licensed childcare centers for youth ages three months to 12 years old and development programming for youth ages 10-17. Programming is developed to ensure a safe environment, character and self-esteem building, active play, and academic upgrading. Most programs are state licensed with the Office of Children and Family Services. Funding support for programming is received from Armed Services YMCA of the USA, the Department of Defense, Youth Bureau of Jefferson County, and the United Way.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The YMCA reports information regarding its financial position and activities using the following net asset categories:

• **Net Assets Without Donor Restrictions**

Net assets without donor restrictions include resources that are available for the support of the YMCA's operating activities. The Board of Directors, through voluntary resolutions, has set aside portions of the YMCA's net assets without donor restrictions.

• **Net Assets With Donor Restrictions**

Net assets with donor restrictions include resources that have been donated to the YMCA subject to restrictions as defined by the donor. The satisfaction of the restrictions is reflected as net assets released from restrictions in the statement of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the YMCA's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Cash and Cash Equivalents

The YMCA considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, or endowment. Cash equivalents consist of money market funds. The YMCA maintains cash and cash equivalents in demand deposits and time deposits in several financial institutions. The YMCA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to its cash and cash equivalents.

Restricted Cash

Restricted cash consists of money received from donors restricted for capital campaign expenditures.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents and restricted cash reported on the statement of financial position that sum to the total of those same amounts shown in the statement of cash flows are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,942,397	\$ 975,872
Restricted cash	<u>584,338</u>	<u>296,571</u>
	<u>\$ 2,526,735</u>	<u>\$ 1,272,443</u>

Investments

Investments are composed of equity securities, exchange traded funds, mutual funds, money market funds, cash and cash equivalents, and fixed income taxable certificates of deposit. Investments in equity securities, exchange traded funds, and mutual funds are stated at fair value based on quoted active markets. Cash and cash equivalents and money markets are stated at cost and fixed income taxable certificates of deposit are stated at cost plus accrued interest.

Gains or losses on the sale of investments and investment income are recorded as investment income, net of fees in the statement of activities and are recognized as increases and decreases in net assets without donor restrictions unless their use is restricted by donor stipulation. Interest and dividends from net assets with donor restrictions are recorded as additions to net assets without donor restrictions if they are not restricted by the donor for a particular purpose. Dividends are recorded on the ex-dividend date and interest is recognized on an accrual basis.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the YMCA's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

GAAP defines fair value as 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.

The YMCA uses various valuation techniques in determining fair value. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the YMCA. Unobservable inputs are inputs that reflect the YMCA's assumptions about how market participants would price the asset or liability, developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and market corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

There were no changes in valuation techniques in 2021 or 2020.

Grants and Contracts Receivable and Revenue

The YMCA receives grants to assist in carrying out its programs from federal, state, and local government agencies and other organizations. Unconditional grants are recognized as revenue in the period received or promised. Conditional grants and contracts are not recognized as revenue until the conditions on which they depend are substantially met. The YMCA has adopted a policy whereby all government and other contracts be recorded as without donor restrictions if the restriction expires in the same reporting period as received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts Receivable and Revenue (Continued)

Conditional promises to give were received with the following conditions as of December 31:

	<u>2021</u>	<u>2020</u>
NYS Office of Children and Family Services –		
Childcare Stabilization Grant	\$ 217,566	\$ -
Food Grant - Children and Adult Care Food Program	53,443	30,334
Diabetes Prevention Program	-	9,000
Empire Grant - Family Fun Nights and Youth Empowerment	-	<u>26,550</u>
	<u>\$ 271,009</u>	<u>\$ 65,884</u>

Upon conditions specific to the construction of the new Downtown Community & Aquatic Center (the Project), the YMCA is entitled to receive funds from New York State Empire State Development of \$3,600,000. Additionally, the YMCA has been named the subrecipient of the Jefferson County Industrial Development Agency for funding from the Department of Defense Office of Local Defense Community Cooperation as part of the Defense Community Infrastructure Pilot Program to support the Project in the amount of \$9,000,000, and the YMCA has received a conditional promise to give from National Grid Main Street Revitalization Program of \$250,000. The Jefferson County Local Development Corporation has promised support for the Project of \$400,000 and the Jefferson County Industrial Development Agency has promised to forego the \$500,000 contingent lease payment.

Grants and contracts receivable represent amounts due under grants and contracts to the YMCA. Receivables are stated at the amount management expects to collect from outstanding balances. As of December 31, 2021 and 2020, management has determined based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary. If amounts become uncollectible, they will be charged to bad debt expense when the determination is made.

Revenue Recognition

GAAP outlines a five-step framework for recognizing revenue from exchange transactions. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The YMCA's accounting policies related to exchange transactions is as follows:

Membership Dues

The YMCA recognizes membership dues revenue over time as their performance obligations are satisfied by providing the member access to the YMCA's facilities, programs, and services over a specific time period.

Program Fee Income

Program fee income is related to short-term programs, day care and after school care. Program fee income for short-term programs is considered satisfied as of the first date the program is held. The YMCA recognized program fee income for day care and after school care at the point in time the care is provided to the child.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts Receivable and Revenue (Continued)

Deferred Revenue

Deferred revenue, a contract liability, is recorded for membership dues and program fee income received from exchange transactions in which performance obligations have not been met. Deferred revenue is recognized at a point in time and as such all contract liabilities are recognized as revenue at the time the performance obligation is satisfied.

Contribution Revenue and Receivables

Contributions are recorded as support and revenue when received. Contributions are considered available for general use unless specifically restricted by the donor. The YMCA reports contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The YMCA has adopted a policy whereby all support and revenue be recorded as without donor restriction if the restriction expires in the same reporting period as received.

Contribution receivables over more than one year are discounted to their net present value using discount rates. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated terms are considered past due. At December 31, 2021, management has that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist primarily of prepaid insurance.

Property and Equipment

Property and equipment is recorded at cost if purchased or fair value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives which range from five to forty years. When property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recorded in the statement of activities. The YMCA capitalizes items over \$2,000 that have a useful life of greater than one year. Expenses for repairs and maintenance are charged to expense as incurred.

Deferred Loss on Sale/Leaseback

In 1985, the YMCA gave title of their building to Bugbee Housing Development Fund Company (Bugbee) so that it could obtain financing through HUD for the construction of low-income housing. The YMCA leases the building back from Bugbee for \$1 per year. The deferred loss associated with this leaseback began being amortized at \$9,668 per year for a 40-year period in 1985. As of January 1, 2011, the leaseback period was extended through 2075. The remainder of the leaseback is being amortized at \$2,225 per year for the remaining 65 years. Upon termination of the agreement, title to the building reverts back to the YMCA. Related amortization expense was \$2,225 and \$2,220 for the years ending December 31, 2021 and 2020, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

The YMCA records as revenue and expenses the estimated fair value of donated services in the period received. No donated services have been recorded for the years ended December 31, 2021 or 2020, as they do not meet the criteria for recognition under GAAP. However, volunteers have donated significant amounts of time and services in support of the YMCA's program operations.

Functional Allocation of Expenses

Expenses consists of costs related to providing program and supporting services. The YMCA's operating costs have been allocated based on direct identification when possible and allocated if a single expenditure benefits more than one function. Salaries and benefits are allocated based on estimates of time and effort. Depreciation and occupancy related expenses are allocated based on square footage used.

Income Taxes

The YMCA is a not-for-profit corporation exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. In addition, the YMCA qualifies for charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Use of Estimates

The preparation of financial statements in accordance GAAP requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Reclassifications

Certain reclassifications have been made to 2020 financial statement amounts to conform to the current year presentation.

3. LIQUIDITY

The YMCA monitors its liquidity so that it is able to meet the operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The following table reflects the YMCA's financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year. The Board designated net assets can be drawn upon if the Board approves the action.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,942,397	\$ 975,872
Restricted cash	584,338	296,571
Grants and contracts receivable	132,502	138,035
Program fee receivable	53,126	62,355
Current portion of contribution receivables	463,726	56,300
Employee retention credit receivable	482,169	-
Investments	1,983,652	2,081,685
Investments held by Community Foundation	<u>806,283</u>	<u>736,639</u>
Financial assets, at year-end	<u>6,448,193</u>	<u>4,347,457</u>

3. LIQUIDITY (Continued)

	<u>2021</u>	<u>2020</u>
Less those unavailable for general expenditure within one year, due to:		
With donor restrictions for purpose or time	(2,290,638)	(1,167,418)
With donor restrictions in perpetuity	(775,698)	(775,698)
Board designated reserves	<u>(1,288,956)</u>	<u>(1,401,888)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,092,901</u>	<u>\$ 1,002,453</u>

In addition to financial assets available to meet general expenditures over the year, the YMCA operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient membership dues, program fee income, and revenue from grants and contracts.

4. CONTRIBUTION RECEIVABLES

Contribution receivables are due as follows for the year ending December 31:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 463,726	\$ 56,300
One to five years	<u>861,317</u>	<u>224,000</u>
Contribution receivables	1,325,043	280,300
Less: Unamortized discount	<u>(31,250)</u>	<u>(3,630)</u>
	<u>\$ 1,293,793</u>	<u>\$ 276,670</u>

5. INVESTMENTS

Investments consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Equity securities	\$ 235,412	\$ 247,251
Exchange traded funds	124,958	141,312
Mutual funds	23,227	20,730
Cash and cash equivalents	347	352
Money market funds	1,477,046	1,141,598
Fixed income taxable certificates of deposit	<u>122,662</u>	<u>530,442</u>
	<u>\$ 1,983,652</u>	<u>\$ 2,081,685</u>

6. INVESTMENTS HELD BY COMMUNITY FOUNDATION

The YMCA has established three accounts at the Northern New York Community Foundation (the Community Foundation). These are included in the accompanying statements of financial position as investments held by Community Foundation. Withdrawals from the account require approval by the Community Foundation's Board of Directors.

The YMCA's investment in the Community Foundation is stated at net asset value per share based on the YMCA's percentage of the fair value of the underlying investments, consistent with the market approach, which are valued using quoted market prices. There were no changes to valuation techniques during 2021 or 2020. The Community Foundation's investment objective is to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets. There are no unfunded commitments.

Investments held by Community Foundation are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of the investments held by Community Foundation will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

7. FAIR VALUE OF INVESTMENTS

The YMCA's investments are measured at fair value on a recurring basis utilizing the following input levels at December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 235,412	\$ -	\$ -	\$ 235,412
Exchange traded funds	124,958	-	-	124,958
Mutual funds	<u>23,227</u>	<u>-</u>	<u>-</u>	<u>23,227</u>
Total investments, at fair value	<u>\$ 383,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>383,597</u>
Cash and cash equivalents				347
Money market funds				1,477,046
Fixed income taxable certificates of deposit				<u>122,662</u>
				<u>\$ 1,983,652</u>

7. FAIR VALUE OF INVESTMENTS (Continued)

The YMCA's investments are measured at fair value on a recurring basis utilizing the following input levels at December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 247,251	\$ -	\$ -	\$ 247,251
Exchange traded funds	141,312	-	-	141,312
Mutual funds	<u>20,730</u>	<u>-</u>	<u>-</u>	<u>20,730</u>
Total investments, at fair value	<u>\$ 409,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>409,293</u>
Cash and cash equivalents				352
Money market funds				1,141,598
Fixed income taxable certificates of deposit				<u>530,442</u>
				<u>\$ 2,081,685</u>

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 131,000	\$ 131,000
Buildings and improvements	6,505,672	6,385,355
Furniture, fixtures and equipment	1,409,665	1,367,917
Leasehold improvements	3,425,346	3,396,283
Software	75,521	75,521
Construction-in-progress - Aquatic Center	<u>1,521,766</u>	<u>272,541</u>
Total property and equipment	13,068,970	11,628,617
Less: Accumulated depreciation and amortization	<u>(6,570,542)</u>	<u>(6,096,341)</u>
	<u>\$ 6,498,428</u>	<u>\$ 5,532,276</u>

Depreciation expense was \$456,584 and \$456,840 for the years ending December 31, 2021 and 2020, respectively. Amortization expense for property and equipment was \$17,617 and \$18,772 for the years ended December 31, 2021 and 2020, respectively.

The YMCA is preparing to sign a guaranteed maximum price contract with Purcell Construction for construction of the Project.

9. LONG-TERM DEBT

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

	<u>2021</u>	<u>2020</u>
Commercial loan agreement payable to a bank secured by equipment with a net book value of \$47,880 at December 31, 2020. Monthly installments of \$1,438, including interest at 4.75%. Loan repaid in 2021.	\$ -	\$ 27,582
Small Business Administration unsecured loan, which includes interest at 2.75%. The loan matures in May 2050.	<u>150,000</u>	<u>150,000</u>
	150,000	177,582
Less: Current portion	<u>-</u>	<u>16,232</u>
	<u>\$ 150,000</u>	<u>\$ 161,350</u>

Principal payments on long-term debt are as follows for the years ending:

2023	\$ 3,562
2024	3,662
2025	3,764
2026	3,868
Thereafter	<u>135,144</u>
	<u>\$ 150,000</u>

10. BOARD DESIGNATED NET ASSETS

The YMCA's Board of Directors has designated net assets without donor restrictions for particular purposes. Board designed net assets consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Unemployment	\$ 100,625	\$ 100,615
Capital	1,157,925	1,270,869
Blue Sharks	<u>30,406</u>	<u>30,404</u>
	<u>\$ 1,288,956</u>	<u>\$ 1,401,888</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions amounted to at December 31:

	<u>2021</u>	<u>2020</u>
Restricted for investment in property and equipment	\$ 1,825,249	\$ 786,545
Endowment restricted for investment in property and equipment	100,000	100,000
Endowment held in perpetuity	775,698	775,698
Accumulated investment gains on endowment	<u>365,389</u>	<u>280,873</u>
	<u>\$ 3,066,336</u>	<u>\$ 1,943,116</u>

In 2021, the YMCA released net assets with donor restriction of \$1,521,776 for capital additions. There were no net assets released from restrictions in 2020.

12. ENDOWMENT

General

The YMCA's endowments consist of various donor-specified funds and are subject to donor restrictions.

Interpretation of Relevant Law

The YMCA is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA) which sets forth certain specifically mandated procedures and standards for managing endowed funds. The YMCA adheres to these procedures and standards in the investment and expenditure of endowment funds. Absent explicit donor stipulations to the contrary, the YMCA has interpreted NYPMIFA as allowing the YMCA to appropriate for expenditure or accumulate as much of an endowment fund as the YMCA determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of a donor expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund are net assets with donor restrictions until appropriated by the YMCA. Although NYPMIFA does not preclude the YMCA from spending below the original gift value of donor-restricted endowments, the YMCA considers a fund to be underwater, if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the donor's direction expressed in the gift agreement.

12. ENDOWMENT (Continued)

Return Objectives, Strategies Employed and Spending Policy

The YMCA has adopted investment and spending policies for endowment funds 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 funds. Under this policy, as approved by the Board of Directors, the endowment funds are invested in a manner that is intended to produce a minimum rate of return of 5% per year after taking into account inflation costs and fees, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the YMCA 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 YMCA targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Like the endowment itself, the spending policy of the YMCA is subject to the NYPMIFA. All the elements set forth in the NYPMIFA are considered when allocating or spending endowment funds. In order to achieve the long-term objective of the YMCA, the annual spending from all endowment funds is restricted to between 4 and 5.5 percent of a three-year average of the fair market value of the funds. In establishing this policy, the YMCA considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, most of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Funds with Deficiencies

From time-to-time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the YMCA to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature should be reported in net assets with donor restrictions. The YMCA did not have any funds with deficiencies in 2021 or 2020.

Changes in the YMCA's endowment net assets with donor restrictions are as follows:

Endowment net assets, December 31, 2019	\$ 975,921
Investment income, net	80,650
Contributions	<u>100,000</u>
Endowment net assets, December 31, 2020	1,156,571
Investment income, net	<u>84,516</u>
Endowment net assets, December 31, 2021	<u>\$ 1,241,087</u>

13. NET MEMBERSHIP DUES AND PROGRAM FEES

The YMCA provides financial assistance to help defray the costs of membership dues and program fees to individuals who do not have the ability to pay. Membership dues and program fees are recorded net of such assistance in the accompanying statements of activities. Such amounts were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Membership dues	\$ 1,222,689	\$ 1,163,875
Less: Financial assistance provided	<u>(44,472)</u>	<u>(62,934)</u>
	<u>\$ 1,178,217</u>	<u>\$ 1,100,941</u>
Program fee income	\$ 1,880,648	\$ 1,598,845
Less: Financial assistance provided	<u>(25,171)</u>	<u>(13,120)</u>
	<u>\$ 1,855,477</u>	<u>\$ 1,585,725</u>

14. PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

The YMCA entered into two loans totaling \$1,364,888. These loans were entered into by the YMCA as part of the U.S. Small Business Administration's Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP provides for the borrowings, or a portion of the borrowings, to be forgiven to the extent the YMCA meets eligibility and defined requirements related to expenditure of the funds. The YMCA applied for, and was granted forgiveness, on 100% of the loans by the Small Business Administration therefore the monies received are recorded as Paycheck protection program loan forgiveness totaling \$669,993 and \$694,895 during the years ended at December 31, 2021 and 2020, respectively.

15. RETIREMENT PLAN

The YMCA maintains a defined-contribution plan (the Plan), qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. For 2021, the YMCA matches 50% of employee contributions up to 6% of employee gross earnings. Expenses for the years ended December 31, 2021 and 2020 were \$90,374 and \$76,108 respectively.

16. LEASE OBLIGATIONS

The YMCA leases equipment and space under various operating lease agreements through 2034. Rent expense under these leases totaled \$46,302 and \$51,671 for the years ended December 31, 2021 and 2020.

In March 2021, the YMCA entered into a lease with Jefferson County Industrial Development Agency (JCIDA). JCIDA is a recipient of a federal grant through the U.S. Department of Defense which will be used to improve, construct, and develop property for use by the YMCA. In order to comply with the terms of the grant, JCIDA will retain ownership of the property and will lease the property to the YMCA for \$1 per year for thirty years with the option to purchase the property for \$1 at the end of the lease. The YMCA is required to pay JCIDA an additional rental payment of \$500,000 upon the satisfaction of the contingencies as set forth in the lease agreement.

16. LEASE OBLIGATIONS (Continued)

Obligations under non-cancellable operating leases are as follows for the years ending December 31:

2022	\$	45,680
2023		45,916
2024		40,794
2025		37,520
2026		32,750
Thereafter		<u>219,887</u>
	\$	<u>422,547</u>

17. COMMITMENTS

Affiliation Agreement

In accordance with its affiliation agreement, the YMCA is required to pay an annual assessment to the YMCA of the USA. This assessment is based on the YMCA's annual revenue, less certain excludable items. The expense associated with this agreement was approximately \$54,000 and \$44,000 for the years ended December 31, 2021 and 2020, respectively.

Unemployment Insurance

The YMCA is self-insured for New York State unemployment insurance purposes. Under this method, the YMCA is liable to New York State for payments of amounts equal to the benefits paid to its claimants. No accrual has been made for future obligations that might arise under this arrangement due to the underlying uncertainties. At December 31, 2021 and 2020, the YMCA has recorded \$0 and \$74,531 of prepaid expenses and other assets on the statement of financial position that will be used to offset future expense as a result of the CARES Act.

18. EMPLOYEE RETENTION CREDIT CONTINGENCY

The CARES Act included provisions for qualified employers to receive an Employee Retention Credit (ERC), which is a refundable payroll tax credit. The ERC encouraged businesses impacted by COVID-19 to keep employees on their payroll during the pandemic to avoid further economic hardship for individuals. The YMCA claimed a credit of \$482,169 which is included in employee retention credit receivable on the statement of financial position at December 31, 2021 and in support and revenue on the statement of activities for the year ended December 31, 2021.

19. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 17, 2022, which is the date the financial statements were issued.